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*131 Cong Rec S 14128*

**REFERENCE:** Vol. 131 No. 144

**MESSAGE:** The TEXT of this document exceeds 5,000 lines.

**TITLE:** AGRICULTURE, FOOD, TRADE AND CONSERVATION ACT OF 1985

**SPEAKER:** Mr. ABDNOR; Mr. ANDREWS; Mr. BYRD; Mr. COCHRAN; Mr. DIXON; Mr. DOLE; Mr. DURENBERGER; Mr. GLENN; Mr. GORE; Mr. GRASSLEY; Mr. HARKIN; Mr. HART; Mr. HATCH; Mr. HEINZ; Mr. HELMS; Mrs. KASSEBAUM; Mr. KERRY; Mr. MATSUNAGA; Mr. MATTINGLY; Mr. McCLURE; Mr. McCONNELL; Mr. MELCHER; Mr. METZENBAUM; Mr. PRESSLER; Mr. PROXMIRE; Mr. SIMPSON; Mr. STAFFORD; Mr. SYMMS; Mr. ZORINSKY

**TEXT:** Mr. HELMS. Mr. President, I move that the Senate now proceed to the consideration of the farm bill, S. 1714.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from North Carolina.

The motion was agreed to.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 1714) to expand export markets for United States agricultural commodities, provide price and income protection for farmers, assure consumers an abundance of food and fiber at reasonable prices, continue food assistance to low-income households, and for other purposes.

The Senate proceeded to consider the bill, which was reported from the Committee on Agriculture, Nutrition, and Forestry.

Mr. HELMS. Mr. President, this legislation provides for the authorization, with modifications, for virtually all of the farm commodity programs and activities of the U.S. Department of Agriculture. In addition, the legislation reauthorizes the Food Stamp Program and various research and extension programs of the USDA.

Because the food and agriculture section is the largest single component of the U.S. economy, comprising about 20 percent of the gross national product, this bill will have a direct impact upon every American. And, because the United

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States is the world's largest exporter of agricultural commodities and products, the decisions Congress makes on this bill will have global impact. It is not an exaggeration to say that this legislation will have more impact on food and agriculture policy worldwide than any action taken by any government anywhere for the rest of this decade and probably the rest of this century.

Mr. President, I regret it is not possible for me to say that this particular farm bill will prove positive and helpful to farmers, consumers, and taxpayers, certainly not as it now stands. Indeed, in the opinion of this Senator, this bill has several major flaws that result in it not being sound farm policy. Very frankly, it offers little hope for recovery in the U.S. agricultural economy. In addition, it is unnecessarily costly, exceeding the budget resolution assumptions for Farm Commodity Program spending by \$8.9 billion over 3 years by the calculation of the Congressional Budget Office and by more than \$19 billion by what is recognized as the more accurate calculation of the U.S. Department of Agriculture. These immense and unnecessary cost overruns will have a negative impact on every American, and upon heavily indebted farmers in particular. For these reasons, with all due respect to those who disagree with me -- and I do respect them -- it is my intention -- and I think the intention of other Senators as well -- to offer corrective amendments at the appropriate time.

I will get to my specific intentions in that regard a little later. But first let me say that despite what I regard as serious flaws, this bill does have much to commend it to the Senate.

The Senate Committee on Agriculture, Nutrition, and Forestry put extraordinary effort into this farm bill, spending almost 4 months in markup, plus more than 3 months in hearings and other preliminary efforts. There is no member of the committee who has not contributed significantly to this bill. It is a tightly drawn and carefully constructed document that makes many improvements in current law in a number of ways.

In addition to providing for farm commodity programs, the bill reauthorizes and improves the Food Stamp Program and other feeding programs. It has a strong and effective trade title, with a number of new policy instruments for the Secretary of Agriculture to use to expand U.S. agricultural exports and to improve our foreign food assistance programs. The conservation title is strong and effective. Indeed, the conservation title makes this bill the most far-reaching piece of environmental legislation likely to be considered by the 99th Congress.

Mr. President, I shall take a few minutes to describe in the briefest way the principal features of this legislation. In addition, I shall include at the end of my remarks a detailed summary of major provisions of the bill.

Senators who wish further information about what is in the bill, or the committee's intentions and rationale for including specific provisions, or background data on the agricultural sector, may refer to the committee report on the bill, Report No. 99-145. I thank the staff of the Agriculture Committee for the excellence of their work on the report, and commend it to anyone who has an interest in agricultural policy.

For the moment, I shall pull a few threads from the fabric of what is in this farm bill, and conclude with a detailed critique of the legislation.

#### AGRICULTURAL EXPORTS

This title recognizes that U.S. farmers must export to prosper, it expands and extends instruments of export policy, with the specific intention of encouraging agricultural exports generally, of combating the predatory practices of our competitors in overseas markets, and in reforming and expanding the food assistance America extends to other nations.

First, the bill expands the Intermediate Credit Program and authorizes the guarantee of loans in the amount of \$1 billion annually for periods of 3 to 10 years. The bill also requires the Commodity Credit Corporation to make available short-term export credit guarantees in the amount of at least \$5 billion annually for 4 years.

Second, to combat predatory practices of foreign competitors, the bill requires the Secretary of Agriculture to use at

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least \$325 million annually for 3 years to directly assist in the export of U.S. commodities adversely affected by the price or credit subsidies or unfair marketing arrangements used by other countries. And, to add to the U.S. arsenal, the Secretary is required to sell for export at least 150,000 tons of CCC-owned dairy products annually for 3 years. Finally, the bill requires the Secretary to use at least \$2 billion of CCC-owned commodities to enhance and encourage export sales of U.S. agricultural commodities during fiscal years 1986 through 1988.

To further assure that the United States gets the "biggest bang for the buck" in encouraging export sales, the bill exempts all export enhancement programs, except Public Law 480 programs, from cargo preference requirements.

And, the committee bill makes a fundamental reform in U.S. foreign food assistance by requiring that foreign payments for commodities provided on concessional terms under title I of Public Law 480 be paid partially in local currencies that are then to be made available for loans to finance private enterprise investment within developing countries. And, the bill authorizes the President to donate up to 500,000 tons annually of CCC commodities under a new Food and Process Program to promote private free enterprise policy and development in recipient countries.

The title II Donation Program under Public Law 480 is expanded by increasing the minimum to be distributed purposes from 1.7 to 1.9 million metric tons per year for 2 years, plus other reforms to permit easier distribution of such concessional sales. On top of all that, the bill broadens the authority of the Secretary to distribute under section 416 of the Agricultural Act of 1949 all agricultural commodities acquired by the CCC. At present, the Secretary is authorized to donate to foreign people only wheat and dairy products. Under this bill, he can give them honey, corn, sorghum, barley, rice, soybeans, and all the rest.

Finally, the export title is capped off by requiring the President to designate a special assistant for agricultural trade and aid to assist and advise the President on U.S. foreign food assistance and export programs.

#### DAIRY

Mr. President, the dairy title of the committee bill recognizes that the present Dairy Program is too costly and encourages a massive and unacceptable surplus production of milk. The Dairy Program established in the bill would allow production to adjust to the size of the actual market by providing that the Government purchase price will be adjusted in accordance with demand, as reflected in estimated net purchases of milk and milk products by the Commodity Credit Corporation. This would be predictable, long-term, and readily understandable so that dairymen can better make production decisions.

Specifically, the bill would maintain the present Government milk purchase price at \$11.60 per hundredweight through calendar year 1986. On January 1, 1987, the Government purchase price would be adjusted downward by 50 cents if the Secretary estimated surplus removals for 1987 would exceed 5 billion pounds milk equivalent. On January 1, of succeeding years, the Secretary would be required to drop the Government purchase price \$1 if purchase estimates exceed 10 billion pounds. The Secretary would be required to reduce the purchase price by 50 cents if Government purchase estimates were between 5 and 10 billion pounds. And, the Secretary would be authorized to raise the purchase price if estimates for Government purchases are 2 billion pounds or less.

In my judgment the committee bill is defective in that there is no sense or justification in waiting until January 1, 1987 for the purchase price to be reduced. There ought to be at least one 50-cent reduction in 1986. In fact, two such adjustments in 1986 are called for by the huge and unwarranted level of Government purchases at this time. The excessive Government purchase prices are inducing increased investment in the dairy industry -- cow numbers are increasing -- at a time when the Government surpluses have never been higher. This situation is so incredible, that, as the distinguished majority leader has often said, even the cows are laughing. But the taxpayers aren't laughing. They are being taken to the cleaners.

#### WOOL AND MOHAIR

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Mr. President, this title of the committee bill extends the present Direct Payment Program for producers of wool and mohair, continuing the support price level at 77.5 percent of an amount determined under the current statutory formula. This direct payment is too high in relation to the market price, but at least there is no massive surplus of wool in Government warehouses. Perhaps it is for that reason that the committee did not adjust the amount of subsidy paid to each wool producer for each pound of wool.

However, as there are presently a relatively small number of wool producers receiving incredibly large payments, the committee decided to establish a payment limit of \$50,000 per individual producer in 1986 and subsequent years. No doubt this will upset the fellow in California who received \$564,000 last year, and the 323 others who received amounts between \$50,000 and \$200,000. But it will have no impact on the approximately 95,000 other producers who received between \$1 and \$50,000. I should note that only 569 wool producers would be affected if payments were limited to \$25,000 -- the median average annual income for American families.

#### WHEAT, FEED GRAINS, COTTON, AND RICE

Mr. President, wheat, feed grains, cotton, and rice are what we call the principal program commodities. For each of these crops the committee bill establishes a somewhat complex panoply of price support programs which have three principal features: First, nonrecourse commodity loans -- which means loans the farmers have the entitlement to pay back -- it is the Government that has no recourse in this matter -- by forfeiting the commodity to the Government; second, target prices and deficiency payments -- which means direct subsidy income transfers paid to farmers on the basis of how many bushels, pounds, or hundredweights each produces; and third, production controls designed to reduce the number of acres a farmer may use to grow a particular program crop.

The purpose of these programs is to provide a measure of stability in the agricultural sector, thereby increasing the opportunity for farmers to derive fair and reasonable profits from the marketplace. In short, the aim of Federal farm programs is to introduce elements of predictability into the inherently unpredictable business of farming. It is my assessment that these programs fail miserably, because they have become so excessive as to operate in perverse and counterproductive ways. But more about that later.

The committee bill is quite detailed in these matters and I refer those interested to the summary of major provisions for a precise listing of every provision. The highlights are these:

#### WHEAT

For the 1986 crops the loan rate is established at \$3 per bushel; thereafter it is set at between 75 and 85 percent of the average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years. But, the loan rate may not be reduced more than 5 percent in any one year.

The Secretary is authorized to reduce further the loan rates by not more than 20 percent if the average market price in the previous marketing year is not more than 110 percent of the loan rate for that year. This is often called the Findley provision.

The committee bill provides for the establishment of marketing quotas for wheat if approved by producers in a referendum. The committee bill requires a referendum to be conducted if 50 percent of wheat farmers request it in a poll to be conducted by April 1986. If 60 percent of the producers approve of marketing quotas in the referendum -- to be conducted by August 1, 1986 -- marketing quotas would be in effect for the 1987 through 1989 crops. If marketing quotas are in effect, the loan rate for wheat would be the higher of 75 percent of the national average cost of production or \$3.55 per bushel. Target prices, if marketing quotas are in effect, would be the higher of the national average cost of production or \$4.65 per bushel.

A so-called marketing loan is required for wheat. Under this provision, the Secretary is required to permit the repayment of nonrecourse loans at the lower of either the original loan rate or the higher of one of three other measures:

First, 70 percent of the original loan rate; second, if the loan level is reduced using the so-called Findley provision, 70 percent of the loan rate that would have been in effect but for such a reduction; or third, the prevailing world market price.

The establishment of the basic loan rate on a formula that is below market clearing levels is commendable, and constitutes a significant reform in Federal farm policy. The limitation of any adjustment to no more than 5 percent per year is not a good idea, as it will simply lengthen the time it will take for the United States to become price competitive again. But, still, putting the loan rate on a market oriented formula will make this bill historic, and is sufficient in and of itself to cause this bill to be regarded as a major reform bill.

If the Secretary is actually able to use the so-called Findley provision, the bill will be much improved. However, the target prices are so high that it is not likely that the administration will ever permit the use of this provision to help U.S. crops become more competitive. Because the subsidies are paid on the spread between the higher of the loan rate or the market price and the target price, the budget exposure would simply be too great to expect the employment of this additional instrument in the Secretary's Nonrecourse Loan Program authority.

Target price subsidies -- called deficiency payments -- are required to be made for eligible production using the same formula as under current law. However, one important reform -- at least as far as in limiting the impact of the tremendous incentive to produce surplus crops just to get a subsidy payment -- is that producers would not be required to plant more than 50 percent of their acreage base in order to qualify for these payments on all of their acreage they are permitted to plant.

For wheat, the payments per bushel are increased from the present level of \$4.38 per bushel for all production to \$4.55 per bushel for the first 20,000 bushels -- only 15 percent of the farmers produce more than this -- and \$4.00 per bushel for all the rest. This has the effect of increasing the average payment per bushel to \$4.50. Target prices are then frozen in this way for 4 years.

Production controls are authorized in the form of acreage limitations on set-asides with a maximum limitation of 20 percent of the wheat acreage base. Haying and grazing in 1986 and grazing for the life of the bill is authorized on the acreage required to be devoted to conservation uses, and would be permitted at the option of a State ASC committee. And, the bill authorizes paid land diversions.

Because of possible market price movement below loan levels from the use of the marketing loan, increased producer participation in the farm commodity programs is expected. Increased participation will increase outlays associated with disbursing commodity loans and deficiency payments. The committee bill provides two new payments to induce producers to forgo use of the Nonrecourse Loan Program or to forgo both the use of the Loan Program and the receipt of deficiency payments but to comply with 50 percent of any Acreage Reduction Program. In both cases, the Secretary would be authorized to make payments -- in the second situation they would be payments-in-kind subject to availability of the commodities -- in amounts equal to the amount by which the original loan rate exceeds the level at which the loan may be repaid multiplied by the amount of wheat the producer is otherwise eligible to place under loan.

#### FEED GRAINS

The same programs as for wheat are provided for feed grains, except that there is no authority for marketing quotas for feed grains. The corn loan rate is established at not less than \$2.40 per bushel for 1986. For succeeding years the same formula and limitations would be used as those for wheat.

The deficiency payments would use the same formula as current law, except that producers would not be required to plant more than 50 percent of their base in order to qualify for such payments. The target price for corn is set, and frozen for 4 years, at \$3.03 per bushel.

The production control programs would be limited to a maximum of 15 percent of a farmer's acreage base.

## COTTON

The committee bill requires the Secretary to make available nonrecourse loans for a term of 10 months for upland cotton. For the 1986 crop, the loan level would not be less than 55 cents per pound. For succeeding years, the loan level would be the higher of: First, 85 percent of the average spot market price during the 3 years of the previous 5-year period, with the high and low years excluded; or second, 50 cents per pound. The loan level may not be reduced by more than 5 percent per year. I believe that the 50 cents minimum loan level may prove to be too high. If this occurs, cotton production worldwide will increase, to the detriment of U.S. cotton producers.

A modified marketing loan is provided for as the Secretary is required to permit repayment of loans by producers at the lower of the original loan rate or at the prevailing world market price, with certain limitations that reduce the Government's exposure to no more than 20 percent of the original loan rate.

As in the wheat and feed grains, titles the Secretary may make payments to producers who agree to forgo obtaining loans and to producers who forgo obtaining loans and receiving deficiency payments.

Target prices are established at 81 cents per pound, and are frozen at that level for 4 years. As in wheat and feed grains, producers are not required to plant more than 50 percent of their acreage base in order to qualify for such payments. I have visited with scores of cotton farmers in recent months. Not a single one has failed to mention that the cotton target price is far too high. Sound agriculture policy demands it be reduced, but more about that later.

Both acreage limitations and set-aside production controls are authorized, with maximum limitation of 20 percent. Land diversion payments are also authorized.

## RICE

The loan rate for rice is established at not less than \$7.20 per hundredweight for the 1986 crop. The adjustment in subsequent years would be on the same basis as for cotton, but the minimum loan level is established at \$6.50, with no more than a 5 percent per year reduction permitted.

A modified marketing loan is required, with the loan repayment level at 70 percent of the loan rate or the prevailing world market price, whichever is higher.

As in the other program commodities, the Secretary is authorized to make payments to producers who agree to forgo obtaining loans in return for such payments and to producers who forgo both obtaining loans and receiving deficiency payments.

Deficiency payments are established at \$11.90 per hundredweight and are frozen at that level for 4 years. Producers would not be required to plant more than 50 percent of their base in order to qualify for such payments.

Production controls, acreage limitations and set-asides, have a maximum limitation of 35 percent of the rice acreage base.

## MISCELLANEOUS PROVISIONS

Mr. President, in addition to the several program instruments already described for each of the program commodities, there are a number of other features of farm programs which apply to all crops, generally.

The bill maintains the present \$50,000 payment limit and the \$100,000 disaster payment limit. Of course, there are many exclusions and loopholes in this, and I hope the Senate will tighten this provision up. In fact, I see little justification for a payment that is double the median average annual income for American families, particularly when it is clear that farmers, as a class, have greater wealth and incomes than other Americans. But, again, more about that later.

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In addition there are a number of other miscellaneous provisions that are similar to provisions contained in previous farm bills. These include authority to make advance deficiency payments, restrictions on the resale of Government commodities, and authority to require producers not to exceed their normally planted acreage if a set-aside is in effect.

And, the bill requires the establishment of beef and pork promotion programs financed by assessments on producers.

#### SOYBEANS

The committee bill continues the current Soybean Program with a loan level equal to 75 percent of the average price received by farmers during the preceding 5 years, excluding the high and low years, except that it may not be less than \$5.02 per bushel.

Further, the bill prohibits acreage control programs being applied to soybeans.

Mr. President, the Soybean Program is the model of what a farm program should be. There are no target prices, and no massive inducements for surplus production. If every commodity program had been structured on the soybean model, there is no question that agriculture in America would be much stronger today. Our foreign competitors would be virtually nonexistent. We would still be in the golden era of the late 1970's as far as commodity prices and export markets. The committee is very wise indeed not to have tampered with the Soybean Program.

#### PEANUTS

The committee bill continues the current Peanut Program with certain modifications to make the program more accessible to farmers who wish to produce peanuts. The national poundage quota is continued at a minimum of 1.1 million tons annually, and can be increased annually by an amount the Secretary estimates that domestic uses of peanuts would exceed the quota. The two-tier system of "quota" and "additional" peanuts is continued. The Peanut Program operates without payments and subsidies to producers, and has virtually no cost to the taxpayers.

#### SUGAR

The committee bill continues the current program with a price support loan level of 18 cents per pound. The Secretary may make annual adjustments in the support prices based on changes during the 2 immediately preceding crop years.

#### HONEY

The committee bill sets the 1986 loan level at not less than 65.3 cents per pound. For the 1987 and subsequent crop years, the loan would be the higher of 85 percent of the average price received by farmers during the 5 preceding years, excluding the high and low years, or 50 cents per pound. The loan level could not be reduced by more than 5 percent in any one year.

As in the other nonrecourse loan programs, the bill allows the Secretary to permit the repayment of loans at levels less than the amount extended to the producer if the Secretary determines that such lesser payment is desirable. And, the Secretary may make payments to producers who agree to forgo obtaining nonrecourse loans in the first place.

#### FOOD ASSISTANCE RESERVE

The committee bill repeals present authority for the farmer-owned reserve for wheat and feed grains, the food security wheat reserve, and other reserves. In place of these, the Secretary is authorized to establish a food assistance reserve of up to 500 million bushels of wheat and feed grains for humanitarian purposes.

#### CONSERVATION

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Mr. President, the conservation title is one of the most significant and important features of this farm bill. It provides that no Federal subsidies will be paid to farmers who employ unsound conservation practices generally, and specifically includes sodbuster, swampbuster, and cross-compliance provisions that prohibit eligibility for farm programs for those farmers who produce crops on highly erodible land or converted wetland.

In addition, this title establishes a Conservation Acreage Reserve Program of between 25 and 30 million acres of erosion-prone land. At least 10 million acres must go into the reserve in the 1986 crop-year, another 10 million acres in 1987, and an additional 5 million acres by the close of crop-year 1989. The Secretary is provided authority to enter into long-term contracts with producers for 7 through 15 years to make payments to put erosion-prone cropland into the reserve and convert it to less intensive uses.

One of the great tragedies of the massive subsidies paid to farmers on the basis of the maximum number of bushels, pounds, and hundredweights they can manage to produce has been the abuse of the Nation's soil and water resources. While this bill generally continues these current subsidies, these conservation provisions at least provide that the damage done by the farm programs to the soil and water resources will be greatly diminished. I commend the committee for adopting all of the proposals I recommended in this regard.

#### RESEARCH

Mr. President, this bill extends the current agricultural research, teaching, and extension programs. It authorizes the Secretary to enter into cooperative agreements with private agencies, organizations, and individuals on a cost-sharing or cost-reimbursement basis for the development of new agricultural technology, and makes USDA the lead agency for promoting and managing the appropriate development and regulation of biotechnology in agriculture.

#### CREDIT

The committee bill consolidates the Farmers Home Administration farm ownership and farm operating loan programs into one leading program with an authorization of \$4 billion annually for fiscal years 1986 through 1988, apportioned as follows: fiscal year 1986 -- \$2 billion for direct loans, \$2 billion for loan guarantees; fiscal year 1987 -- \$1.5 billion for direct loans, \$2.5 billion for loan guarantees; fiscal year 1988 -- \$1 billion for direct loans, \$3 billion for guarantees.

In addition, the committee bill requires the Secretary to establish a 3-year interest rate buydown for FmHA-guaranteed-loans, funded at a level of \$490 million over 3 years. Eligible guaranteed loan borrowers can receive up to a 2-percent buydown.

Also, the committee encouraged participation in the Federal Crop Insurance Program by restricting access to the Emergency Disaster Loan Program to eligible producers who have suffered physical losses and eligible producers who do not have access to Federal crop insurance.

#### FOOD STAMPS

The Food Stamp Program is reauthorized for 4 years. The committee made the following changes in the food stamp and commodity distribution statutes:

Each State would be required, for the first time, to set up an employment and training program for able-bodied food stamp recipients. States would be provided flexibility to design their own programs, including the number of work-related options -- workfare, job training, job finding clubs, and so forth -- to provide that an increasing percentage of recipients are involved in such work-related activities. This provision would ultimately require that 45 percent of able-bodied recipients participate in such programs.

State and local governments would be prohibited from charging sales taxes on food stamp purchases. Elimination

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of this practice will increase the purchasing power of food stamp recipients in States that currently have State or local sales taxes on food stamp purchases and eliminate the indirect Federal subsidies to those governments currently taking place through the Food Stamp Program.

States would be given greater incentives for reducing over issuance errors in the Food Stamp Program by the imposition of a strengthened sanctions system for such errors. States that fail to reduce errors below 5 percent would be required to reimburse the Federal Government for an increasing percentage of such errors.

Recipients of energy assistance payments would not be allowed to claim the portion of their energy bills paid by such payments in calculating eligibility for the excess shelter cost deductions.

Income from programs under the Job Training Partnership Act would be counted as income for food stamp purposes, thereby improving compatibility with the AFDC Program.

The committee also continued the Temporary Emergency Food Assistance Program, which provides surplus commodities to low-income Americans, for 2 years. Beginning in January 1986, the Federal Government will require matching of administrative costs by the States on a dollar-by-dollar basis, up to a maximum of \$50 million Federal costs. For the past 2 years, the Federal Government has not required that a State match the \$50 million of Federal funds used to pay State and local commodity distribution costs.

These program reforms are significant, and I commend the committee for adopting them. However, in at least two areas of the Food Stamp Program, the committee approved bill is deficient, and I shall attempt to modify it at the appropriate time.

First, there are 17 States that have indicated an interest in considering an optional block grant for food assistance programs for the needy. The welfare lobby in Washington wants to keep the focus and control of the program centralized so they can better manipulate it to suit their own purposes. I happen to believe that the poor and hungry can often be better assisted by programs that have diversity, flexibility, and the opportunity for innovation and enterprise. I hope the Senate will agree and join me in permitting an optional block grant to the States for this purpose.

Also, there is now no incentive for States to manage the program in a fiscally responsible way. It is estimated by USDA that about 10 percent of the total food stamp budget is erroneously distributed to people who are not eligible. Of course, this simply makes limited Federal resources achieve less good for those most truly in need. I believe the committee food stamp provisions should be modified to provide for error rate sanctions for those States that do not meet the same standards in the Food Stamp Program that they must meet for other welfare programs such as AFDC. If they can meet it for AFDC, they can meet it for food stamps. This amendment would not reduce benefits by one dime to those Congress intends to be eligible and it will require the States to be more fiscally responsible.

#### ANALYSIS OF THE BILL AND CHANGES NEEDED

Mr. President, at the outset of deliberations on the 1985 farm bill, I urged the Committee on Agriculture, Nutrition, and Forestry to report a bill that would correct the mistakes in current farm policy and set our sights toward bringing about recovery in the agricultural economy.

It is with regret and no satisfaction that I felt obliged to go on record as the first chairman of the Senate Agriculture Committee to vote against a farm bill. The bill reported by the committee is not sound farm policy and offers no hope for recovery in the U.S. agricultural sector. Moreover, the bill exceeds the budget resolution by \$8.9 billion, by the calculation of the Congressional Budget Office -- and by what is recognized as a more accurate estimate by the USDA of \$19.1 billion. Obviously this bill is totally unsatisfactory to anyone believing, as I do, that Congress has a duty to restore fiscal sanity to the cost of operating the Federal Government.

While my greatest objection is: First, the failure of the policy instruments; and second, the counterproductive

impact they will have on the agricultural sector, it will be perilous to the Nation if we ignore the damage that will be done to the entire economy if the Senate does not agree to make this farm bill conform to this budget resolution.

What will happen to the entire budget process if every committee were to exceed the budget by such enormous amounts? What will happen to the general economy if Federal deficits are permitted to grow by these incredible amounts?

Less than 20 percent of the \$54 billion in benefits and subsidies provided in this farm bill are directed to farmers who are experiencing financial distress. Yet, it is the relatively high degree of financial distress that is the only justification offered by the proponents of these tremendous outlays for farm subsidies. With all due respect, such justification falls into the category of false pretense.

My point is this: The Senate can, and should adopt a farm bill that is sound farm policy, one that does conform to the budget resolution. It is my hope that Senators will consider carefully amendments that I and others will offer to correct the mistakes in this bill. If efforts to reform the failed policies of the past, and to conform the bill to the budget resolution, are successful, the recovery that is so desperately needed by farmers can get underway. If we fail to do our duty, and if the 1985 farm bill ends up continuing the mistakes of the past, the farm economy is certain to continue a downward spiral.

#### FAILURES OF THE PAST AND PRESENT

Past and present U.S. agricultural policies have contributed markedly to a downward spiral in the farm economy. In the period from 1981 to 1984, real net farm income declined 27 percent from the previous 4-year period, while direct Government payments increased over 350 percent. At the time the 1981 farm bill was enacted, it was estimated to have a 4-year cost of \$11 billion. In fact, outlays under that act will have exceeded \$63 billion, almost 600 percent more than projected.

These massive increases in Federal outlays for agriculture over the past 4 years have demonstrated that the answer to the farm problem isn't more and more Government spending distributed indiscriminately. Indeed, the immense spending increases are directly responsible for the massive surpluses that have resulted in the diminished ability of farmers to earn profits in the marketplace.

Why have farm programs proven counterproductive? The answer to that is simple: The price supports are greater than the market value of the crops. But the subsidies aren't paid on the basis of a farmer's demonstrable need or financial stress. The subsidies are paid on the units of production -- by the bushel, pound, or hundredweight. The more of a particular crop a farmer produces, the greater his total subsidy. By definition, this means that the greatest benefits and subsidies go to the largest farmers, which also by definition, means those farmers who need help the least.

Because Congress requires the Government, in effect, to purchase everything a participating farmer produces at the loan rate level, there is compelling inducement for farmers to collect the subsidies offered. For example, USDA estimates that the current market price for wheat is about \$2.80. The loan rate is \$3.30 -- \$3 in this bill. In addition, direct subsidy payments, known as deficiency payments are paid in the same way. The target price is \$4.38 -- \$4.55 for 80 to 85 percent of the production and \$4 for the rest in this bill. There are similar programs for feed grains, cotton, and rice. The intention is to try to create a price floor in the marketplace for these commodities, plus an income support for the producers of these commodities. But the effect is just the opposite. Here's why.

The U.S. agricultural production system is geared to produce for the export market. More than 40 percent of everything American farmers produce must be sold in export markets, and the United States now controls about 50 percent of all world trade in agriculture. Many fail to consider that foreign farmers operate under the protection of the U.S. price support programs, because our Government will purchase from our farmers anything they produce but cannot sell. Foreign farmers are keenly aware that if they just undercut at the margin the price at which the U.S. Government will take commodities off the market, there go our markets -- and 50 percent of the world trade is a very large market

for them to target.

And that is just what our competitors have been doing. Price supports established above market clearing levels have stimulated production here and abroad, creating competition for American farmers that they would not otherwise have confronted. After rising from 40 percent to 60 percent of world trade during the 1970's, U.S. agricultural exports have fallen to the present level of about 50 percent. The cumulative loss in U.S. grain exports over the past 5 years totals nearly 100 million tons, roughly equivalent to losing one full year of grain exports.

Unmarketable U.S. surpluses, stored under the price support programs, overhang the markets and further depress prices farmers receive in the marketplace. This results in all kinds of dislocations, such as declining land values and increases in production of other crops and livestock. When the surpluses become so great that there is literally no more physical storage space -- as was the case in the autumn of 1982, and as is predicted to be the case after the record 1985 crops are harvested -- policymakers are then forced by circumstance to turn to efforts to restrict production. The largest acreage reduction program in the history of the world [PIK] was implemented in 1983 for precisely this reason. Over the past 4 years, more than 125 million acres have been idled through Government supply control programs. This has caused tremendous loss of income to farmers and everyone else in the farm economy. And yet, total world production and trade have increased, while the U.S. share has declined. Foreign farmers see the United States reduce acreage, and promptly expand theirs. In 1983, when the United States removed 80 million acres in the PIK Program, total world acreage actually increased by 13 percent.

Policies that induce more and more production in the face of massive surpluses, for which there is no ready market, put U.S. agriculture in a position like that of a dog chasing its own tail. Loan rates and target prices above market levels stimulate production and help turn U.S. markets over to foreign producers. Surpluses accumulate and put downward pressure on prices. Land values fall as farm units have trouble producing positive cash flows. Farmers who had not previously participated in these entitlement programs feel compelled to sign up, meaning ever greater Government costs and ever greater inducements to excessive production.

Calls then come forth for further production controls and even higher price supports in an effort to support the very farm income that was driven downward by subsidies that were too high to begin with. These actions, when taken, induce even greater surpluses and result in pressure for starting the cycle all over again.

The most startling aspect of all this is that the small- to medium-sized family farmers are the ones most adversely impacted by this bizarre scenario. The larger farms are generally those whose variable costs of production are the least. They have traditionally had access to the greatest amounts of capital and technology, and can most readily adapt to changing conditions. Because the larger farmers' costs of production are generally lower, they find the price supports to be much more generous than do those farmers who are smaller and whose costs of production are generally higher. Those farmers at the lower end of the cost-of-production curve simply apply the relatively lucrative price support payments and protections to purchasing more and more inputs and technology. In this way they attempt to increase their net income by producing and selling more and more bushels, pounds, and hundredweights -- for which they receive ever more subsidies and payments. Those who are at the higher end of the cost-of-production curve then find that the surpluses thus created have driven the prices they receive in the marketplace even lower.

What an anomaly. The most vocal advocates of the family farmer then call for increased price supports, thus creating and exacerbating this particularly perverse cycle all over again.

#### FARM SUBSIDIES ARE TARGETED BACKWARDS: TO THE LARGE AND WEALTHY

It needs to be understood that only about 30 percent of the value of U.S. production is covered by farm programs. There are no subsidies or price supports for livestock or for perishable commodities such as fruit and vegetables and other specialty crops. So, the loan rate and target price programs can't begin to address the problem of income support for the farm sector. The income support functions of the 1985 farm bill will never help farmers who produce 70 percent

of our agricultural output.

And, how about the 30 percent of the value of production that is covered? Surely, one would expect that the \$65 billion we are talking about spending over the next 4 years in this bill will go to assist farmers experiencing financial stress. Don't count on it. Exactly the opposite will be the case.

You see, these programs operate as nonmeans tested entitlements -- paid to farmers, not on the basis of financial condition but on the basis of bushels, pounds, and hundredweights. These units of production are inanimate objects that cannot experience financial stress. Only farm businesses can experience financial difficulty. Financial difficulty for a farming business can be gauged by changes in its asset values, debt commitments, and farm cash income; that is, on the basis of its equity and its cash flow. The most recent data available on this subject is contained in a report issued in July 1985 by the Department of Agriculture entitled "Financial Characteristics of U.S. Farms, January 1985," and is included as an appendix to the committee's report on the bill.

The bottom line? It's this: There is enormous relative wealth in the U.S. agricultural industry. The average net equity for farming operations with gross sales greater than \$250,000 was \$904,446 on January 1, 1985. The average net equity for all farming operations with gross sales between \$100,000 and \$250,000 was \$429,891 on January 1. And, the statistics for farms with gross sales between \$20,000 and \$100,000 was \$246,220. This compares to the net equity of the average American family of about \$92,000.

What's more, farmers as a class, have net annual incomes that often greatly exceed that of the average American family. Average annual income for American families is about \$24,800 per year. The average net income for farm families with farming operations grossing more than \$250,000 was \$96,889 in 1984. Average net income for the \$100,000 to \$250,000 gross sales farm was \$36,273. The same figures for those farming operations with gross sales between \$20,000 and \$100,000 was \$17,602. Of course, there are many farmers in these different sales categories whose incomes were less than these average amounts. But, as in any averaging of statistics, for every farm family that had income less than the amounts indicated here, there was a farm family that had net income greater than these amounts. Farm programs provide their benefits, by definition to the larger farmers, and therefore, definition, to the most wealthy farmers.

The most substantial part of the equity base of American farms is land. Farmland prices peaked in 1981 after three decades of uninterrupted increases. By April 1984, farmland prices had dropped 8 percent nationwide, and by as much as 28 percent in parts of the Corn Belt and upper Midwest. Land values will probably continue to decline further in 1985 -- and will surely do so if present farm policies continue to induce massive surpluses constantly driving prices lower and lower. Many farmers who purchased land or started farming in the late 1970's now have debts exceeding the value of their assets. But the fact remains that even with depressed land values and correspondingly reduced equities, American farm families -- on the average -- have net worth equity positions and net annual incomes which greatly exceed that of the average American family.

However, this relative wealth says nothing about debt to asset ratios, and that is where most farmers who are experiencing financial stress are most severely impacted. USDA estimates that by the end of 1985, 4.6 percent of all U.S. farms will be technically insolvent, with debt/asset ratios exceeding 100 percent. Another 2.6 percent are projected to be in the very highly leveraged category, with debt/asset ratios between 70 and 100 percent. Another 19.5 percent are expected to be in the highly leveraged category, with debt/asset ratios between 40 percent and 70 percent.

The remaining 71.9 percent of American farmers are not experiencing -- nor are they expected to experience -- financial difficulty in 1985. And, it is important to note, not all of the farms in the highly and very highly leveraged categories are under serious financial stress. Farms with less than \$50,000 in sales obtain much of their income from off-farm sources, and often serve as tax shelters for the very wealthy. Very large farms with over \$500,000 in sales tend to be highly industrialized specialty operations and typically operate with high debt/asset ratios. Most of these farms have positive cash flows.

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However, there is a very real, and often livelihood threatening, financial difficulty for a relatively large number of farmers. The American people have great sympathy for the problems these families face, and surely intend that those who can be helped should be. At current rates of interest and levels of net returns in farming, farms with debt/asset ratios over 40 percent are likely experiencing cash shortfalls. Many will not be successful in keeping their businesses, and that is very sad and unfortunate, indeed.

This is especially unfortunate when it is understood that the cash-flow problems that are creating these wrenching problems are directly attributable to the massive surpluses induced into production by price support subsidies that are paid to all eligible farmers, and in greatest measure to the largest farmers with the highest equities and incomes and the least degree of financial stress. Just as appalling is the degree to which global competition is created under the protection that foreign farmers -- such as those in Canada, Australia, Europe, and Argentina -- receive from United States loan rates established by law above market clearing levels.

The point is this: The immensely costly provisions of this farm bill have very little to do with helping farmers in distress. It is apparent that these instruments of policy have been mandated by Congress to operate in such a way as actually to contribute significantly to the very real distress that up to 30 percent of the farmers are facing. The farm price support programs indiscriminately spew their subsidies on 100 percent of eligible production, inducing surplus eligible production. This causes ever greater distress for the 20 to 30 percent of the farmers to whom the American people would cheerfully extend a helping hand. And this is what has caused the farm programs to soar in expense from \$11 billion to \$65 billion over four years.

Indeed, by mandating programs which make it possible for farmers to forfeit unlimited amounts of eligible commodities to the Federal Government, and by insisting that target price deficiency payments must be made to producers based on the maximum amount a farmer can possibly and conceivably produce, this bill is certain to continue the same counterproductive and perverse conditions that have prevailed the past 4 years. And, in the process, it will cause the Federal deficits to soar, adding further to the economic distress of all Americans, but especially to debt-plagued farmers who will be burdened with enormously high interest rates. In short, if we want to douse the fire with gasoline, this farm bill is the way to do it.

The committee approved bill has certain provisions that allow farmers to receive deficiency payments without having to actually grow part of the crop, and to receive direct payments if they are willing to forego putting that which they do grow into the price support loan program. However, these are new and untested policy instruments. They may reduce some of the incentive to produce surpluses, but are even more likely to provide additional payments to farmers without any regard to their financial condition or need for assistance.

Unless properly modified, this farm bill will cause massive surpluses to continue to pile up in Government warehouses, and market prices will continue to decline. Storage will run out, and massive diversion schemes will be implemented. The hapless dog will chew its tail. This will drastically reduce farm income and devastate the agricultural support industries that make up so much of the rural American economy. Such acreage diversion schemes will encourage foreigners to put more acreage into production, and cause American farmers to more intensely cultivate their remaining acres. America will lose another 10 percent, or maybe 20 percent, or more of its export market share. Farm cash flow will deteriorate, and along with that land values will continue to fall. This means that ever greater numbers of farmers will find their operations in the highly leveraged category, and the entire equity base of rural America will be severely threatened. The once great American agricultural sector will lie in ruins, its comparative advantage transferred to the eagerly awaiting farmers in Argentina, Brazil, Europe, India, Canada, Australia, Thailand, and all the other countries which have taken away our export markets at the inducements in U.S. farm policy.

This scenario is very real, because this is precisely what is happening now. And, it is certain to continue to happen in just this way if this bill is not modified by the Senate.

HOW TO ACHIEVE SOUND POLICY

Correcting these counterproductive and destructive flaws in the committee reported bill is not at all impossible. Indeed, the changes required should not even be difficult. The basic instruments of farm policy are sound, and will work well if they are in a sensible relationship to actual market conditions.

#### LOAN RATES

The concept of nonrecourse loans has worked well as an effective and cost-efficient marketing tool for farmers. The committee bill recognizes the need for the loan rates to be established on a formula that allows the loan rate to adjust to changing market conditions.

There needs to be a limit on the amount of crop loans that one farmer is permitted to forfeit to the Government. The tremendous increase in the cost of the farm programs is a consequence of Congress requiring that any farmer may forfeit to the Government any amount of commodity he can conceivably produce. This is an entitlement for bushels, pounds, and bales that has become too costly and destructive to sound policy. It induces massive overproduction and removes any element of risk for the farmer-businessman. Putting a cap on the total amount of nonrecourse loans would still permit farmers to take out recourse loans that they would have to repay as any other loan. This reform would allow farmers to produce as much as they want, but the amounts above the nonrecourse loan cap would have to be marketed at their own risk.

#### TARGET PRICES

The target price deficiency payment system is a very orderly and effective procedure for transferring income from the nonfarm to the farm sector. It is far more desirable to support farm income, if that is what Congress intends, with direct payments than it is to try to do so by artificially setting loan rates above market clearing levels and by employing acreage diversion schemes to try to control production. As previously described, both of those tools used to support farm income are destructive to the purpose intended. That is why Congress established target prices.

However, if Congress intends to support farm income the obvious question is, Whose income, and how much? As previously described, the present system of determining who gets income support subsidies, and how much, ends up making immense payments to wealthy farmers, and invites everyone in the production stream to turn out ever greater surpluses, actually depressing market prices for every farmer -- and particularly for those small- to medium-sized family farms.

Because past and present policies mandated by Congress have created this chaos, and because so many farmers organized their businesses in a way that now makes them dependent upon receiving direct subsidies, no one has suggested that Congress now terminate the Deficiency Payment Program. However, this does not mean that Congress cannot modify the Target Price Program. Three modifications are necessary:

First, reduce the target price payment level. Freezing the target prices for 1986 at the 1985 level, and providing for their 5 percent across-the-board reduction in each year thereafter will provide massive income protection, yet will signal that over time this protection will diminish marginally. Target prices are simply too high. Congress did not intend them to be at the present levels in inflation adjusted terms when they were established at their present levels in the 1981 farm bill.

Second, reduce the amount of commodities for which one farmer could receive target price payment subsidies. As previously discussed, the target price levels are so high as to serve as massive inducements to surplus production, and operate as entitlements for income transfer payments to farmers without regard to their financial condition. Almost half of the entire cost of these subsidies benefit the largest 5 percent of the farmers. Limiting the amounts of commodities for which a particular farmer is entitled to these income transfer payments is an absolute necessity if these farm programs are to make any sense at all.

Third, remove gimmicks and loopholes that provide for higher payments and which encourage crafty schemes to

evade payment limits. The market price on which the target price deficiency payments are calculated should be made honest. Right now it is skewed to assure the calculation for the highest amount of subsidies. Also, many farm operations have come to violate the spirit of the \$50,000 payment limitation permitted to any one farmer by cleverly dividing up his operations into several "payee units." Reports abound of schemes by tax avoidance limited partnerships which craftily exploit the loopholes in the payment limitation provisions of the Target Price Program. This multibillion-dollar program is rife with abuse. It needs to be tightened up.

#### ACREAGE REDUCTION PROGRAMS

Schemes to limit production on an annual basis should be phased out, because they don't work. Acreage reduction programs, called ARP's in farm bill jargon, are the basis of eligibility for the panoply of farm programs. For this reason, their implementation can give the impression of reducing government costs, at least in theory. But they don't work that way in practice, particularly over a multiyear period.

#### WHEN ARP'S ARE IN EFFECT

Farmers simply more intensely cultivate their remaining acres, or put generally unproductive land into the ARP. However, when foreign producers read that the United States has an ARP in a particular year they are induced to plant more acreage, increasing world surpluses even more. Further, because ARP's require farmers not to use valuable assets of land and equipment, their implementation makes it less possible for farmers to earn their income from the marketplace, and actually reduces farm income. ARP's are a hoax on farmers and taxpayers alike.

The Conservation Reserve Program provided for in the committee bill will pay farmers more than \$4 billion to remove between 25 and 30 million fragile acres from production. And, the sod-buster and conservation cross compliance provisions in the bill make sure that there will be adequate and effective reduction of the least suitable acres.

For these reasons the Senate should modify the committee approved bill to phaseout authority for the Secretary to implement acreage reduction programs as an instrument of agricultural policy.

#### CONCLUSIONS

If these six modifications are made in the farm bill reported by the committee, the Senate will have assurance that it will be possible for a recovery to get underway in the U.S. agricultural economy. All of these proposals for modifications will improve the effectiveness of the farm programs, and more properly target the billions of dollars in benefits and subsidies to those farmers who are most likely to be in need of assistance. The thrust of these recommendations will be to remove the massive inducements for excessive surplus production now inherent in the extensive and complex weave of farm price support and subsidy programs.

Mr. President, the Senate Committee on Agriculture, Nutrition and Forestry put much effort into this farm bill, spending almost 4 months in markup. With the exceptions I have noted, this farm bill is generally excellent work that makes important reforms in a wide range of programs. The conservation title is outstanding. The export title will provide important new instruments to the Secretary of Agriculture in helping combat the predatory trading practices of some competitor nations, and make significant reforms in our foreign food assistance programs. The research title has a number of reforms and innovations that will improve the quality and delivery of agricultural research in the years ahead. Reforms in a number of the programs for commodities other than those already mentioned will make them more effective in meeting increasing global competition.

In other areas the committee adopted reforms, but simply did not go far enough to be effective or desirable. This is the case in dairy, and in food stamps, and perhaps a few others. There are certain to be floor amendments on these subjects. In particular, I believe that the food stamp error rate sanctions for the States and the work requirements for the able bodied are weak and very much need to be strengthened. Some 17 States have indicated that they would be

interested in considering an optional block grant for providing food assistance to the needy, and I feel strongly that the Senate should provide such authority on that basis.

So, while there is much in this farm bill to commend it, I am nonetheless disappointed that by indiscriminately pouring forth massive subsidies on the agricultural sector, this bill will contribute to its further wrenching pain and decline.

As I conclude, I would emphasize that this bill, without the modifications I have outlined, is bad news for American farmers and American taxpayers. It offers no hope for improvement in the farm economy. It repeats all the mistakes of the past. It will perpetuate the existing difficult economic situation of our farmers, and it will waste many billions of deficit dollars -- dollars borrowed from future generations -- to pay massive subsidies to hundreds of thousands of farmers who least need it. The huge commodity surpluses thus induced into production will further cripple the cash flows and profitability of the very family farmers these programs, it is so loudly proclaimed, are supposed to help.

Mr. President, I ask unanimous consent that a summary of major provisions of the farm bill be printed in the Record.

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

#### SUMMARY OF MAJOR PROVISIONS OF S. 1714 -- Agriculture, Food, Trade, and Conservation Act of 1985

#### TITLE I -- AGRICULTURAL EXPORTS AND PUBLIC LAW 480

##### A. Agricultural exports

The agricultural export provisions of the bill would --

(1) Authorize the Secretary of Agriculture through the Commodity Credit Corporation (CCC) to guarantee the repayment of loans under the intermediate export credit program to finance export sales of U.S. agricultural commodities and the products thereof. Under this section --

(a) The Secretary is authorized to guarantee loans of more than 3 years and not more than 10 years to finance export sales of agricultural commodities;

(b) The purposes for which intermediate credit financing and guarantees may be provided are expanded to include financing the food and fiber needs of developing countries and otherwise promoting the export sales of U.S. agricultural commodities.

(c) The Secretary is encouraged to finance or guarantee export sales to purchasers from countries that are previous recipients of credit under title I of P.L. 480, and that are friendly countries and purchasers unable to utilize other Department of Agriculture short-term export credit programs;

(d) The repayment of loans financed or guaranteed is required to be in dollars with a rate of interest determined by the Secretary;

(e) The requirement that agreements to finance export sales of agricultural commodities are subject to review by the Secretary or the National Advisory Council on International Monetary and Financial Policies is deleted;

(f) The cargo preference laws do not apply to export sales financed or guaranteed under this provision;

(g) For purposes of financing or guaranteeing export sales, the CCC is required to make available no less than \$500,000,000, to the extent practicable, for fiscal year 1985, no less than \$1,000,000,000 for each of the fiscal years 1986 through 1988, and no more than \$1,000,000,000 for fiscal years 1989 through 1991.

(2) Require the CCC to make available no less than \$5,000,000,000 in short-term export credit guarantees for each of the fiscal years 1986 through 1989. The amendment would also require the CCC, when making repayment guarantees available on terms of up to 3 years in connection with export sales of U.S. agricultural commodities, to take into account the credit needs and creditworthiness of countries that are potential purchasers of U.S. agricultural commodities and whether the availability of CCC guarantees will improve the competitive position of U.S. agricultural exports.

(3) Extend the Agricultural Export Credit Revolving Fund through September 30, 1989.

(4) Require the Secretary to use no less than \$325 million of CCC funds or CCC-owned commodities for each of fiscal years 1986, 1987, and 1988 and such funds or commodities as the Secretary deems necessary for each of the fiscal years 1989 through 1991 for assistance in the export of U.S. agricultural commodities and products adversely affected by price or credit subsidies or unfair marketing arrangements or trading practices employed in connection with foreign agricultural exports. The provision would require the Secretary to provide export assistance under this provision on a priority basis for agricultural commodities or products for which a favorable decision under section 301 of the Trade Act of 1974 has been made.

(5) Require the Secretary to sell for export, at prices the Secretary determines appropriate, at least 150,000 metric tons of CCC-owned dairy products in each of the fiscal years 1986, 1987, and 1988 and to report semiannually to the Senate and House agriculture committees on the volume of dairy sales made under this section.

(6) Require that agricultural commodities and products acquired by the CCC be provided at no cost to U.S. exporters, users, and processors, and foreign purchasers to encourage development, maintenance, and expansion of export markets for U.S. agricultural commodities, including value-added or high-value agricultural products. Such commodities may also be provided to countries that do not meet the financial qualifications for export credit or credit guarantees provided by the CCC in order to reduce the cost to such countries of purchasing U.S. agricultural commodities. The Secretary is also authorized to use CCC-owned commodities in conjunction with intermediate credit programs for the export sale of breeding animals, and the establishment of facilities in the importing nation to improve the handling, marketing, processing, storage, or distribution of imported agricultural commodities. Under the export bonus program --

(a) Domestic users must be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

(b) All interested foreign purchasers are to be considered for participation, with priority given to those who have traditionally purchased U.S. agricultural commodities and who continue to make such purchases in excess of purchases during a representative period;

(c) CCC commodities must be used to encourage increased use and avoid displacing usual marketings of the United States;

(d) Reasonable precautions must be taken to prevent resale or transshipment of commodities whose export is assisted under the provision;

(e) Supplemental distributions of commodities may be made to foreign purchasers who sell the commodities in the importing country and use the proceeds for the construction or rehabilitation of facilities in the importing country to improve the marketing, storage, or distribution of U.S. agricultural commodities in the importing country.

(f) The Secretary is authorized, in carrying out this section, to make green dollar export certificates available to commercial exporters of U.S. agricultural commodities. These certificates could be redeemed by the exporter for CCC-owned commodities.

(g) The Secretary is required to use no less than \$2,000,000,000 of agricultural commodities and products to carry out this section during the period October 1, 1985 through September 30, 1988.

(7) Declare findings of Congress concerning open and fair trade and the unfair trading practices of other countries; declare U.S. policy to be that of promoting free and active world trade in agricultural goods and reducing or eliminating U.S. restrictions on imports of agricultural goods; and express the sense of the Congress that the President should initiate a new round of multilateral trade negotiations to strengthen the General Agreement on Tariffs and Trade (GATT), improve the dispute settlement procedures of the GATT, bring agricultural trade issues within the purview of strengthened and more effective GATT rules and procedures, and clarify the intent of and bring uniformity to the interpretation of Article XVI of GATT.

(8) Declare the sense of Congress that the Foreign Agricultural Service should place emphasis on funding an export market development program for value-added farm products and processed foods at a higher funding level than that provided during fiscal year 1985.

(9) Require consultation between the head of the Foreign Agricultural Service and the heads of other appropriate agencies of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on the importation of any agricultural commodity into the United States. The Secretary would also be required to consult with the United States Trade Representative before removing or relaxing any import restrictions on agricultural commodities. Department of Agriculture personnel assigned to participate in negotiations of trade agreements, protocols or procedures with foreign governments with respect to a specific agricultural commodity, class of commodities or product of an agricultural commodity would be required to consult with the Agricultural Policy Advisory Committee and the appropriate Agricultural Technical Advisory Committee regarding agricultural practices and industry procedures before concluding any agreement with any foreign government on any agricultural trade matter pertaining to the agricultural commodity, class of commodities, or product.

(10) Require appropriate Department of Agriculture officers and employees stationed in foreign countries to submit annually to the Secretary detailed reports documenting the nature and extent of (A) programs in the foreign countries that provide direct or indirect government support for the export of agricultural commodities or products and (B) other trade practices that may impede the entry of U.S. agricultural commodities and products into the countries. The reports would also have to identify opportunities for the export of U.S. agricultural commodities and products to the countries in which the officers and employees are stationed. The Secretary would be required to compile information contained in the reports each year and to make the information available to Congress, the Agricultural Policy Advisory Committee and the Agricultural Technical Advisory Committees, and other interested parties. The Secretary and the Trade Representative would be required to convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the Agricultural Technical Advisory Committees to develop specific recommendations for reducing or eliminating trade barriers or distortions identified in the annual reports and for expanding U.S. agricultural export opportunities identified in the annual reports. The President would be encouraged to commence negotiations with other countries to reduce or eliminate trade barriers or distortions identified in the annual reports and to report periodically to Congress on actions taken to accomplish those objectives.

(11) Limit to payments the form of compensation that may be made to producers of agricultural commodities for which export controls have been imposed.

(12) Revise the authorities of the Department of Agriculture concerning the barter or exchange of agricultural commodities for strategic and critical materials. In addition, this section would --

(a) Require the CCC, to the maximum extent practicable and in consultation with the Secretary of State, to accept strategic and critical materials produced abroad in exchange for CCC commodities;

(b) Require the Secretary of Agriculture in effecting the exchange of goods to use normal commercial trade

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channels, avoid displacing usual marketings of U.S. agricultural commodities, and take reasonable precautions to prevent resale or transshipment of commodities;

(c) Authorize the CCC to solicit bids from, and utilize, private trading firms to barter for strategic or other materials;

(d) Require the CCC to be reimbursed for the strategic and critical materials in the same fiscal year the materials are transferred to the stockpile; and

(e) Require the CCC, if the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed by law, to the maximum extent practicable, with approval of the Secretary of Agriculture and in consultation with the Secretary of Energy and the Secretary of State, to accept petroleum products in exchange for CCC commodities and to transfer such products, without reimbursement, to the Strategic Petroleum Reserve.

(13) Clarify the application of the cargo preference laws to certain activities of the Secretary of Agriculture or the Commodity Credit Corporation. The provision specifically would provide that the cargo preference laws do not apply to export activities of the Secretary or the CCC --

(a) under which CCC-owned stocks of agricultural commodities or products are made available to U.S. exporters, users, processors, or foreign purchasers for the development, maintenance, or expansion of U.S. agricultural export markets;

(b) under which CCC guarantees of commercial credit are blended with CCC direct credits to reduce the effective interest rate on export sales of U.S. agricultural commodities and products;

(c) under which CCC credit or credit guarantees are extended for not more than 3 years to finance or guarantee export sales of U.S. agricultural commodities or products; or

(d) undertaken for the purpose of promoting the export of U.S. agricultural commodities or products, if the Secretary determines that such activities are necessary to cause such commodities or products to become or remain competitive under conditions prevailing in international trade.

The bill would make no change in the application of the cargo preference laws to the export activities of the Secretary or the CCC when these activities are carried out under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) or subsections (a), (b), and (c) of section 416 of the Agricultural Act of 1949.

(14) Authorize the Secretary, effective October 1, 1985, to make grants to States, on a fifty-fifty matching basis, for the purpose of paying the costs of construction, employing personnel, acquiring equipment, and taking other action relating to the expansion of existing international trade development centers in the United States to enhance the exportation of U.S. agricultural products and related products.

#### B. Public Law 480 and related programs

The Public Law 480 and related program provisions of the bill would --

(1) Revise the authority to finance the sale of U.S. agricultural commodities under title I of Public Law 480 as follows:

(a) Require that at least 25 percent of the aggregate value of title I sales, or 500,000 metric tons (whichever is greater), but not more than 50 percent of such sales be sales for foreign currencies. (The actual amounts of commodities sold for foreign currencies could drop below 500,000 metric tons per year, if certain conditions are met in each of fiscal years 1986, 1987, and 1988.) The terms and conditions of such sales will be established by the Secretary of Agriculture. The foreign currency generated by these sales will be converted into dollars over a 10- to 30-year time period, the

conversion to begin on a date 10 years after the sale of the commodities.

(b) Authorize the Secretary to enter into agreements with financial intermediaries in foreign countries under which the Secretary would lend the foreign currency generated from commodity sales to the intermediary and the intermediary would, in turn, use the currency to make loans to finance private enterprise investment within the developing country at reasonable rates of interest.

(c) Require that financial intermediaries give preference to agriculture and agriculturally related enterprises when making loans. The financial intermediaries must repay the currency loaned by the Secretary in time for the currency to be converted to dollars.

(d) Specify that only local citizens can own the entities receiving financing from financial intermediaries, except that U.S. citizens may own up to 25 percent of any such entity.

(e) Provide that the rate of interest charged on loans made to a financial intermediary will be negotiated between the Secretary and the financial intermediary. The Secretary may give preferential rates of interest to cooperatives and private nonprofit voluntary agencies that act as financial intermediaries to help defray their "start-up" costs as financial intermediaries.

(f) Specify that the amount of foreign currency loaned to financial intermediaries in a given country cannot exceed the amount that can be productively used and absorbed in the private sector in that country.

(g) Require that the Secretary, to the maximum extent practicable, use at least 5 percent of the foreign currencies initially obtained from the sale of agricultural commodities for agricultural technical assistance, including the funding of market development activities.

(2) Revise title II as follows:

(a) Require that the following amounts of agricultural commodities be distributed for nonemergency purposes under title II of Public Law 480:

[Million metric tons]	
Fiscal year:	
1986	1.9
	n1 (1.425)
1987	1.9
	n1 (1.425)
1988 and subsequent fiscal years	1.7
	n1 (1.275)

n1 The starred amounts represent the minimum amounts of food for nonemergency distribution programs that must be distributed through nonprofit voluntary agencies and the World Food Program.

(b) Require that, in distributing commodities under title II, the President must consider the nutritional needs of the recipients, the purpose of the Title, the cost effectiveness of the commodities, and the benefits to be derived by the United States from distributing commodities in the form of processed and fortified products and provide at least 75 percent of the title II nonemergency minimum quantity of commodities in the form of processed or fortified foods or bagged commodities.

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(c) Encourage the President to enter into multiyear agreements with nonprofit voluntary organizations, cooperatives, and international organizations for nonemergency commodity distribution under title II.

(d) Empower the President to authorize nonprofit voluntary organizations to establish local food reserves for subsequent use in combatting famine and other food shortage emergencies or to limit disincentives to local agricultural production which could arise from the immediate distribution of the commodities.

(e) Authorize the sale of commodities provided to nonprofit voluntary agencies and cooperatives by such agencies (monetization) and the use of the proceeds for activities to enhance the food assistance programs carried out by these agencies.

(f) Require that a minimum of 5 percent of the commodities distributed under nonemergency title II programs by nonprofit voluntary agencies and cooperatives be monetized. In carrying out the monetization, the President must safeguard usual U.S. commodity marketings; not permit the use of such funds for personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies (other than local cooperatives), and not permit the funds to replace resources otherwise available to nonprofit voluntary agencies and cooperatives.

(g) Urge the President to establish a task force on food assistance to study ways to provide food (under P.L. 480) to the most nutritionally needy persons in recipient countries.

(h) Require nonprofit voluntary agencies and cooperatives to disclose the intended uses of any funds to be generated through the monetization of commodities at the time the entity makes its request for the commodities.

(3) Lower the aggregate minimum value of title III Food for Development agreements from 15 percent of the aggregate value of all title I agreements made that year to 10 percent of such agreements.

(4) Broaden the Secretary's authority to distribute eligible commodities under section 416 of the Agricultural Act of 1949 to include all commodities and products acquired by the Commodity Credit Corporation through price support operations and make other changes in this authority as follows:

(a) Specify that eligible commodities may not be made available for foreign donation under section 416 in amounts that will reduce the amount of eligible commodities traditionally donated to domestic feeding programs or agencies.

(b) Provide that eligible commodities may not be made available for foreign donation under section 416 unless there are sufficient storage facilities for the commodities, the commodities will not displace U.S. commodity sales, and the commodities will not interfere with local commodity production and marketing. The safeguarding of usual marketing cannot be used to prevent the distribution of eligible commodities for use in countries that --

(i) have not traditionally purchased them from the United States, or

(ii) do not have the resources to purchase them from the United States through commercial sources or commissioned sales.

(c) Requires the Secretary to estimate and announce the types and amounts of commodities that the Secretary anticipates will be available for distribution.

(d) Expand the purposes for which eligible section 416 commodities may be sold or bartered to include (1) the payment of processing and handling costs incurred in connection with the donation of these commodities and (2) if requested by a cooperative or nonprofit voluntary agency, the generation of funds (from the sale of commodities donated to these entities) to enhance the effectiveness of the entity's food assistance programs.

(e) Requires that a minimum of 5 percent of the aggregate value of the eligible commodities distributed to nonprofit voluntary agencies and cooperatives be monetized in the same manner as is provided for monetization under the

amendments made by this bill to Title II of Public Law 480.

(f) Specify that at least 400,000 metric tons of eligible section 316 commodities must be furnished to cooperatives and nonprofit voluntary agencies and the World Food Program each fiscal year for distribution in developing countries. The President can waive this requirement if he determines and reports to Congress, together with his reasons, that this quantity cannot be effectively used by the recipients. Neither the Secretary nor CCC is required to purchase commodities for donation under this program.

(5) Authorize the President to donate up to 500,000 metric tons of eligible section 416 commodities in each of the fiscal years 1986 through 1989 under a new Food for Progress program to promote private free enterprise policy and development. In return for the commodities, the recipient country must promote economic freedom in the production of food for domestic consumption and must be able to use the donated commodities without disrupting its own domestic agricultural markets. The Commodity Credit Corporation may pay the costs of processing, packaging, transportation, and handling of the donated commodities, as well as purchase commodities and products for program use if CCC does not hold such stocks or if CCC stocks are not sufficient to meet commitments made under the program. The President must carry out this program through his National Security Advisor.

(6) Require the President to appoint, with the advice and consent of the Senate, a Special Assistant for Agricultural Trade and Food Aid. This Special Assistant will have cabinet rank and will assist and advise the President on U.S. domestic and foreign food assistance programs; coordinate and streamline the administration of food assistance programs carried out by the Department of Agriculture and the Agency for International Development; recommend ways to increase and encourage the use and consumption of U.S. agricultural commodities through food assistance; serve as a member of the Development Coordination Committee and as chairman of that Committee's Food Aid Subcommittee; and issue food assistance policy guidelines to Federal departments and agencies to assure the coordination of food assistance programs. In addition, the Special Assistant may solicit information on and recommend steps to promote the export of U.S. agricultural commodities and expand U.S. export markets; develop and recommend national agricultural policies that will foster and promote the U.S. agriculture industry; and examine Federal Government programs and activities for their effect on agriculture.

## TITLE II -- DAIRY

The dairy provisions of the bill would --

(1) Require, effective October 1, 1985, through September 30, 1989, that the price of milk be supported through the purchase of milk and milk products at a level equivalent to \$11.60 per hundredweight for milk containing 3.67 percent milkfat, except that --

(a) On January 1, 1987, if the Secretary of Agriculture estimates that for the succeeding 12-month period beginning on such date net price support purchases of milk or milk products would exceed 5 billion pounds milk equivalent, the Secretary would be required to reduce the price support level by 50 cents per hundredweight; and

(b) On January 1, 1988, and January 1, 1989, the Secretary estimates that for the succeeding 12-month period net price support purchases of milk or milk products would --

(i) exceed 10 billion pounds or more milk equivalent, the Secretary would be required to reduce the price support level by \$1.00 per hundredweight, or in the Secretary's discretion, by an amount determined by a cost of production index established by the Secretary;

(ii) exceed 5 billion but be less than 10 billion pounds milk equivalent, the Secretary would be required to reduce the price support level by 50 cents per hundredweight or, in the Secretary's discretion, by an amount using such index; and

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(iii) be less than 2 billion pounds milk equivalent, the Secretary would be authorized to increase the price support level by at least 50 cents per hundredweight or, in the Secretary's discretion, by an amount using such index;

(2) Extend through December 31, 1989 the current provisions of the Federal milk marketing law relating to authority for seasonal base-excess plans, seasonal takeout-payback (Louisville) plans, mandatory hearings on amendments to milk marketing orders, and the use of milk production capacity as part of the pricing standard used by the Secretary in setting milk prices under a marketing order;

(3) Extend through September 30, 1989 the requirement that the CCC make dairy products available, without charge, to veterans' hospitals and the military;

(4) Make clear that the legal status of producer-handlers would not be changed under the provisions of the amendment;

(5) Extend through September 30, 1989 authority for indemnity payments to dairy farmers who sustain losses as a result of pesticides, nuclear radiation or fallout, or from other chemicals or toxic substances; and

(6) Require the Secretary to conduct a study of the differentials used to adjust the minimum price for class I milk under Federal milk marketing orders, with particular emphasis on the differentials used for the delivery locations of such milk to handlers and to report within 1 year of enactment of the bill the results of the study, with any recommendations for necessary legislation, to the Senate and House agriculture committees.

### TITLE III -- WOOL AND MOHAIR

The wool and mohair provisions of the bill would --

(1) Extend the price support program for wool and mohair through December 31, 1989 as follows:

(a) Continue the support level for wool at 77.5 percent of an amount determined under statutory formula;

(b) Continue the support level for pulled wool and mohair in relation to the level for shorn wool;

(2) Establish a limitation of \$50,000 on the amount of payments a person may receive under the wool and mohair price support program for any marketing year; and

(3) Expand the authority of the Secretary of Agriculture to enter into or to approve agreements for advertising and sales promotion programs which may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses to include programs for U.S. wool and sheep in addition to such programs for mohair and goats, or their products.

### TITLE IV -- WHEAT

The wheat provisions of the bill would --

(1) Provide for a loan and purchase program for the 1986 through 1989 crops of wheat. If marketing quotas are not in effect for wheat, loans and purchases would be made available to producers at (a) not less than \$3.00 per bushel for the 1986 crop and (b) not less than 75 percent nor more than 85 percent of the average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years, for the 1987 through 1989 crops. The loan rate could not be reduced by more than 5 percent from the level for the preceding year's crop. For the 1986 through 1989 crops, the Secretary of Agriculture would also be authorized to reduce further the loan rates by not more than 20 percent if the average market price of wheat in the previous marketing year is not more than 110 percent of the loan level for that year. Any such reduction would not be considered in determining the loan level in subsequent years.

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If marketing quotas are in effect, loans and purchases would be made available at the higher of 75 percent of the national average cost of production of wheat or \$3.55 per bushel.

(2) Require the Secretary to permit the repayment of loans at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop, or (ii) if the loan level was reduced using the so-called Findley provision, above, 70 percent of the loan rate that would have been in effect but for such reduction, or (iii) the prevailing world market price, as determined by the Secretary;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of wheat the producer is otherwise eligible to place under loan. The amount of wheat eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(4) Require the Secretary to make available deficiency payments for the 1986 through 1989 crops of wheat using the same formula as under current law except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. For the 1986 through 1989 crops, the target price would be \$4.55 bushel on the first 20,000 bushels of production and \$4.00 per bushel on any additional bushels.

If marketing quotas are in effect for any crop of wheat, the target price would be the higher of the national average cost of production of wheat or \$4.65 per bushel;

(5) Require the Secretary to make prevented planting and reduced yield disaster payments available to producers for whom Federal crop insurance is not available. The Secretary would also have discretionary authority to make such disaster payments available to any wheat producer if disaster losses have created an economic emergency that cannot be alleviated by crop insurance and other assistance programs;

(6) Authorize acreage limitation and set-aside programs for wheat (with a maximum limitation or set-aside of 20 percent) if needed to protect against overproduction. The Secretary would be required to announce any such wheat acreage limitation or set-aside program not later than July 1 (with authority to change the program up to July 31) prior to the calendar year in which the crop is harvested. The acreage base for determining any such reduction would be the average acreage planted to wheat in the 5 crop years immediately preceding the year for which the determination is made. Haying and grazing in 1986, and grazing in 1987 through 1989, of the acreage required to be devoted to conservation uses would be permitted at the option of the State ASC Committee. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(7) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of wheat to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary;

(8) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant wheat for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of wheat owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of wheat the producer is otherwise eligible to place under loan; and

(9) Require the Secretary to conduct a poll not later than April 1, 1986, to determine whether producers favor conducting a marketing quota referendum for wheat. Producers eligible to vote would include those producers who produced wheat during at least one of the 1981 through 1985 crop years. If 50 percent of those polled favor a

referendum, the Secretary would be required to conduct such a referendum not later than August 1, 1986. If approved in a referendum by 60 percent or more of the producers voting, marketing quotas would be in effect for the 1987 through 1989 crops. If marketing quotas are in effect, the marketing of wheat in excess of the farm marketing quota would be subject to penalty.

#### TITLE V -- FEED GRAINS

The feed grains provisions of the bill would --

(1) Provide for a loan and purchase program for the 1986 through 1989 crops of feed grains. Loans and purchases would be made available to producers at not less than \$2.40 per bushel for the 1986 crop of corn and not less than 75 percent nor more than 85 percent of the average price received by producers during the immediately preceding 5 marketing years, excluding the high and low years, for the 1987 through 1989 crops of corn. The loan rate could not be reduced by more than 5 percent from the level for the preceding year's crop. For 1986 through 1989 crops, the Secretary of Agriculture would also be authorized to reduce further the loan rates by not more than 20 percent if the average market price of corn in the previous marketing year is not more than 110 percent of the loan level for that year. Any such reduction would not be considered in determining the loan level in subsequent years.

Loans and purchases for grain sorghums, barley, oats, and rye would be made at levels that are fair and reasonable in relation to the level of loans and purchases for corn;

(2) Require the Secretary to permit the repayment of loans at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop, or (ii) if the loan level was reduced using the so-called Findley provision, above, 70 percent of the loan rate that would have been in effect but for such reduction, or (iii) the prevailing world market price, as determined by the Secretary;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of feed grains the producer is otherwise eligible to place under loan. The amount of feed grains eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(4) Require the Secretary to make available deficiency payments for the 1986 through 1989 crops of feed grains to producers of corn, grain sorghums, oats, and, if designated by the Secretary, barley, using the same formula as under current law except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. The target price for corn, for the 1986 through 1989 crops, would not be less than \$3.03 per bushel;

(5) Require prevented planting and reduced yield disaster payments for producers for whom Federal crop insurance is not available in the same manner as for wheat;

(6) Authorize acreage limitation and set-aside programs for feed grains (with a maximum limitation or set-aside of 15 percent) if needed to protect against overproduction. The Secretary would be required to announce any such acreage limitation or set-aside program not later than November 15 prior to the calendar year in which the crop is harvested. The acreage base for any reduction would be the average acreage planted to feed grains for harvest in the 5 crop years immediately preceding the year for which the determination is made. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(7) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of feed grains to desirable goals. Land diversion payments would be made to

producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary; and

(8) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant feed grains for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of feed grains owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of feed grains the producer is otherwise eligible to place under loan.

#### TITLE VI -- COTTON

The cotton provisions of the bill would --

(1) Require the Secretary of Agriculture to make available to producers of upland cotton nonrecourse loans for a term of 10 months. For the 1986 crop, the loan level could not be less than 55 cents per pound. For the 1987 through 1989 crops, the loan level would be the higher of (i) 85 percent of the average United States spot market price during the 3 years of the 5-year period ending July 31 in the year in which the loan level is announced, with the high and low years excluded, or (ii) 50 cents per pound. The loan level may not be reduced by more than 5 percent from the level determined for the previous year's crop;

(2) Require the Secretary to announce the loan level for upland cotton no later than November 1 of the calendar year preceding the marketing year for which the loan is to be effective;

(3) Authorize the extension of loans, at the producer's request, for an additional 8 months beyond the normal 10-month term unless the average price of upland cotton for the preceding month exceeded 130 percent of the average price for the preceding 36 months in which event a special import quota would be proclaimed;

(4) Require the Secretary to permit the repayment of loans by producers at the lower of the loan rate established for the crop or the prevailing world market price, except that for the 1987 through 1989 crops, if the world market price is less than 80 percent of the loan rate established for the crop, the Secretary may permit repayment at a level not in excess of 80 percent of the loan rate established for the crop;

(5) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of upland cotton the producer is otherwise eligible to place under loan. The amount of upland cotton eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(6) Require the Secretary to make available deficiency payments to producers for the 1986 through 1989 crops of upland cotton using the same formula as under current law, except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. The target price for upland cotton, for the 1986 through 1989 crops, would be not less than 81 cents per pound;

(7) Require prevented planting and reduced yield disaster payments to producers for whom Federal crop insurance is not available in the same manner as for wheat;

(8) Authorize acreage limitation and set-aside programs for cotton (with a maximum limitation or set-aside of 20 percent) if needed to protect against overproduction. The Secretary would be required to announce any such cotton acreage limitation or set-aside program not later than November 1 prior to the calendar year in which the crop is

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harvested. The acreage base for any reduction would be, for the 1986 crop, the average acreage planted to upland cotton for harvest in the 2 previous years, for the 1987 crop, the average acreage planted to upland cotton for harvest in the 3 previous years, for the 1988 crop, the average acreage planted to upland cotton for harvest in the 4 previous years, and, for the 1989 crop, the average acreage planted to upland cotton for harvest in the 5 previous years. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(9) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary;

(10) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant upland cotton for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of cotton owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of cotton the producer is otherwise eligible to place under loan; and

(11) Require the Secretary to make available to producers recourse loans on seed cotton using existing authorities under the Commodity Credit Corporation Charter Act.

#### TITLE VII -- RICE

The rice provisions of the bill would --

(1) Require the Secretary of Agriculture to make available to producers of rice loans and purchases. For the 1968 crop, the loan level could not be less than \$7.20 per hundredweight. For the 1987 through 1989 crops, the loan level would be the higher of (i) 85 percent of the average price received by producers during the preceding 5 years, with the high and low years excluded, or (ii) \$6.50 per hundredweight. The loan and purchase level could not be reduced by more than 5 percent from the level determined for the preceding year's crop;

(2) Require the Secretary to permit the repayment of loans by producers at the lower of (a) the loan rate established for the crop or (b) the higher of (i) 70 percent of the loan rate established for the crop or (ii) the prevailing world market price, as determined by the Secretary;

(3) Require the Secretary to announce the loan and purchase level no later than March 1 of the calendar year for the crop harvested in that calendar year;

(4) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate multiplied by the amount of rice the producer is otherwise eligible to place under loan. The amount of rice eligible to be placed under loan could not exceed the farm program acreage for the crop multiplied by the farm program payment yield. The loan payment rate would be the amount by which the loan rate established for the crop exceeds the level at which the loan could be repaid;

(5) Require the Secretary to make available deficiency payments to producers for the 1986 through 1989 crops of rice using the same formula as under current law, except that producers would not be required to plant more than 50 percent of their base or permitted acreage in order to qualify for such payments. The target price for rice, for the 1986 through 1989 crops would be not less than \$11.90 per hundredweight;

(6) Require prevented planting and reduced yield disaster payments to producers for whom Federal crop insurance

is not available in the same manner as for wheat;

(7) Authorize acreage limitation and set-aside programs for rice (with a maximum limitation or set-aside of 35 percent) if needed to protect against overproduction. The Secretary would be required to announce any such rice acreage limitation or set-aside program not later than January 31 of the calendar year in which the crop for which the announcement is made is harvested. The acreage base for any reduction would be, for the 1986 crop, the average acreage planted to rice for harvest in the 2 previous years, for the 1987 crop, the average acreage planted to rice for harvest in the 3 previous years, for the 1988 crop, the average acreage planted to rice for harvest in the 4 previous years, and, for the 1989 crop, the average acreage planted to rice for harvest in the 5 previous years. In no event could the total acreage base for any farm exceed the total acreage of cropland on the farm;

(8) Authorize the Secretary to make land diversion payments, regardless of whether an acreage limitation or set-aside program is in effect, if the Secretary determines that such payments are necessary in adjusting the total national acreage of rice to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into by the Secretary; and

(9) Authorize the Secretary to make payments available to producers who forgo obtaining a loan, who forgo receiving deficiency payments, who do not plant rice for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production, and who otherwise comply with the provisions of the bill. Payments would be made in the form of rice owned by the CCC, subject to availability, and would be in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of rice the producer is otherwise eligible to place under loan.

#### TITLE VIII -- PEANUTS

The peanut provisions of the bill would --

(1) Require a national poundage quota for peanuts for the 1986 through 1989 marketing years at a level that will meet domestic edible, seed, and related uses for peanuts taking into consideration carry forward of stocks and producer undermarketings, but not less than 1,100,000 tons. The national poundage quota would be apportioned among the States so that each State's poundage quota is equal to the percentage of the national poundage quota allocated to farms in the State for 1985;

(2) Require the establishment of farm poundage quotas for each farm that had a farm poundage quota for the 1985 crop year and for other farms on which peanuts were produced in at least 2 of the 1983 through 1985 crop years. If the national poundage quota is increased for any of the 1987 through 1989 marketing years, the increase in a State's poundage quota apportionment would be allocated equally among all farms on which a poundage quota was established for the marketing year immediately preceding the marketing year for which the allocation is being made and all other farms on which peanuts were produced during at least 2 of the 3 immediately preceding crop years as determined by the Secretary of Agriculture. The farm poundage quota established on a farm during any of the 1986 through 1989 marketing years would be reduced to the extent the Secretary determines that the farm poundage quota was not produced on the farm for any 2 of the 3 marketing years preceding the year for which the determination is being made. The bill would authorize leasing of quota after the normal planting season (fall leasing) only if the quota had been planted on the farm from which the quota is to be leased.

(3) Retain the peanut program's two-tier system of "quota" peanuts (production within a farm's poundage quota) and "additional" peanuts (production in excess of the poundage quota and production from a farm for which no farm poundage quota has been established);

(4) Increase the penalties from 120 percent to 140 percent of the quota loan level for marketing violations by handlers relating to quota peanuts and for failure of handlers to comply with the regulations governing the disposal and handling of additional peanuts. The provision would allow the handling and disposal, including export, of additional

peanuts by a handler without physical supervision. The Secretary would be required to require adequate financial guarantees and facilities to assure compliance of handlers to export additional peanuts. Penalties at a rate equal to 140 percent of the quota loan level would be imposed on importers who import additional peanuts in commercial quantities which had been exported from the United States;

(5) Establish the deadline for contracting with handlers for the crushing or export of additional peanuts as August 1;

(6) Continue price support for quota and additional peanuts. For the 1986 crop of quota peanuts, the national average quota support rate would be equal to the 1985 rate, adjusted by the percentage increase in prices paid by producers for commodities and services, interest, taxes, and farm wages between 1981 and 1985. The quota support rate for the 1987 through 1989 crops of peanuts would be the rate for the preceding year adjusted to reflect any change in the national average cost of production, excluding any change in the cost of land, except that the support rate for any year could not be less than the 1985 quota support rate and could not exceed the previous year's level by more than 6 percent.

The support level for additional peanuts would be established at a level the Secretary determines appropriate and must ensure that there will be no losses to the Government;

(7) Require the Secretary to make warehouse storage loans available to designated area marketing associations (except cooperatives engaged in activities with respect to peanuts other than handling CCC price support operations), and to use the associations in administrative and supervisory activities relating to price support and marketing; and

(8) Continue the requirement for establishment of marketing pools. No pools would be established by type except for Valencia peanuts produced in New Mexico. Any distribution of net gains on additional peanuts would first be reduced by any CCC losses on quota peanuts placed under loan. Proceeds due any producer from any pool would be reduced by losses incurred with respect to peanuts transferred from an additional loan pool to a quota loan pool. Losses in area quota pools, other than certain losses incurred as a result of transfers from additional loan pools to quota loan pools, would be offset by gains or profits from pools in other production areas.

#### TITLE IX -- SOYBEANS

The soybean provisions of the bill would --

(1) Extend the price support program for soybeans through the 1989 marketing year as follows:

(a) Require the price of soybeans to be supported through loans and purchases at a level equal to 75 percent of the average price received by farmers for soybeans during the preceding 5 years, excluding the high and low years, except that the support price could not be less than \$5.02 per bushel; and

(b) Provide that the Secretary of Agriculture may not require participation in any production adjustment program as a condition of eligibility for soybean price support, that soybeans may not be considered an eligible commodity for any reserve program, and that the Secretary may not make payments to farmers to cover the cost of storing soybeans.

#### TITLE X -- SUGAR

The sugar provisions of the bill would --

(1) Require the Secretary of Agriculture to provide price support for the 1986 through 1989 crops of domestically grown sugarcane and sugar beets through nonrecourse loans at not less than 18 cents per pound for raw cane sugar and, for sugar beets, at such level as the Secretary determines to be fair and reasonable in relation to the level of loans for sugarcane; and

(2) Give the Secretary discretion to increase the support prices for sugarcane and sugar beets from the level for the preceding crop based on changes during the 2 immediately preceding crop years in such factors as the cost of sugar

products, increased cost of production, and other circumstances that may adversely affect domestic sugar production.

#### TITLE XI -- HONEY

The honey provisions of the bill would --

(1) Require the Secretary of Agriculture to make loans and purchases available for the 1986 through 1989 crops of honey at a level not less than (i) 65.3 cents per pound for the 1986 crop and (ii) the higher of 85 percent of the average price received by farmers during the five preceding marketing years, excluding the high and low years, or 50 cents per pound for the 1987 through 1989 crops. The loan level would not be reduced by more than 5 percent from the level determined for the preceding year;

(2) Authorize the Secretary to permit the repayment of loans by producers at the lower of the loan rate established for the crop or such rate as the Secretary determines will minimize loan forfeitures, will not result in excessive stocks, will reduce Government costs of storing honey, and will maintain the competitiveness of honey in domestic and export markets;

(3) Authorize the Secretary to make payments available to producers who agree to forgo obtaining loans in return for such payments. Payments would be made in amounts equal to the loan payment rate (the amount by which the loan rate established for the crop exceeds the level at which loans may be repaid) multiplied by the amount of honey the producer is eligible to place under loan; and

(4) Make any person who knowingly forfeits adulterated or imported honey placed under loan ineligible for honey loans, purchases, or payments for 3 years after the determination.

#### TITLE XII -- FOOD ASSISTANCE RESERVE

The reserve provisions of the bill would --

(1) Require the Secretary of Agriculture to establish a food assistance reserve of up to 500 million bushels of wheat and feed grains to be used by the Secretary to meet urgent humanitarian needs;

(2) Require that at least 200 million bushels of wheat be included in the reserve to be used to provide emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that wheat cannot be made available for disposition under Public Law 480, except that 300,000 tons of wheat may be released from this portion of the reserve in any fiscal year without regard to the domestic supply situation for use in providing urgent humanitarian relief in any developing country suffering a major disaster;

(3) Require that at least 100 million bushels of wheat be included in the reserve to be used to provide assistance under section 416 of the Agricultural Act of 1949;

(4) Authorize the Secretary, in connection with the use of stocks in the reserve, to pay for processing, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery;

(5) Authorize the Secretary to establish or replenish the reserve through purchases from producers or in the market and by designating stocks of wheat and feed grains acquired by the Commodity Credit Corporation; and

(6) Repeal the current authorities for the farmer-owned reserve for wheat and feed grains, the food security wheat reserve, and other reserves.

#### TITLE XIII -- MISCELLANEOUS COMMODITY PROVISIONS

The miscellaneous commodity provisions of the bill would --

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(1) Apply payment limitation requirements for the 1986 through 1989 crops as follows:

(a) Extend the \$50,000 limitation in current law on the total payments (excluding disaster payments) that a person may receive under any one or more of the annual programs for wheat, feed grains, upland cotton, extra long staple cotton, and rice;

(b) Limit disaster payments to \$100,000 for wheat, feed grains, upland cotton, and rice;

(c) Specify that the following would not be subject to the payment limitation:

(i) any gain realized by a producer from repaying a loan for wheat, feed grains, upland cotton, or rice at a level less than the loan level established for the crop;

(ii) deficiency payments for wheat or feed grains received as the result of a reduction of the loan level under the so-called Findley provision;

(iii) loan deficiency payments received for a crop of wheat, feed grains, upland cotton, or rice; and

(iv) inventory reduction payments received for a crop of wheat, feed grains, upland cotton, or rice;

(d) Require an adjustment of any acreage reduction requirement established under a set-aside or acreage limitation program if the Secretary or Agriculture determines that the total amount of payments that would be earned by any person under the program for any crop would be reduced under the payment limitation requirements;

(e) Require that regulations issued by the Secretary on December 18, 1970 be used to determine whether a corporation and its stockholders are different persons for purposes of applying the payment limitation requirements;

(2) Authorize the Secretary to require, whenever a set-aside program is in effect for any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice that producers not exceed the acreage on the farm normally planted to designated crops as reduced by the set-aside or diverted acreage, as a condition of eligibility for program benefits. The Secretary would also be authorized, whenever marketing quotas are in effect for any of the 1987 through 1989 crops of wheat, to require as a condition of eligibility for program benefits for any commodity that the acreage normally planted to crops designated by the Secretary be reduced by an amount equal to the acreage normally planted to wheat minus the individual farm program acreage for wheat;

(3) Extend the provision concerning finality of facts determined by the Secretary relating to the basis for loans, payments, price support operations, or the amount thereof, to the extra long staple cotton program;

(4) Provide that the Secretary shall determine the rate of loans, purchases, and payments under the commodity programs under the Agricultural Act of 1949 without regard to the requirements for notice and other procedures for public participation in rulemaking contained in 5 U.S.C. 553, or in any directive of the Secretary.

(5) Provide that the Commodity Credit Corporation for the 1986 through 1989 crops may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 percent of the current national average loan rate for the commodity, as adjusted, or, if the Secretary permits the repayment of loans made for a crop of the commodity at a rate less than the loan rate established for the crop, at less than 115 percent of the average loan repayment rate which is determined for the crop during the period of the loan;

(6) Authorize the Secretary to make available advance deficiency payments to producers who agree to participate in acreage limitation or set-aside programs for any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, and rice if the Secretary determines that deficiency payments will likely be made available for the commodity. Advance payments would be made available to producers as soon as practicable after the producer files a notice of intention to participate in the program. Payments would be made available in amounts the Secretary determines appropriate to

encourage participation in the program except the amount could not exceed an amount determined by multiplying the estimated farm program acreage for the crop by the farm program payment yield for the crop by 50 percent of the projected payment rate. If the deficiency payment is determined to be less than the advance deficiency payment made available to the producer, the producer would be required to refund the difference between the payment advanced and the payment finally determined by the Secretary to be payable to the producer. Producers would also be required to refund advance deficiency payments if the Secretary determined that deficiency payments would not be made available to a producer on a crop. If the Secretary makes land diversions payments to assist in adjusting the total national acreage of each of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice to desirable levels, the Secretary would be authorized to make at least 50 percent of the advance payments available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for the payment;

(7) Extend the special grazing and hay program through the 1989 crop year;

(8) Authorize the Secretary to permit a producer to plant a second crop of a commodity on acreage diverted from production under an annual commodity program if the producer has historically produced crops of two commodities on the same land in the same year.

#### TITLE XIV -- FOOD STAMPS AND COMMODITY DISTRIBUTION

##### A. Food stamps

The food stamp provisions of the bill would --

(1) Permit certain publicly operated community health centers to accept food stamps from their residents who are participating in drug addiction or alcoholic treatment programs and make residents of such programs eligible to participate in the Food Stamp Program;

(2) Modify the definition of a disabled person for purposes of the Food Stamp Program to include anyone receiving Federal benefits based on a determination of disability or blindness under criteria substantially similar to the criteria used in the supplemental security income (SSI) program to determine disability or blindness;

(3) Clarify the current regulatory practice of including as income benefits provided to third parties on behalf of households by the Aid to Families with Dependent Children (AFDC) program and by State and local governments, except medical, energy, housing assistance, and child care assistance;

(4) Require educational grants, loans, and scholarships, to the extent they provide assistance beyond that for tuition and mandatory fees, to be counted as income if they are provided in the form of vendor payments;

(5) Provide that food stamp benefits will not be adjusted to reflect a reduction in AFDC or SSI benefits due to receipt of a nonrecurring lump sum payment;

(6) Include allowances, earnings, and payments received under programs authorized by the Job Training Partnership Act as income for the Food Stamp Program;

(7) Exclude from income at State option, child support payments that are excluded under AFDC if the State agrees to pay the additional food stamp benefit costs caused by such exclusion;

(8) Clarify that shelter expenses paid by any kind of Low-Income Home Energy Assistance Act payments do not qualify as household expenses for the purpose of calculating the excess shelter expense deduction;

(9) Require retrospective budgeting and monthly reporting for all households with earnings or a recent work history. Prospective budgeting would be used for migrants and households with no earnings and only elderly or disabled adult members. States would have the option of using either prospective or retrospective budgeting and requiring

periodic reports for all other types of households;

(10) Exclude from resources the value of a burial plot for each household member;

(11) Authorize States to consider households containing only persons receiving AFDC or SSI benefits as automatically meeting the food stamp income and resource eligibility tests if the gross income of such households does not exceed 130 percent of the poverty level;

(12) Require States to establish employment and training programs for able-bodied food stamp recipients which could include job search training programs, employment experience programs, workfare, or other employment activities. States would be required to place 25 percent of the persons subject to the work requirements in employment and training activities by the end of fiscal year 1987, 35 percent by the end of fiscal year 1988, and 45 percent by the end of fiscal year 1990 and thereafter;

(13) Count all income (instead of a pro rata share) of an ineligible alien as available to his or her household;

(14) Prohibit the charging of sales tax on food purchased with food stamp coupons;

(15) Require (instead of authorize) the Secretary of Agriculture to require the use of alternative methods of food stamp issuance, including electronic benefit transfer, when the Secretary in consultation with the Inspector General of the Department of Agriculture determines that program integrity would be improved by instituting a different method of issuance in an area;

(16) Authorize States, with approval of the Secretary, to use simplified application and benefit determination procedures for households containing members receiving AFDC, SSI or medicaid;

(17) Require State agencies to provide a means of certifying and issuing food stamps to eligible households that do not reside in permanent dwellings or have fixed mailing addresses;

(18) Require all adult members of a household, or one adult member of a household being certified under expedited service procedures, to certify under penalty of perjury the truth of all information on the household's application form and all other reports which the household is required to file;

(19) Require State agencies to verify household size in any case in which household size is questionable and permit State agencies, as well as the Secretary, to establish other factors that must be verified;

(20) Provide that the Secretary, after consulting with the Inspector General may require State agencies to require most households to present photographic identification cards to receive coupons in project areas where the Secretary determines that this practice would be cost effective as well as useful to protect program integrity. State agencies could permit households to comply with this requirement by presenting a photographic identification card used to receive assistance under a welfare or public assistance program;

(21) Permit State agencies to stagger food stamp coupon issuance throughout a month except that no household could go more than 40 days between coupon issuances as a result of changes in scheduling;

(22) Require State agencies to establish and operate fraud detection units in all project areas with 5,000 or more participating households;

(23) Make a retail food store or wholesale food concern that has been disqualified under the Food Stamp Program ineligible to participate in the special supplemental food program for women, infants, and children (WIC) established under section 17 of the Child Nutrition Act. The bill would also authorize information obtained from retail food stores and wholesale food concerns to be used in administration of the WIC program;

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(24) Subject retail food stores and wholesale food concerns that are sold during a disqualification period to a civil money penalty and prohibit the buyer of the store or concern from accepting food stamps until the money penalty is fully paid if the buyer had actual or constructive notice of the penalty when the store or concern was sold;

(25) Make all adult household members jointly and severally liable for the value of any overissuance of benefits to the household;

(26) Make State agencies liable for interest on claims assessed against the State by the Secretary after the State agency has exhausted the administrative review process;

(27) Require States to use other means of collection to collect claims arising from intentional program violations which are not collected through cash payment or allotment reduction unless the State agency can demonstrate that other collection methods are not cost effective. Also, State agencies would be allowed to reduce household allotments to collect claims arising from State agencies' errors;

(28) Authorize the intercept of unemployment compensation benefits by State agencies to collect claims arising from a food stamp overissuance caused by an intentional program violation;

(29) Require a retail food store, wholesale food concern, or State agency, to show that it is likely to prevail on the merits of its case to obtain a judicial stay of an administrative action of the Secretary;

(30) Require the Secretary to set standards for States' periodic review of office hours of operations;

(31) Require States with error rates in excess of 5 percent to pay 75 percent of the dollar value of benefits issued erroneously between 5 and 7 percent and 100 percent of the benefits issued erroneously over 7 percent;

(32) Authorize the Secretary to require special certification procedures in project areas with high payment error rates if such procedures would improve program integrity in a cost-effective manner;

(33) Extend for 4 years the supplemental security income cash-out demonstration projects;

(34) Authorize the Secretary to conduct a pilot project on the effects of eliminating cash change;

(35) Prohibit funds appropriated under the Food Stamp Act of 1977 to be transferred to the Department of Agriculture's Office of the Inspector General or Office of the General Counsel;

(36) Delete the requirement that Puerto Rico provide noncash benefits beginning October 1, 1985, under its food assistance block grant. The date by which the Commonwealth must submit its plan describing the provision of assistance would be moved from July 1 to April 1 of the prior fiscal year. Also, the requirement that the Commonwealth designate a single agency as responsible for the supervision of program administration would be deleted to allow different agencies to be responsible for different phases of the nutrition assistance program.

#### B. Commodity distribution

The commodity distribution provisions of the bill would --

(1) Permit transfer of perishable agricultural commodities purchased under section 32 of Public Law 74-320 from a public or private nonprofit organization that receives these commodities to another such organization that agrees to use the commodities in providing nutrition assistance to individuals in low-income groups without cost or waste;

(2) Extend through September 30, 1989, the Commodity Distribution Program under section 4 of the Agriculture and Consumer Protection Act of 1973;

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(3) Extend through September 30, 1989, the Commodity Supplemental Food Program under section 5(a) of the Agriculture and Consumer Protection Act of 1973;

(4) Make section 32 commodities available for Temporary Emergency Food Assistance Program (TEFAP) distribution in addition to the price-support commodities already distributed. The bill also requires States to encourage distribution of TEFAP commodities in rural areas; and

(5) Extend the Temporary Emergency Food Assistance Program for 2 years and authorize appropriations of \$50 million for payment of storage and distribution costs of States and local operating agencies with a requirement that States must match these Federal funds.

#### TITLE XV -- AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

Title XV makes a number of amendments to the National Agricultural Research, Extension, and Teaching Policy Act of 1977 and related statutes. These amendments would --

(1) Amend the findings in the 1977 Act to specifically recognize that the agricultural system of the United States is increasingly dependent on science and technology, and that the system requires a constant supply of expertise in food and agricultural sciences;

(2) Designate the Department of Agriculture as the lead agency for establishing appropriate controls with respect to the development and use of the application of biotechnology to agriculture;

(3) Extend the terms of the Joint Council on Food and Agriculture Sciences and the National Agricultural Research and Extension Users Advisory Board through September 30, 1989;

(4) Add research to develop new and alternative industrial uses for agricultural crops and research to reduce farm input costs to the high priority research areas specifically identified for competitive research grants under section 2(b) of the Act of August 4, 1965. The authorization for appropriations for competitive research grants would be extended at a level of \$70 million for each of the fiscal years 1986 through 1989. In addition, panels created for the purpose of reviewing grant proposals would be exempted from the Federal Advisory Committee Act;

(5) Revise the Act of July 22, 1963 (Research Facilities Act) by deleting the formula for allocation of funds, authorizing facilities grants to be made subject to a matching requirement, and extending the authorization of appropriations at the current level of \$31 million for each of the fiscal years 1986 through 1989;

(6) Extend the authorization of appropriations for grants and fellowship for food and agricultural sciences education at the current level of \$50 million for each of the fiscal years 1986 through 1989;

(7) Extend the term of the Animal Health Science Research Advisory Board through September 30, 1989, extend the authorization for appropriations for continuing animal health and disease research programs at the current level of \$25 million annually through September 30, 1989, and extend the authorization for appropriations for research on specific national or regional animal health or disease problems at the current level of \$35 million annually through September 30, 1989.

(8) Extend the authorization for appropriations for certain agricultural research programs at the current level of \$890 million for each of the fiscal years 1986 through 1989, extend the authorization for appropriations for agricultural research at State agricultural experiment stations at a level of \$300 million for each of the fiscal years 1986 through 1989, and consolidate and extend the authorization for appropriations for all extension and related programs administered by or funded through the Extension Service at a level of \$380 million for each of the fiscal years 1986 through 1989;

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(9) Authorize the Secretary of Agriculture to use a cooperative agreement as the legal instrument reflecting a relationship between the Secretary and any other party when such agreement would further an objective of each of such parties in an agricultural research, extension or teaching activity, including statistical reporting, and all such parties will contribute resources to the accomplishment of the objectives;

(10) Authorize the Secretary to enter into a cooperative agreement with a private agency, organization, or individual to share the cost, on a 50-50 matching fund basis, of a research project or to allow the use of a Federal facility or service on a cost-sharing or cost-reimbursable basis to develop new agricultural technology to further a research program of the Secretary; authorize not more than \$3 million of the funds appropriated to the Agricultural Research Service for each of the fiscal years 1986 through 1989 to carry out this program;

(11) Extend the authorization for appropriations for aquaculture assistance at the current level of \$7.5 million for each of the fiscal years 1986 through 1989;

(12) Extend the term of the Rangeland Research Advisory Board through September 30, 1989 and extend the authorization for appropriations for rangeland research at the current level of \$10 million annually through September 30, 1989;

(13) Include the acquisition and improvement of agricultural libraries as a permissible use of research facilities grants to 1890 land-grant colleges and Tuskegee Institute; and extend the authorization for appropriations for grants to upgrade 1890 land-grant colleges and Tuskegee Institute at the current level of \$10 million for each of the fiscal years 1986 through 1989;

(14) Require the Secretary to increase and intensify research programs that are directed at developing technology to overcome barriers to expanded sales of U.S. agricultural commodities in foreign markets;

(15) Provide for the establishment of a new program of agricultural productivity research;

(16) Require the Secretary to conduct assessments of existing information concerning dietary calcium, and dietary and blood cholesterol, and to propose protocols and plans for needed studies in such areas; and

(17) Require the Secretary to submit to appropriate congressional committees a comprehensive plan for implementing a national food and human nutrition research program, and an annual report on the human nutrition research activities conducted by the Secretary.

## TITLE XVI -- CONSERVATION

### A. Highly erodible land conservation

The provisions of the bill relating to highly erodible land would --

(1) Provide that any person who produces an agricultural commodity on highly erodible land (defined as class IIIe, IVe, VI, VII, or VIII land) in any crop year would be ineligible, as to any commodity produced by that person during that crop year, for --

(a) agricultural price support or payments made available under any Federal law;

(b) Commodity Credit Corporation loans for the construction or purchase of farm storage facilities;

(c) Federal crop insurance and disaster payments; and

(d) new Farmers Home Administration loans, if the loan proceeds will be used for activity contributing to excessive erosion of highly erodible land.

In addition, the person would not be eligible to receive any payments for the storage of commodities owned by the Commodity Credit Corporation.

(2) Provide that the ineligibility provisions cited above would not apply to any person who produces a crop of an agricultural commodity on highly erodible land --

(a) that was cultivated in any of the last 5 years (except that, beginning in crop year 1988, or 2 years after the land is mapped for purposes of soil classification, the crop would have to be produced using an appropriate conservation system in order to be eligible for price support and other Federal benefits);

(b) that was planted before the date of enactment of the bill;

(c) that was planted during any crop year beginning before the date of enactment of the bill;

(d) using a conservation system approved by a soil conservation district or, in areas where soil conservation districts do not exist, by the Secretary of Agriculture; or

(e) in reliance on a determination made by the Soil Conservation Service that such land was not highly erodible.

(3) Require the Secretary, as soon as is practicable, to complete soil surveys on those private lands not classified as to land capability, concentrating, insofar as is possible, on those localities where significant amounts of highly erodible land are being converted to agricultural production.

(4) Provide that in administering this program, the Secretary must --

(a) use the services of the local, county, and State Agricultural Stabilization and Conservation committees;

(b) Establish appeal procedures under which persons may seek review of the classification of land as highly erodible and under which persons adversely affected by determinations made under this program may seek review of such determinations; and

(c) not later than 180 days after the date of enactment, issue any regulations necessary to implement this program, including regulations that define the term "person," determine program ineligibility, and protect the program interests of tenants and sharecroppers.

#### B. Wetland conservation

The wetland provisions of the bill would --

(1) Provide that any person who produces an agricultural commodity on wetland (defined as hydric soil, or soil inundated or saturated with water, that supports the growth and regeneration of hydrophytic vegetation) that has been drained, filled, or dredged to reduce the flow of water to make the land suitable for agricultural production in any crop year shall be ineligible, as to any commodity produced by that person during that crop year, for --

(a) agricultural price support or payments made available under any Federal law;

(b) Commodity Credit Corporation loans for the construction or purchase of farm storage facilities;

(c) Federal crop insurance and disaster payments; and

(d) new Farmer's Home Administration loans, if the loan proceeds will be used for activity contributing to the conversion of wetland.

(2) Provide that the ineligibility provisions cited above would not apply to any person who produces a crop of an

agricultural commodity on converted wetland --

(a) if the conversion of such wetland was commenced before the date of enactment of the bill; or

(b) if production is possible as the result of a natural condition, such as drought, and is not assisted by any producer action that destroys the natural characteristics of the wetland.

(3) Provide that the ineligibility provisions would also not apply to a person who produces a crop of an agricultural commodity on land converted to artificial wetland (in an area that was not wetland) for purposes such as stockwater, fish production, irrigation (including subsurface irrigation, a settling basin, cooling, rice growing, or flood control. The Secretary of Agriculture also has the authority to exempt any person from the ineligibility provisions if that person takes action associated with the production of an agricultural commodity on wetland and the action, individually and in connection with other similar actions authorized by the Secretary in the area, has a minimal impact on the wetland.

(4) Provide that in administering the program the Secretary must --

(a) use the services of the local, county, and State Agricultural Stabilization and Conservation committees;

(b) consult with the Secretary of the Interior in carrying out the program, including the identification of wetlands, the determination of exemptions, and the issuance of regulations;

(c) establish appeal procedures under which persons can seek review of the determination that land is converted wetland and under which persons adversely affected by program determinations may seek review of those determinations; and

(d) not later than 180 days after the date of enactment, issue any regulations needed to implement the program, including regulations that define the term "person," specify program ineligibility, and protect the program interests of tenants and sharecroppers.

#### C. Conservation acreage reserve

The conservation acreage reserve provisions would --

(1) Establish a conservation acreage reserve program to convert eligible erosion-prone land to less intensive uses (such as pasture, permanent grass or legumes, or trees) and to place this land in the conservation acreage reserve. Eligible erosion-prone land is defined as class IVe, VIe, VII, or VIII land, or as land having an excessive rate of erosion (as determined through the use of the universal soil loss equation and the wind erosion equation) that has been used, or is considered to have been used, to produce an agricultural commodity during at least 2 of the 3 crop years prior to January 1, 1986. While the Secretary of Agriculture has discretion to fix the size of the conservation acreage reserve at a maximum of 30 million acres, the Secretary is required to put at least 10 million acres into the reserve during the 1986 crop year, an additional 10 million acres during the 1987 crop year, and an additional 5 million acres by the close of the 1989 crop year.

(2) Require the Secretary, during crop years 1986 through 1990, to enter into conservation contracts (lasting from 7 to 15 years) with owners and operators of eligible erosion-prone land. Under the contracts, the owners and operators must agree --

(a) to implement an approved conservation plan for converting the land to a less intensive use;

(b) to put the land covered by the contract into the conservation acreage reserve and to establish approved vegetative cover on the land;

(c) not to use the land for agricultural purposes, or conduct any harvesting, grazing, or haying, or make commercial

use of the forage or trees on such land, except as permitted in the contract or by the Secretary;

(d) to forfeit all future rental payments and conservation payments and to refund all such payments received, with interest thereon, if the owner or operator violates the contract in such a way as to warrant its termination, or to make refunds of such payments or accept payment adjustments, if the Secretary determines that the contract violation does not warrant contract termination;

(e) upon transfer of the land subject to the contract, to forfeit all future rental payments and conservation payments and to refund all such payments received, with interest thereon, unless the transferee agrees to assume the terms of the contract or enters into a new contract with the Secretary;

(f) not to adopt any practice specified in the contract as a practice that would tend to defeat the purpose of this program; and

(g) to any additional provisions that the Secretary believes is desirable to carry out the program or to facilitate its administration.

(3) Require the conservation plan to set forth --

(a) the conservation measures and practices to be installed on the land subject to the contract; and

(b) the commercial use, if any, to be made of the land during the term of the contract.

(4) Require a portion of the conservation contracts to be entered into with owners and operators who agree to plant trees as the vegetative cover. To the extent practicable, in areas prone to wind erosion, at least 10 percent of the acreage under conservation contract must be devoted to shelterbelts, but no more acreage may be devoted to this purpose than is consistent with effective wind erosion control.

(5) Authorize the Secretary, on a yearly basis, to designate a State, or part of a State, as an area in which the haying or grazing of conservation acreage may be permitted. Specific decisions to permit such activity will be made on a contract by contract basis, subject to such terms and conditions as the Secretary may prescribe, except that haying and grazing may be permitted only during the 6 principal nongrowing months.

(6) Provide that in return for the agreement of the owners and operators, the Secretary must agree to --

(a) share the cost of the conservation measures and practices set forth in the contract that the Secretary determines are appropriate and in the public interest;

(b) pay a rental fee in an amount necessary to induce the placement of erosion-prone land into the conservation reserve and obtain the retirement of cropland base and allotment history; and

(c) provide conservation technical assistance in carrying out the contract.

(7) Provide that the amounts of rental payments payable to owners and operators may be determined through the submission of bids or such other means as the Secretary deems appropriate. The Secretary must give priority to those offers that, on the basis of all relevant factors, result in the lowest cost to the Government. The relevant factors include

--

(a) the amount of rent needed to bring land into this program;

(b) the productivity and extent of erosion on the land subject to the contract;

(c) the number of eligible acres removed from production each year;

- (d) the amount of funding for the program;
- (e) the extent to which erosion-prone land may contribute to off-site damages; and
- (f) the potential benefits to wildlife.

The Secretary may establish different criteria for the acceptance of contract offers for land located in various States and regions of the country.

(8) Provide that rental payments may be made in cash or in in-kind commodities. If in-kind payments are made --

- (a) they must be made in the commodity normally produced on the land; and
- (b) they must be made by delivery of the commodity within the county where the land is located or at such other point as is mutually agreeable; by the transfer of negotiable warehouse receipts, or by any other appropriate method.

(9) Authorize the Secretary to pay rental payments in cash if insufficient quantities of commodities are available from which to make payments and to make both rental and conservation payments in advance of compliance with the conservation contract. The total amount of rental payments, however, may not exceed \$50,000 per owner or operator for each fiscal year; this limitation, however, is separate from and not related to the payment limitation applicable to the annual commodity programs under the Agricultural Act of 1949.

(10) Authorize the Secretary to modify or terminate a contract if the owner or operator agrees to the modification or termination and the Secretary determines that the modification or termination is in the public interest.

(11) Authorize the Secretary to modify or waive contract terms to permit the production of agricultural commodities on land covered by conservation reserve contracts, subject to such conditions as the Secretary finds are appropriate.

(12) Provide that, in carrying out this program, the Secretary --

- (a) must reduce the owner's or operator's program acreage base by the amount of the acreage placed under the conservation reserve contract;
- (b) must use the Commodity Credit Corporation (CCC), except that, beginning in fiscal year 1988, the Corporation must receive funds appropriated to carry out this program in advance of any CCC expenditures for the program;
- (c) must issue regulations implementing the program within 180 days after the authorizing legislation is enacted;
- (d) must provide safeguards to protect the program interests of tenants and sharecroppers;
- (e) must consult with Federal and State fish and wildlife agencies, land-grant colleges, conservation districts, and other water management and conservation groups, and
- (f) may use the services of a number of land grant colleges and related Federal, State, and local agencies in carrying out the program.

#### D. Other conservation provisions

Other conservation provisions of the bill would --

(1) Authorize the Secretary of Agriculture to purchase conservation easements on certain highly erodible land and wetland that has been used as security for Farmers Home Administration loans. If the FmHA borrower is unable to repay the loan, the land in question has been cultivated for row crops in each of the last 3 years, and the land is suitable

for conservation purposes, the Secretary may forgive all or a portion of the FmHA debt in return for a conservation easement, at least 50 years in length, on all or part of the land pledged as security for the FmHA debt. The person granting the easement would be required to maintain specified conservation practices and to permit certain recreational and wildlife uses of the land for the life of the easement in return for the forgiveness of the debt. The forgiveness of the debt would not be counted as income to the debtor for Federal income tax purposes.

(2) Promote energy and water conservation through dry land farming in the administration of the Soil Conservation and Domestic Allotment Act.

(3) Provide that soil conservation payments or grants in aid under the Agricultural Conservation Program must be used in accordance with approved soil conservation plans.

(4) Extend the Soil and Water Resources Conservation Act of 1977 and provide for updating the data every 10 years that is used in the appraisal of soil and water resources.

(5) Express the sense of Congress concerning the value of the Soil Conservation Service and urging that funding for necessary Soil Conservation Service programs be continued.

(6) Require the Secretary to implement a program for the amortization of delinquent Farmers Home Administration loans, using revenue generated from softwood timber crops planted on land previously used for crop production or pasture and pledge as security for the delinquent loan. Repayment of the reamortized loan must be made within 50 years; with the interest rate set by the Secretary. To be eligible for the program, the FmHA borrower must place at least 50 acres of eligible land in softwood timber production, the eligible land may have no liens, other than the FmHA lien, against it, and the indebtedness against such eligible land cannot exceed \$1,000 per acre. The Secretary may also make loans to finance the planting of the softwood timber, but not in excess of \$100,000 to any one borrower.

#### TITLE XVII -- AGRICULTURAL CREDIT

The agricultural credit provisions of the bill would --

(1) Consolidate the authorizations for the FmHA farm ownership and farm operating loan programs into one authorization, with an amount of \$4 billion authorized annually for these programs for fiscal year 1986, fiscal year 1987, and fiscal year 1988. These authorizations would be apportioned between insured loans and guaranteed loans as follows:

- (a) Fiscal year 1986 -- \$2 billion would be designated for insured loans and \$2 billion for guaranteed loans.
- (b) Fiscal year 1987 -- \$1.5 billion would be designated for insured loans and \$2.5 billion for guaranteed loans.
- (c) Fiscal year 1988 -- \$1 billion would be designated for insured loans and \$3 billion for guaranteed loans.

In each of the 3 fiscal years, the Secretary is authorized to transfer up to 25 percent of the funds designated for guaranteed loans to the insured loan program.

(2) Encourage use of the crop insurance program by restricting access to the emergency disaster loan program --

- (a) to eligible producers who have suffered physical losses; and
- (b) to eligible producers who do not have access to Federal Crop Insurance for the crop in question.

Any eligible producer who suffers a qualifying loss on annual crops planted before the date of enactment of the bill, however, would have access to the emergency disaster loan program.

(3) Establish a 3-year interest rate buy-down program for FmHA guaranteed loans, to be funded at \$490 million over 3 fiscal years. The duration of the interest rate buy-down on an individual loan would be for the term of the loan, or for three years, whichever is shorter. An individual guaranteed loan borrower would be eligible for up to a 2 percent Federal interest rate buy-down if --

(a) the borrower can meet the 100 percent cashflow test that is currently being used by FmHA;

(b) the lending institution matches the Federal interest rate buy-down with at least an equal reduction in the borrower's interest rate;

(c) the borrower is otherwise unable to make his loan payments in a timely manner; and

(d) the loan guarantee is necessary for the borrower to obtain credit.

(4) Authorize the compromise, adjustment, reduction, or charge-off of claims and the release of security instruments and agreements entered into or administered by the Farmers Home Administration to carry out the Act. Borrowers or others obligated on a debt could also be released from personal liability with or without the payment of any consideration at the time of the compromise, adjustment, reduction or charge-off of the claim.

(5) Require that a loan applicant or borrower who is directly and adversely affected by a decision of the Secretary be given --

(a) written notice of the decision within 10 days of the date of the decision, an opportunity for an informal meeting, an opportunity for a hearing, and the procedures to be used to appeal the decision;

(b) a reasonable opportunity to inspect and reproduce the applicant's or borrower's personal file maintained by the Secretary; and

(c) the right to be represented by an attorney or nonattorney at any file inspection, informal meeting, or hearing. The Secretary may charge the applicant or borrower for reasonable costs incurred in reproducing files.

(6) Provide for the sale or lease of farmland held in FmHA inventory as follows:

(a) To the extent practicable, farmland would be sold or leased to operators of not larger than family-size farms. The Secretary must advertise the availability of such land in at least one local newspaper and post an announcement of the availability of such land in the FmHA county office. If such land could not be sold or leased to family-size farmers, it could be disposed of under the provisions in current law.

(b)(i) The Secretary may sell farmland through installment sales or similar devices. The Secretary may subsequently sell any such installment sale or other contract.

(ii) The Secretary may also enter into lease with option to purchase agreements with farm operators. Such lease agreements must be made on a fair and equitable basis. In leasing such land, the Secretary must give special consideration to the previous owner or operator, if the person has the resources and skills to succeed in the proposed farming operation.

(c) The Secretary must offer to sell the farmland at a price that reflects the average annual income that could be generated from farming the land.

(d) If two or more persons are qualified to purchase a given tract of land, the FmHA county committee will select the person who will be allowed to make the purchase.

(e) If any tract of farmland in the FmHA inventory is too large to be used in a family farm operation, the Secretary

must subdivide the tract into parcels suitable for farming by family farmers.

(f) If any of the farmland in the FmHA inventory is highly erodible land, as defined in the "Sodbuster" portion of the bill, the Secretary may require as a condition of sale or lease, that specified conservation practices be used on such land.

(7) Require that the Secretary --

(a) consider recommendations made by a loan applicant or borrower concerning the technical design and choice of materials to be used in the construction of water and waste disposal facilities and give the applicant or borrower a comprehensive justification when such design or materials are not used in the facility;

(b) conducts a study of the practicality and cost effectiveness of making loans and grants for the construction of rural water and waste disposal facilities at individual locations, rather than central or community locations, and report the results to the House and Senate agriculture committees;

(c) with regard to an application for a loan or loan guarantee --

(i) approve or disapprove an application, and notify the applicant of the Secretary's action, including any reasons for disapproval, within 90 days after receipt of a complete application; and

(ii) if the application is incomplete when it is received, inform the applicant of the reasons for its incompleteness within 20 days after receipt;

(d) make the proceeds of an insured loan available within 15 days of the date the loan is approved or within 15 days of the date that sufficient funds become available to the Secretary for such loans, unless the loan applicant agrees to a longer period;

(e) decide whether a lender should be designated as an approved lender under the Department's approved lender program within 15 days of the receipt of a complete application; and

(f) make personnel and resources available in sufficient quantities to expeditiously process FmHA loan applications submitted by farmers and ranchers.

(8) Authorize FmHA insured loan borrowers to --

(a) transfer their loan accounts, on a one-time basis and with the approval of the head of the FmHA State office, to an FmHA county office in an adjacent county; and

(b) make prospective loan payments --

(i) from proceeds generated from the leasing of mineral rights in real property used to secure an FmHA loan, and

(ii) from proceeds generated from the sale of minerals severed from real property used to secure an FmHA loan if the minerals had not been used as security for the loan and the loan security is otherwise adequate.

The provision for prospective loan payments will not apply to any loan subject to foreclosure or liquidation proceedings on the date of enactment of the bill.

(9) Clarify that the Secretary can sell notes from the Agricultural credit Insurance Fund and the Rural Development Insurance Fund on a nonrecourse basis. All such notes sold from the Agricultural Credit Insurance Fund must have been held in that fund for at least 4 years.

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(10) Authorize the use of a portion of the proceeds from an operating loan made to a limited-resource borrower to pay for training in the keeping of farm and ranch business records.

(11) Require a study of the administrative appeals procedure used under the FmHA farm loan programs and a report of the results of such study be made to the House and Senate Agriculture committees by September 1, 1986.

(12) Require a study of the appropriateness of the Farm and Home Plan used by FmHA in the administration of its farm and ranch lending program and a report of the results of such study be made to the House and Senate Agricultural committees not later than 120 days after enactment of the bill.

(13) Require the release of funds from normal income security in amounts sufficient to pay the borrower's essential household and farm operating expenses, until such time as the Secretary determines that the underlying loan should be liquidated.

(14) Require that a detailed annual loan summary statement be issued to any insured loan borrower who requests such a statement.

## TITLE XVIII -- AGRICULTURAL MARKETING

### Subtitle A -- Pork Promotion, Research, and Consumer Information

Subtitle A of Title XVIII establishes a new program of promotion, research, and consumer information designed to strengthen the position of the pork industry in the marketplace and to maintain, develop, and expand markets for pork and pork products. Subtitle A of Title XVIII would --

(1) Declare findings of Congress concerning the value of pork and pork products to the human diet; the role of pork production in the U.S. economy; the need to market pork and pork products to ensure adequate nourishment; the importance of maintaining, expanding, and developing markets for pork and pork products; the movement of pork and pork products in interstate and foreign commerce; and the replacement of domestic pork with imported pork in normal trade channels;

(2) Declare the purpose of the subtitle to be that of authorizing assessments for promotion, research, and consumer information to strengthen the pork industry in the marketplace and maintain, develop, and expand markets for pork and pork products;

(3) Require the Secretary of Agriculture to issue and amend orders applicable to persons engaged in the production and sale of porcine animals, pork, and pork products in the United States and the importation of such animals and products into the United States;

(4) Require the Secretary to issue an order, after giving notice and an opportunity for public comment on a proposed order, if the order would assist in carrying out the subtitle;

(5) Require that the order provide for the establishment and appointment by the Secretary of a National Pork Producers Delegate Body consisting of producers, appointed by the Secretary from nominees submitted by State associations, and of importers. States that have State associations that do not submit nominations or that do not have a State association would submit nominees in a manner prescribed by the Secretary. The number of producer members appointed to the Delegate Body from each State would equal two members, and additional members, determined by using an allocation formula based on porcine animals marketed from the State in calendar year 1986 and based on net assessments collected in such State in subsequent calendar years. The number of importer members would be determined on the basis of importations of porcine animals, pork, or pork products in calendar year 1986 and assessments collected from importers in subsequent calendar years. Pork producer and importer members of the Delegate Body would be authorized to cast a number of votes determined on the basis of specified formulas. Members

of the Delegate Body would serve for a 1-year term and would serve without compensation but could be reimbursed for transportation expenses. The Delegate Body would nominate not less than 17 members of the National Pork Producer Directors for the first year and not less than one and one-half persons (rounded up to the nearest person) thereafter from among the Directors for each vacancy on the National Pork Board that requires nominations for appointment to the Board;

(6) Require that the order provide for the establishment and appointment by the Secretary of a body to be known as the National Pork Producer Directors to serve as a liaison between the State pork producer associations and the Board and to consult with the Board on policy matters. The Directors would consist of one pork producer member from each State with one additional producer member from each State from which 11 million or more porcine animals were marketed during a year. One importer member, selected in a manner prescribed by the Secretary, would serve on the Board. Directors would serve for 3-year terms, and would serve without compensation but could be reimbursed for transportation expenses;

(7) Require the order to provide for the establishment and appointment by the Secretary of a National Pork Board consisting of 11 pork producers nominated from members of the Directors and appointed by the Secretary. Members of the Board would serve for 3-year terms, and would serve without compensation but would be reimbursed for reasonable expenses. The Board would develop pork promotion, research, and consumer information plans and projects; submit the plans and projects to the Secretary for approval; administer orders issued by the Secretary; prescribe rules necessary to carry out orders; receive, investigate, and report to the Secretary complaints of violations of orders; make recommendations to the Secretary concerning amendments to the orders; and employ a staff and conduct routine business. The Board would be required to prepare and submit, for the approval of the Secretary, a budget for each fiscal year of anticipated expenses and disbursements of the Board in the administration of the order, including the projected cost of any promotion, research or consumer information plan or project to be conducted by the Board directly or by way of contract or agreement, and the budget, plans or projects for which the State associations and National Pork Producers Council are to receive funds. These budgets, plans, or projects would become effective on the approval of the Secretary. The Board, with the approval of the Secretary, would be authorized to enter into contracts or agreements for the development and conduct of activities authorized under an order and for the payment of the costs thereof through assessments;

(8) Require that no later than 30 days after the Board is established, an assessment be paid by each producer for each porcine animal produced in the United States that is sold or slaughtered for sale, and by each importer for each porcine animal, pork, or pork product imported into the United States. A person would not be required to pay an assessment if the person proves to the Board that an assessment was previously paid by a person for a porcine animal of the same category. The initial rate of assessment would be 0.25 percent of the market value of the porcine animal, pork, or pork product sold or imported or such lesser amount as may be set by the Secretary upon recommendation by the Board. The pork or pork product imported into the United States would be assessed based on the equivalent live value of the porcine animal from which such pork or pork product was produced. The assessment could be increased in increments of 0.1 percent but could not exceed 0.5 percent unless approved in a referendum. The Secretary would have authority to waive the collection of assessments upon selected pork products when the collection would not be practicable. Each State pork producer association would receive an amount of funds from the assessments collected based on a specified formula and would be required to use the funds and the proceeds from the investment of such funds for financing pork promotion, research, and consumer information plans and projects. The National Pork Producers Council would receive 60 percent of the aggregate assessments collected less the amount distributed to the State associations and would use these funds and the proceeds from the investment of such funds for financing pork promotion, research, and consumer information plans and projects. The Board would receive the amount of assessments remaining after the distributions to the State associations and the Producers Council. The Board would use the funds and the proceeds from the investment of such funds, generally, for financing pork promotion, research, and consumer information plans and projects;

(9) Require the Secretary, in determining whether to continue an order then in effect, to conduct a referendum not

earlier than 1 and not later than 2 years after the effective date of the initial order among persons who have been producers and importers during a representative period, as determined by the Secretary. A majority of the producers and importers voting must approve the order for it to be continued;

(10) Require the Secretary to terminate or suspend an order if, after the initial referendum, the Secretary determines that an order does not tend to effectuate the declared policy of the subtitle. After the initial referendum, on the request of a number of persons equal to at least 15 percent of persons who have been producers and importers during a representative period, as determined by the Secretary, the Secretary would be required to conduct a referendum to determine whether the producers and importers favor the termination or suspension of the order. The Secretary would not be required to conduct more than one referendum under this subtitle in a 2-year period.

(11) Authorize a producer or importer to receive a refund of an assessment prior to approval of continuation of the order in a referendum. After approval of the order in a referendum, no refunds would be permitted;

(12) Authorize a person subject to an order to file a petition with the Secretary requesting a modification of or an exemption from the order;

(13) Grant jurisdiction to U.S. District Courts to enforce an order, rule, or regulation issued under the title. A person who willfully violates an order, rule, or regulation issued by the Secretary under this title may be assessed a civil penalty of not more than \$1,000 and, in the case of a willful failure to pay, collect, or remit an assessment, an additional penalty equal to the amount of the assessment. The Secretary is also authorized to issue cease and desist orders for violations of an order, rule, or regulation; and

(14) Preempt State regulation of promotion and consumer education involving pork and pork products and obtaining funds from pork producers for such activity and prohibit the State regulation of such activity (other than a regulation or requirement relating to public health or the provision of State or local funds for such activity) that is in addition to or different from this subtitle. This section would apply only during a period beginning on the date of the commencement of the collection of assessments and ending on the date of the termination of the collection of assessments.

#### Subtitle B -- Beef Promotion and Research

Subtitle B of Title XVIII revises the Beef Research and Information Act which provides for financing (through assessments on all cattle sold in the United States and on cattle, beef, and beef products imported into the United States) a program of promotion and research designed to strengthen the position of the beef industry in the marketplace and to maintain and expand markets and uses for beef and beef products. Subtitle B of Title XVIII would --

(1) declare findings of Congress concerning the value of beef and beef products to the human diet; the role of beef production in the economy of the United States; the need to market beef and beef products to ensure adequate nourishment; the importance of maintaining and expanding markets for beef and beef products; the conduct by established State and national organizations of beef promotion, research, and consumer education programs that are invaluable to promote the consumption of beef and beef products; and the movement of beef and beef products in interstate and foreign commerce;

(2) Declare the purpose of the Act to be that of authorizing assessments for promotion and research designed to strengthen the beef industry in the marketplace and to maintain and expand markets and uses for beef and beef products;

(3) Require the Secretary of Agriculture to issue a beef promotion and research order after giving notice of and an opportunity for public comment on a proposed order;

(4) Require that the order provide for the establishment and appointment by the Secretary of a Cattlemen's Beef Promotion and Research Board consisting of producers, appointed by the Secretary from nominees submitted by State

livestock or farm organizations, and of importers. States that do not have a State livestock or farm organization would submit nominees in a manner prescribed by the Secretary. The number of producer members appointed to the Board would be determined by using an allocation formula based on the total inventory of cattle in each State. The number of importer members would be determined by converting the volume of imported beef and beef products into an equivalent number of live animals. Members of the Board would serve for a 3-year term and would serve without compensation but would be reimbursed from assessment for reasonable expenses incurred in performing duties as a member of the Board of Beef Promotion Operating Committee. The Board would administer the order; issue regulations; elect members of the Board to serve on the Committee; approve or disapprove budgets submitted by the Committee; receive, investigate, and report to the Secretary on complaints of violations of the order; and recommend to the Secretary any necessary amendments to the order.

(5) Require that the order provide for the establishment of a beef Promotion Operating Committee. The Committee would consist of ten members of the Board, elected by the Board, and ten producers who are directors of qualified State beef councils, elected by a federation that includes as members of the qualified State beef councils. A member of the Committee would serve for a 1-year term, and would serve without compensation but would be reimbursed for reasonable expenses incurred in performing duties as a Committee member. The Committee would develop plans or projects for promotion, advertising, research, consumer information, and industry information which would be paid for with assessments collected by the Board. The Committee would develop and submit a budget of anticipated expenses and disbursements of the Committee to the Board for the approval of the Board. If approved by the Board, the budget would be submitted for approval of the Secretary. No plan, project, or budget would become effective unless approved by the Secretary.

(6) Require that an assessment be paid by each person purchasing cattle from a producer and each person marketing beef directly from cattle produced by that person. An assessment would also be paid by each importer of cattle, beef, or edible beef products. The rate of assessment would be \$1 per head of cattle, or in the case of imported beef and edible beef products, the equivalent of \$1 per head of cattle, as determined by the Secretary. If a producer is participating in a program of an established qualified State beef council, the producer would receive credit of up to 50 cents per head of cattle in determining the amount of the assessment due from the producer for contributions to the program. The assessments would be used for the payment of expenses incurred in administering the order, and the maintenance of a reasonable reserve.

(7) Require the Secretary, in determining whether to continue the initial order, to conduct a referendum not later than 2 years after the issuance of the order (or any earlier date recommended by the Board) among persons who have been producers or importers during a representative period, as determined by the Secretary. A majority of the producers and importers voting must approve the order for it to be continued.

(8) Require the Secretary, after the initial referendum, on the request of 10 percent of person who have been producers or importers during a representative period, as determined by the Secretary, to conduct a referendum to determine whether the producers and importers favor the termination or suspension of the order. The Secretary would also be required to terminate or suspend an order if the Secretary finds that the order, or a provision of the order, does not tend to effectuate the declared policy of the Act.

(9) Authorize the Secretary to issue an order to restrain or prevent a person from violating an order and to assess a civil penalty of no more than \$5,000 for the violation of an order. Jurisdiction would be granted to United States District Courts to enforce an order, rule, or regulation issued under the Act.

#### TITLE XIX -- GENERAL PROVISIONS

The general provisions of the bill would --

(1) Establish a National Commission on Agricultural Policy to study the structure, procedures, and methods of

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formulating and administering agricultural policies, programs, and practices of the United States. The Commission would be composed of 15 members appointed by the President from nominations submitted by the Governors of the States. The chairmen and ranking minority members of the House and Senate agriculture committees would be ex officio members of the Commission. The Commission would submit annual reports to the President and Congress and would terminate 4 years after the date of enactment of the bill;

(2) Make several amendments relating to the Agricultural Stabilization and Conservation committees, including authorizing county ASC committees to petition the Secretary of Agriculture to change the number of local administrative areas in the county but not to exceed the number of local areas in the county on December 31, 1980; requiring that the members of the local committees be elected for 3-year terms instead of annually and that the local committees meet once a year and more often at the direction of the county ASC committee with the approval of the State ASC committee; specifying the duties of local committees; and increasing the rate of compensation for county and local committee members by 10 percent from the rate in effect on the date of enactment of the bill;

(3) Authorize \$57,067,300 to be appropriated for fiscal year 1986 to carry out the Federal Insecticide, Fungicide, and Rodenticide Act and authorize such sums as are necessary for fiscal year 1987 to carry out such Act;

(4) Amend the Consolidated Farm and Rural Development Act to authorize the Secretary to make grants to nonprofit institutions for the purpose of enabling the institutions to establish and operate rural technology development centers;

(5) Expand the authority of the Secretary to charge and collect user fees for the provision of pamphlets, reports, and other publications, to include the provision of software, and electronic publications, and to include all such materials prepared in the Department of Agriculture;

(6) Amend the Virus-Serum-Toxin Act of 1913 to authorize the Secretary to regulate the preparation, sale, and shipment of animal biological products in intrastate commerce and for export, as well as for interstate commerce. A 4-year transition period for intrastate animal biological products is provided. The bill also (i) authorizes the issuance of a special license under an expedited procedure for animal biological products that are designed to meet emergency conditions, limited market, or local situations, (ii) requires the Secretary to exempt from licensing requirements animal biological products prepared for use in the preparer's own animals, prepared by a licensed veterinarian for use in animals under such veterinarian's care, or intended for intrastate distribution in a State that licenses such products and meets certain other criteria, and (iii) makes applicable to animal biologicals the enforcement provisions of the Federal Meat Inspection Act regarding detentions, seizures, and injunctions;

(7) Amend the Poultry Products Inspection Act to require all poultry and poultry products, capable of use as human food that are imported into the United States, to be subject to inspection, sanitary, quality, species verification, and residue standards applied to poultry produced in the United States. The amendment also would require that such imported poultry and poultry products be processed in facilities and under conditions at least equal to those under which similar products are processed in the United States. Any imported poultry article that does not meet the standards would not be permitted entry into the United States; and

(8) Provide that neither the Secretary nor any officer or employee of the Department of Agriculture may (1) use information furnished under provisions of certain specified Acts for a purpose other than the development or reporting of aggregate data in a manner such that the identity of the person who supplied the information is not discernible and is not material to the intended uses of the information, or (2) disclose the information to the public unless the information has been transformed into a statistical or aggregate form that does not allow identification of the person who supplied the information. Persons publishing or publicly releasing the information in any manner prohibited by this section would be subject to criminal penalties.

Mr. HELMS. Mr. President, before I yield to my distinguished colleague, the ranking minority member, for his

remarks, let me say that I have never been more honored in my life than to work with this committee in connection with this bill. That does not mean that there was 100 percent harmony. Certainly, there was not 100 percent agreement. But the Agriculture Committee is made up of very fine Senators, colleagues of whom I am very proud and whom I respect very much, and none more than the distinguished ranking minority member, the Senator from Nebraska [Mr. Zorinsky].

Here is a man of incredible patience and good cheer. Day after day, we have sat together in the markup of this bill. I hold Senator Zorinsky in the greatest affection, and I express my gratitude to him.

I see the distinguished Senator from Mississippi [Mr. Cochran] in the Chamber. What a delight it is to work with him!

I think we are going to have a little fun as we proceed on the farm bill. I imagine that there will be a few disagreements along the line. But we do have a little policy in the committee that we agree to disagree agreeably.

Finally -- and I will speak of this at the conclusion of the consideration of the farm bill in some detail -- I want to pay my respects to the staff, minority and majority. As a matter of fact, we do not have that sort of arrangement on the Agriculture Committee. Everybody works for everybody, and everybody works together. We have a fine staff, and I am grateful to them for the enormous amount of work and time they have devoted to a piece of legislation that has approximately 2,600 provisions and 20 titles. I do not know whether there is a longer piece of legislation that will go through this body, and I say that in the hope that it will go through.

With that, I yield the floor to my distinguished colleague from Nebraska.

The PRESIDING OFFICER (Mr. Simpson). The Senator from Nebraska.

Mr. ZORINSKY. Mr. President, I should like to take this opportunity to indicate that the cooperation of the chairman of the committee, Senator Helms, has been outstanding throughout the development of S. 1714. He also has been a model of patience during the several months in markup and many deliberations on the Senate farm bill, under extremely difficult conditions. Many times we had difficulty in obtaining quorums. We have arrived at a very fragile coalition, which is the bill before the Senate today.

I thank the chairman for his patience and for his fairness and even-handedness in conducting the business of the committee throughout the deliberations on the farm bill.

Mr. President, agriculture is of key importance to the economic well-being of the Nation. Each citizen in this country has a stake in the farmer's survival. The price and income protection provided by the farm commodity programs in S. 1714 -- the 1985 farm bill -- are, in the strictest sense, an investment in the continuing ability of the Nation's farmers to meet the food and fiber needs of consumers at home and abroad.

S. 1714 would extend and update a number of the important farm commodity programs; extend the Food for Peace Program under Public Law 480 and provide new authorities designed to increase the export of U.S. agricultural commodities; extend the Food Stamp Program; provide renewed authorizations for agricultural research, extension, and teaching programs; and establish programs to promote soil and water resource conservation efforts.

The commodity price support programs have, over the years, been of great importance in providing farmers with a degree of stability in uncertain markets and protection from prices sliding far below the cost of production.

In general, S. 1714 attempts to maintain income protection for farmers while making U.S. commodities more competitive in United States and foreign markets. In this connection, S. 1714 freezes the target prices for the 4-year life of the bill in the case of corn, \$3.03 per bushel, upland cotton, 81 cents for pound, and rice, \$11.90 per hundredweight. The bill effects a slightly different freeze of the wheat target price \$4.38 per bushel -- by establishing two levels of target price protection: \$4.55 per bushel on the first 20,000 bushels of production and \$4 per bushel on all remaining

bushels of production.

Mr. President, S. 1714 is the product of a lengthy and arduous series of discussions, meetings, hearings, debates, and markup sessions. The success or failure of this effort must be judged in the context of what can and cannot be accomplished through Government farm programs.

What is apparent to me and, I think, to a number of my colleagues, is that the problems of agriculture are so pervasive, so complex, and so deep, as to be beyond the scope of any farm bill alone, no matter how well thought out or how well-funded. Neither Congress nor the farm community should look to the 1985 farm bill as a permanent, definitive solution to the long-range problems of agriculture.

For example, the deficit-based strong dollar adds, by some estimates, as much as 50 percent to the cost of our agricultural commodities abroad. Removing this inflated expense will do more to provide long-term relief than any other single action we could take.

Tax laws provide another example of governmental policies that distort and often defeat the direct actions taken by Congress on behalf of agriculture. In the current environment, farming the Tax Code is more profitable than farming the land. Competition from wealthy individuals seeking financially-advantageous investment losses adversely affects producers who must farm at a profit to survive.

Monetary policy provides a third example of nonagricultural policies that affect greatly the profitability of farming. Quite simply, high interest rates combined with low income mean insolvency for many farmers.

Thus, as we begin debate on the 1985 farm bill, it must be recognized that the ability of S. 1714 to cure all that ails agriculture today is limited.

#### AGRICULTURE AND THE ECONOMY

Agriculture is our Nation's most vital industry.

The export of agricultural commodities represents the largest positive share of our balance of trade.

Domestically, agriculture and its related industries are our No. 1 employer, providing the American consumer with a food supply that is as diverse, as dependable, and as high quality as any in the world. Furthermore, the American consumer spends only about 14 percent of disposable income on food, making our food among the cheapest in the world.

Strategically, we as a nation are insulated from the whims of foreign suppliers when it comes to the acquisition of that most basic of human needs -- food. To appreciate the significance of this fact, one has only to remember the oil embargo of 1973 to understand the chaos that would ensue if we were to be deprived of our capacity to produce food.

Despite the tremendous efficiency and productivity of our family farms, and our Nation's vital dependence on them, our farmers are facing the most wrenching financial crisis since the Great Depression. If this crisis is allowed to continue unabated, our family farm system of agriculture, which has thus far served us exceptionally well, will be permanently altered, to the detriment of us all.

#### DEVELOPING THE 1985 FARM BILL

Agriculture Committee members brought to the committee table diverse opinions as to how the severe problems facing agriculture should be addressed. Those opinions included the so-called market-oriented approach to commodity programs put forth by the administration, commitments to maintaining net farm income, proposals to reduce commodity surpluses, and concepts aimed at reducing Government expenditures. S. 1714 addresses each of these concerns.

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The bill reported by the committee gives the administration what it requested in terms of "market-oriented" commodity loan programs by providing market-based price support loan rates. The administration has contended that the key to the salvation of the agricultural sector lies in our ability to compete in foreign markets, and that to compete, we must reduce the cost of our agricultural commodities in international trade. The administration has further contended that, since loan rates establish a floor for the world price of agricultural commodities, lowering the loan rates to so-called market-clearing levels is essential if we are to retain our present markets and recapture those lost to lower priced foreign producers. S. 1714 does just that.

There are economists who contend that the price of our commodities is inelastic, meaning that sales will not necessarily increase as we reduce our selling price, and that the market-oriented concept is merely a mechanism for reducing budget outlays at the expense of a politically weak farm sector.

I have stated many times, on the floor of the Senate and elsewhere, that the international market in which our agricultural commodities are sold is not a free market system. And I repeat -- it is not a free market system.

By some estimates, over 90 percent of the commodities traded in the international market are subsidized by either the buyer or the seller. To compel the American farmer to market his or her production at so-called market-clearing prices in such an international market -- without the benefit of a proven and effective safety net -- could be damaging to our family farm system of agriculture and could have dire consequences for our national economy, as well.

For these reasons, I support the freeze on target prices contained in S. 1714. With effective target prices, we can maintain a safety net for agricultural producers, thereby enabling them to provide American consumers with the most diverse, highest quality, and cheapest food and fiber in the world.

S. 1714 also contains numerous provisions aimed at reducing commodity surpluses.

First, the conservation reserve provisions and the swampbuster and sodbuster provisions, patterned after my farm bill (S. 1051), will go a long way toward removing marginal land from unneeded production.

Second, the enhanced export provisions contained in the bill should provide further incentives for additional foreign sales as a further means of reducing surpluses.

Third, the wheat provisions of S. 1714, also patterned after language contained in my original bill, would provide for a producer referendum to determine if mandatory production controls should be in effect for the 1987 through 1989 crop years. Such controls, if adopted, would reduce surpluses, improve net farm income for wheat producers, and reduce Government expenditures at the same time.

#### SUPPLY MANAGEMENT FOR WHEAT

The Nation simply produces more wheat than it can consume or sell abroad. We have proven this year after year after year. This has led to the accumulation of massive Government surpluses, accompanied by plummeting market prices and skyrocketing Government expenditures. Wheat growers, in response to lower market prices, have signed up en masse for Government farm programs. Program participation for the upcoming crop year will likely approach 100 percent.

This increased program participation has led to greater Government expenditures for deficiency payments under income support/target price provisions, increased surplus accumulation through loan foreitures under price support/loan rate provisions, and increased Government expense related to the storage of Government-owned grain and grain in the farmer-owned reserve.

The need for an effective supply management program is overwhelming. The American Farm Bureau Federation reports that current wheat acreage exceeds demand by 34 percent. Some economists predict that if present trends

continue, demand for our grain will be severely reduced through the remainder of the century. Given the continuing advances in genetics, hybridization, and biotechnology, as well as a heightened desire by our current purchasers abroad to become more nutritionally self-sufficient, this estimate may be conservative. At any rate, the need for fencerow to fencerow production is absent, at least for the foreseeable future.

If we continue this type of fencerow to fencerow mentality, we will create a boom in production.

In fact another administratively imposed Payment-in-Kind Program -- the PIK Program -- appears possible, unless legislative action is taken to reduce surpluses in a more orderly manner and with less detrimental effect on agribusinesses.

Conceptually, supply management merely entails bringing production into balance with demand. It is the most fundamental tenet of the marketplace. General Motors does not operate its plants at full capacity when to do so would glut the market and force it to sell units below their cost of production. Yet this is exactly what we force our farmers to do. The absence of effective supply management would bankrupt General Motors just as it is bankrupting our Nation's agricultural producers.

Some have asked why my supply management proposal is limited to wheat. Let me state that I will support the application of supply management to any commodity for which an excessive surplus exists. Of course, some commodities, such as tobacco, are already subject to mandatory supply management programs. However, certain factors affected my decision to limit the proposal to wheat.

First, producer support for mandatory supply management appears strongest among wheat producers.

Second, wheat suffers to a greater degree than some other commodities from price-depressing surpluses and the vagaries of volatile and diminishing export markets.

Third, wheat, unlike other food commodities such as feed grains, is predominantly consumed directly by humans. Therefore, increases in the price of a bushel of wheat are more directly -- and more equitably -- passed on to consumers. Increasing the price of a bushel of wheat by one dollar increases the price of a loaf of bread by only a few pennies. Americans spend only about 14 percent of their disposable income on food, making our food among the cheapest in the world.

Feed grains, on the other hand, pass through a more complex food chain, and the consumer is more price sensitive with regard to the meat end product. This results in the increased costs of feed grains being absorbed by middlemen, some of whom, such as cattle feeders, are in as weak a financial position as the farmer.

Finally, wheat-growing operations tend to be less diversified than feed grain operations, leaving wheat producers more vulnerable to market fluctuations and less able to weather low grain prices for extended periods of time.

It should be further noted that, because of low prices, approximately 600 million bushels of wheat are being fed annually to livestock. Increased prices will eliminate the use of wheat as livestock feed, thereby increasing the consumption of feed grains.

In my view, a mandatory supply management program for wheat is preferable to a voluntary program. A mandatory program offers tighter management and control, and, in view of the "slippage" in implementation and results that have accompanied voluntary programs, a mandatory program would be more cost-effective.

For the last few years we have been wishing for the law of supply and demand to take effect. I feel the time for wishing is over.

Because mandatory supply management represents a dramatic departure from the current wheat programs, I

provided for a producer referendum. In addition, language was adopted in committee that would require a polling of wheat producers as a prerequisite to a referendum vote in 1986. In short, before a referendum is held, more than 50 percent of the producers must favor the holding of a referendum. Sixty percent or more of the producers voting in the referendum must favor mandatory controls before the program would become effective for the 1987 through the 1989 crops of wheat.

Much of the opposition to supply management comes from entities whose primary interests do not include the return of profitability to agriculture. Many of these entities benefit from full production and cheap grain. I understand their concerns.

But what they need to understand is that Federal farm programs should work to the primary benefit of producers, and that when production agriculture is profitable, the corollary industries that support and are in turn supported by agriculture will be profitable as well. Short-term policies designed to benefit agribusiness are doomed to fail in the long run if the producer cannot make a profit and survive.

Specifically, the bill directs the Secretary to conduct a poll, by mail ballot, of wheat producers to determine whether the producers favor the conduct of a marketing quota referendum for the 1987 through 1989 marketing years for wheat. The Secretary is required to conduct the poll by April 1, 1986. Any producer who produced wheat on a farm during at least one of the 1981 through 1985 crop-years of wheat will be eligible to vote in the referendum.

If more than 50 percent of the producers responding to the poll favor the conduct of a referendum, the Secretary must conduct a referendum, by mail ballot, by August 1, 1986.

For any crop of wheat for which marketing quotas are in effect, the level of price support loans will be not less than \$3.55 per bushel. Target prices will be not less than the higher of the national average cost of production per bushel, as determined by the Secretary, or \$4.65 per bushel.

#### WHEAT PROGRAM IN ABSENCE OF MARKETING QUOTAS

For the 1986 crop of wheat and any crop of wheat for which marketing quotas are not in effect, the price support loan rate will be set at not less than \$3 per bushel. However, the Secretary can reduce this loan rate by as much as 20 percent if the Secretary determines that the average price of wheat received by producers in the preceding marketing year is not more than 110 percent of the loan level. With the current depressed prices of wheat, it is likely that the Secretary will make this determination. The committee has been informed that the Secretary would not need to reduce the loan rate by the full 20 percent authorized.

For crop years 1987 through 1989 -- and if marketing quotas are not in effect -- the wheat loan rate would be not less than an average of historical prices computed through the use of a formula. Under the bill, the loan rate for wheat in these crop years would be not less than 75 percent, nor more than 85 percent of the average price of wheat during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the price was the lowest during that period. Notwithstanding the formula determination, the loan level could not be reduced by more than 5 percent from the level determined for the preceding crop.

Target prices for the 1986 crop of wheat and for the 1987 through 1989 crops of wheat -- if marketing quotas are not in effect -- would be set so as to provide additional protection for family-sized wheat farms. Under the bill, the target price of wheat in such cases would be \$4.55 per bushel for any portion of the crop that does not exceed 20,000 bushels, and \$4 per bushel for any portion of the crop that is more than 20,000 bushels.

#### FEED GRAIN PROGRAM

The bill provides that the loan rate for corn will be set at \$2.40 per bushel for the 1986 crop. Other feed grains would be set at a level that the Secretary determines to be fair and reasonable in relation to the loan rate for corn.

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The loan rate for the 1987 through 1989 crops of corn would be set at not less than 75 percent, nor more than 85 percent, of the simple average price received by producers of corn during the immediately preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest.

However, as in the case of wheat, the loan rates for feed grains could be reduced using the modified Findley amendment.

(Mr. WARNER assumed the chair.)

Too, in the case of wheat and feed grains, the Secretary would be required to permit producers to repay their price support loans at the lower of, first, the loan rate established for the crop or, second, the higher of, first, 70 percent of the loan rate established for the crop, or second, if the loan level was reduced using the Findley amendment, 70 percent of the loan rate that would have been in effect but for such reduction, or third, the prevailing world market price, as determined by the Secretary.

The target prices for the 1986 through 1989 crops of corn would remain at the 1985 level of \$3.03 per bushel.

#### AGRICULTURAL CREDIT

In developing the agricultural credit provisions of S. 1714, the objective was to make improvements in the Farmers Home Administration [FmHA] loan programs that directly benefit agricultural producers in this country while reducing Federal expenditures.

I believe that the legislation goes far in meeting this objective.

I am particularly pleased that the legislation contains provisions for an interest rate buy-down program. This program, which I will discuss in more detail later, is very important to financially troubled farmers and ranchers. Many agricultural producers currently cannot meet the repayment requirements for guaranteed loans from commercial or cooperative lenders because of inadequate cash-flow and high interest rates. If the rate of interest was reduced, a substantial number of these producers would have adequate income to support repayment of their loans.

The program is additionally important in that it would ensure the continued availability of affordable credit under FmHA programs during the period in which the legislation would place greater reliance on the Guaranteed Loan Program, and less on the Direct Loan Program.

#### CONSOLIDATION AND AUTHORIZATION OF FARM OWNERSHIP AND OPERATING LOAN PROGRAMS

Under the provisions of the bill relating to agricultural credit, the authorization for FmHA farm ownership and farm operating loan programs would be consolidated. And \$4 billion would be authorized annually for these programs for fiscal years 1986 through 1988. These authorizations would be apportioned between insured loans and guaranteed loans as follows:

First for fiscal year 1986, \$2 billion would be provided for insured loans and \$2 billion for guaranteed loans.

Second, for fiscal year 1987, \$1.5 billion would be designated for insured loans and \$2.5 for guaranteed loans.

Third, for fiscal year 1988, \$1 billion would be designated for insured loans and \$3 billion for guaranteed loans.

The gradual increase in the Guaranteed Loan Program is the primary source of savings under the legislation.

The Secretary of Agriculture would be authorized to transfer up to 25 percent of the funds designated for guaranteed loans to the Insured Loan Program.

#### AVAILABILITY OF DIRECT LOANS TO NEW FARMERS HOME ADMINISTRATION BORROWERS

The legislation would ensure eligibility for insured loans could not be restricted to current borrowers, as the Department of Agriculture had planned to do by regulation. This provision is very important in view of the current agricultural crisis in the United States. If eligibility were to be so restricted at this time, it could have a devastating effect on a large number of our farmers and ranchers who do not qualify for commercial or guaranteed loans because their current cash flow cannot support repayments at the current rates of interest on such loans. If FmHA loans having favorable interest rates are available, a number of these agricultural producers would have a reasonable chance of overcoming economic stress and continuing in business.

#### INTEREST RATE BUY-DOWN PROGRAM

The legislation also contains a number of other provisions that would help alleviate the financial problems of American agricultural producers, including a program for interest-rate reductions on FmHA guaranteed loans.

The program would require the Secretary of enter into contracts with lending institutions that reduce the interest rate on guaranteed loans for a period not to exceed 3 years. The contract would specify the amount by which the interest rate on such loans would be reduced. The Secretary would pay the lender not more than 50 percent of the cost of making the reduction. Any payment made by the Secretary under the program could not exceed the cost of reducing the annual rate of interest by more than 2 percent.

The interest rate buy-down program would be available only to borrowers who cannot locally obtain sufficient credit under reasonable rates and terms to meet their actual needs. In addition, a borrower would be required to have an estimated cash income for the following 12-month period equal to, or in excess of, the estimated cash expenses to be incurred by the borrower during such period. The program would not, however, be available to a borrower if the borrower could otherwise make payments on the guaranteed loan in a timely manner.

The bill would authorize up to \$490 million from the agricultural credit insurance fund to be used to carry out the program. This authorization level would permit the Secretary to effectuate an interest-rate reduction of 4 percent for 3 years on approximately \$8 billion of loans guaranteed by the FmHA. The program is designed to deal directly with one of the gravest problems facing many agricultural producers today -- that is, the problem of high rates of interest on outstanding indebtedness. By reducing the rate of interest on guaranteed loans, the program would provide immediate assistance to thousands of financially troubled farmers and ranchers in the United States.

#### EMERGENCY LOAN PROGRAM AMENDMENTS

The legislation would make a number of changes in the Emergency Loan Program administered by the Farmers Home Administration. These changes are expected to reduce Federal outlays under the program with no significant adverse effect on agriculture. The provisions would, among other things, repeal the authority for the Secretary to make emergency loans to producers who can receive credit elsewhere and would encourage the use of Federal crop insurance by precluding the making of a loan on the basis of the loss of a crop that could have been covered by such insurance.

The limit on the size of an emergency loan under the program would be reduced to \$200,000 for each disaster. Current law provides for similar limits of \$500,000. The total amount of indebtedness that a borrower could have outstanding under the program would be reduced to \$400,000.

#### SETTLEMENT OF CLAIMS

Under current law, there is limited authority for the settlement of debt obligations of FmHA borrowers. The legislation would broaden this authority to provide the Secretary with greater flexibility to compromise repayment obligations. This would allow the Secretary and the borrower, prior to any liquidation of the loan, to negotiate what assets the borrower may retain as the result of the liquidation. Currently, a borrower is required to liquidate all property

securing the loan until the debt is settled. In some cases, the indebtedness exceeds the value of the collateral, which can result in the borrower remaining liable for substantial loan repayments even after the property securing the loan is liquidated. Under these circumstances, there is little incentive for a borrower to voluntarily liquidate, and often the Government becomes involved in protracted legal proceedings to liquidate the loan.

With the new expanded authority to settle debts, the Secretary would be able to negotiate, on a case-by-case basis, agreements that would allow severely delinquent borrowers to retain some property, including their home, in order that the borrower may make a transition from agriculture to another means of livelihood -- thereby permitting FmHA loans to be liquidated in a more timely manner.

#### RELEASE OF NORMAL INCOME SECURITY

The legislation would also require the Secretary to release from the normal income security for a FmHA loan amounts that are sufficient to enable the borrower to pay essential household and farm operating expenses unless the Secretary determines that the loan should be liquidated. Such security consists of, among other things, crops produced on the farm by the borrower.

When the crops securing the loan are sold, the borrower generally repays the indebtedness. However, the sale of the crops, in some cases, does not generate sufficient proceeds to allow the borrower to repay the loan and have enough money left over to cover necessary living and operating expenses. In such cases, the borrower would be allowed to receive from the proceeds of the sale enough money to meet these essential expenses. The release to the funds would help many farmers to continue their operation and meet essential expenses without undue financial stress.

#### DISPOSITION AND LEASING OF FARMLAND IN THE INVENTORY OF THE FARMERS HOME ADMINISTRATION

Because of the continuing financial crisis in American agriculture, the Farmers Home Administration has liquidated an increasingly large number of loans, and as a result, the inventory of farms owned by the Farmers Home Administration has vastly increased. Prior to 1981, the Farmers Home Administration had never owned more than 260 farms. By April 1984, the inventory increased to 2,135 farms with 506,642 acres in total. The number of farms in FmHA inventory currently is around 3,000 farms.

The legislation would make a number of important changes in the manner in which such farmland is leased or sold by the Secretary. Included among these are the following:

First, to the extent practicable, the farmland would be first offered for sale or lease to operators of family sized farms.

Second, farmland may be leased, with the option to purchase, to operators of family sized farms.

Third, farmland would be offered for sale at a price that reflects the annual income that may be expected from farming the land.

Fourth, in leasing farmland, the Secretary would be required to give special consideration to a previous owner or operator of the farm if there is a reasonable prospect that such operator will be successful in the proposed farming operation.

Fifth, farmland may be sold through installment sales contracts or similar devices if the interest of the Government in the land is protected.

Sixth, if the farmland is in tracts larger than that necessary for family sized operations, the land would have to be subdivided and sold in units suitable to such operations.

The legislation would help to ensure that family farmers would be given the opportunity to purchase farmland from the Government at affordable prices and that such farmers would not be placed at a disadvantage in competing with large operators or nonfarmers for the purchase of additional farmland.

#### OTHER CREDIT PROVISIONS BENEFITING FARMERS AND RANCHERS

Several provisions are designed to directly or indirectly assist farmers and ranchers. These include:

First, improved procedures for the prompt processing of loan applications by the Farmers Home Administration.

Second, improved appeals procedures for prompt and fair review of adverse determinations affecting FmHA borrowers.

Third, availability to FmHA borrowers of summary loan statements.

Fourth, authorization for loan funds to be used by the borrower for training in the maintenance of records of farming and ranching operations.

Fifth, authorization for a borrower to make prospective payments on a loan from the proceeds of the lease or sale of mineral rights from real estate that secures the loan.

#### WATER, WASTE, AND COMMUNITY FACILITIES LOANS AND GRANTS

The legislation would also make certain changes in the Farmers Home Administration's programs that provide loans and grants to rural communities for the purpose of constructing or improving water, waste disposal, and other essential community facilities.

Under current law, eligibility for water and waste facility loans at interest rates not to exceed 5 percent are restricted to communities in which the median family income is below the Federal poverty line. This requirement is very restrictive and precludes the granting of assistance to many communities that need to construct or upgrade facilities to meet applicable health standards but cannot meet repayment terms on loans at higher rates of interest. The bill would address this problem by amending the eligibility requirement for these loans so that communities in which the median family income is below 80 percent of the statewide nonmetropolitan median household income would qualify for such loans. In addition, the bill would provide for loans at rates between 5 and 7 percent for communities in which the median family income does not exceed 100 percent of the statewide standard.

#### FOOD STAMP AND COMMODITY DISTRIBUTION PROGRAMS

The provisions of S. 1714 involving the Food Stamp Program, the Commodity Distribution Program, and related programs would, according to the estimates of the Congressional Budget Office, save \$586 million during fiscal years 1986 through 1989. The savings would result from amendments made to the Food Stamp Act of 1977.

A majority of the provisions that would result in savings would not adversely affect food stamp recipients. A number of the provisions would, in fact, be beneficial to certain eligible low-income households. However, it should be noted that some of the provisions would result in higher costs to the States.

#### FOOD STAMP PROGRAM SAVINGS

The savings in the food stamp program would be accomplished by:

First, maintaining the Puerto Rico nutritional assistance block grant at the current level of \$825 million per fiscal year, estimated 3-year savings of \$230 million;

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Second, ending the current exclusion from income under the Food Stamp Program of allowances, earnings, and payments under the Job Partnership Training Act, estimated 3-year savings of \$163 million;

Third, providing that low-income energy assistance payments must be considered in calculating a food stamp household's excess shelter deduction, estimated 3-year savings of \$165 million;

Fourth, authorizing States to collect food stamp overissuances that result from agency-caused errors, estimated 3-year savings of \$30 million;

Fifth, modifying the Food Stamp Program error-rate sanction provisions to require States with error rates in excess of 5 percent to repay to the Federal Government the sum of: one, 75 percent of the dollar value of benefits overissued between 5 and 7 percent, and two, 100 percent of the amount overissued in excess of 7 percent, less three, 75 percent of value of any overissued benefits collected by the States that would otherwise be returned to the Federal Government, estimated 3-year savings of \$41 million; and

Sixth, prohibiting a household's food stamp allotment from being adjusted to reflect a reduction in AFDC or SSI benefits made as a result of the receipt by such household of a nonrecurring lump-sum payment (estimated 3-year savings of \$18 million).

#### OTHER FOOD STAMP PROGRAM PROVISIONS

The food stamp provisions would make numerous other changes in the program, most of which would have little budgetary impact.

Among other things, the legislation would:

First, prohibit the imposition of State and local sales taxes upon food stamp transactions. Currently, such taxes are imposed in about 17 States. This prohibition would result in the loss of revenue in those States. However, the imposition of sales taxes on food stamp purchases has the effect of reducing food stamp recipients' benefits by the rate of the tax imposed, which may be as high as 6percent. This prohibition against the imposition of such taxes on food stamp transactions would allow recipients to use the full value of their benefits for food -- which is the purpose of the food stamp program;

Second, require States to establish employment and training programs and place in such programs 25 percent of food stamp work registrants by the end of fiscal year 1987, 35 percent of such persons by the end of fiscal year 1988, and 45 percent by the end of fiscal year 1990. To assist States in the implementation of these programs, the Federal Government would allocate to States \$40 million for fiscal year 1986, \$50 million for fiscal year 1987, \$60 million for fiscal year 1988, and \$75 million for fiscal year 1989 and would share 50 percent of any additional costs that a State may incur over its allocation. The Congressional Budget Office has estimated that under these levels of funding, the increased 3-year cost to the Federal Government would be \$10 million. It should be noted that this requirement may result in higher administrative costs to the States in operating these work and training programs. However, if such programs are successfully operated, savings to the States under other programs, such as AFDC and unemployment compensation, should offset these increased costs;

Third, expand the definition of disabled member to cover anyone receiving a Federal benefit based on a determination of blindness or disability under criteria similar to those used under the Supplemental Security Income Program. Under current law, certain blind or disabled veterans, railroad retirement recipients, and other Federal program beneficiaries are not covered under the definition of disabled member even though they have the same degree of disability as others who are considered blind or disabled for Food Stamp Program purposes. The expanded definition would ensure that all similarly blind or disabled persons who receive benefits under Federal law would be treated the same under the Food Stamp Program;

Fourth, provide for categorical eligibility under the food stamp program for most AFDC and SSI recipients; and

Fifth, require educational grants, loans, and scholarships, to the extent that they cover more than tuition and mandatory fees, to be counted as income if they are provided in the form of a vendor payment. The costs of required textbooks for courses covered by such grants, loans, and scholarships would not be considered mandatory fees for this purpose; therefore, any portion of a grant, loan, or scholarship paid to an educational institution or other supplier on behalf of a student for required textbooks would be considered income for Food Stamp Program purposes.

There are also a number of provisions in the bill that are intended to reduce fraud and abuse in the program and to provide for greater collections by State agencies of overissued benefits. These provisions should provide for better administration of the program by the States.

#### COMMODITY DISTRIBUTION PROGRAM

S. 1714 would extend, through fiscal year 1989, the Secretary's authority to purchase commodities for distribution to institutions, commodity supplemental food programs, disaster relief areas, summer camps for needy children, needy families on Indian reservations and in the Trust Territory of the Pacific Islands, and other commodity distribution programs.

#### COMMODITY SUPPLEMENTAL FOOD PROGRAM

The Commodity Supplemental Food Program would also be extended through fiscal year 1989. This program provides food packages of USDA-purchased commodities to low-income pregnant, breastfeeding, and postpartum women, and infants and children up to 6 years of age. The Commodity Supplemental Food Program currently operates in Nebraska and 11 other States as well as the District of Columbia. In addition, the legislation would extend, through fiscal year 1989, three demonstration food projects for low-income elderly persons.

The Secretary would also be authorized to permit State agencies to serve low-income elderly persons when unused caseload slots are available at any of the Commodity Supplemental Food Program sites.

#### TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

The legislation would extend the Temporary Emergency Food Assistance Program through fiscal year 1987.

To assist States in meeting the costs of storing and distributing commodities made available to them under the program, Congress appropriated \$50 million for fiscal years 1983 and 1984 and \$57 million for fiscal year 1985. Under current law, there is no requirement for the States to match the funds provided for this purpose.

Under S. 1714, annual appropriations of \$50 million would be authorized. However, beginning January 1, 1986, any funds provided to a State by the Federal Government from the appropriation would be required to be matched dollar for dollar by the State. No in-kind contributions would be counted as satisfying the matching requirement.

#### OTHER PROVISIONS RELATING TO COMMODITY DISTRIBUTION

The legislation would extend the National Commodity Processing Program through June 30, 1986, and would authorize a public or private nonprofit organization to transfer to another such organization perishable agricultural commodities purchased under section 32 of Public Law 74-320 if the other organization agrees to use the commodities in providing nutrition assistance to low-income individuals without cost or waste.

#### RESEARCH, EXTENSION, AND TEACHING

A major part of the bill focuses on supporting and improving food and agriculture research, extension, and teaching.

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Federal support of the development of agricultural science and technology is a public investment that has paid huge dividends for this Nation and the world; and the development and dissemination of new agricultural technology are fundamental missions of the Department of Agriculture.

Congress has the responsibility of providing the necessary tools by which the Department and the scientific community can meet the agricultural research, extension, and teaching needs of our Nation.

Congress first addressed the needs of the food and agricultural sciences in a unified manner in title 14 of the 1977 farm bill.

The 1985 bill will not make radical changes in the Federal policies and programs established under title 14. The bill will continue -- through fiscal year 1991 -- funding authorizations for agricultural research, extension, and teaching programs provided under title 14, and will update and fine tune the operation of a number of these programs.

The testimony of witnesses from the agricultural research, extension, and teaching community at the farm bill hearings was clear that coordination of agricultural research and education activities could be improved.

The great strength of our decentralized system of agricultural research and education has been that diverse needs can be addressed. Yet, that decentralization can be a weakness if coordination of efforts is lacking.

Also, a better system for communication between the Federal and State research systems, and between the research community and the users of that research, is needed.

To better focus the expenditure of funds and insure greater communication and coordination within the food and agricultural sciences, the bill extends the terms of the Joint Council on Food and Agricultural Sciences and the Users Advisory Board. In addition, the responsibilities of these key panels are more carefully defined, to insure the concentration of research and extension efforts in those areas of greatest national needs.

The bill will strengthen the role of the States in the research, extension, and teaching programs. It also will give the Secretary of Agriculture additional authorities to improve higher education in the food and agricultural sciences.

I am pleased that the bill includes the provisions of my bill to strengthen the rural development and small farm research and extension programs.

## CONSERVATION

Perhaps the most significant and far-reaching provisions of the legislation are contained in title XVI of S. 1714, the conservation title.

This year we are marking the 50th anniversary of the soil conservation movement in this country. Therefore, it is particularly appropriate for the 1985 farm bill to include strong conservation provisions.

Since 1935, the Agriculture Department's Soil Conservation Service has worked hand-in-hand with local conservation organizations to boost soil and water conservation, conduct natural resource surveys, and enhance community resource protection.

Years ago, Hugh H. Bennett, the first Chief of the Soil Conservation Service and the father of the soil and water conservation movement, thought soil erosion and water depletion could be corrected and halted in as few as 20 years. Bennett was wrong about that. Despite years of effort by Federal and State governments and local organizations -- including 3,000 conservation districts covering more than 2 billion acres -- threats to the Nation's soil and water resources remain substantial.

According to the national agricultural lands study, we are losing the equivalent of a million acres of our best

cropland each year to erosion. In the 10 Great Plains States, wind erosion alone results in the loss of a quarter million acres of land annually.

Erosion by water and wind reduces productivity on 1 of every 4 acres. Over the next 50 years, production capacity lost to erosion could equal the output of 25 million to 62 million acres of cropland.

The current depressed farm economy compounds these problems. Under today's economic conditions, many farmers simply cannot implement needed conservation measures. In some cases, the only way to correct problems is to remove land from cultivation. Yet that reduces farm income. So one big step we can take to promote conservation is to strengthen the farm economy.

Threats to the Nation's water resources are also well documented. Depletion of groundwater aquifers, saltwater intrusion, pollution, and improper water management are serious national concerns that threaten domestic, agricultural, and industrial water use.

The continued presence of soil and water problems is not an indictment of past conservation efforts. Rather, it dramatically points out the need to strengthen the commitment by local organizations -- including the efforts of volunteers -- and Government to addressing the problems. We can only imagine the condition of our soil and water resources today had it not been for the tireless work of the Soil Conservation Service and the equally important efforts of its partners in conservation districts throughout the country.

The simple fact is that the existing conservation programs are not sufficient to meet our needs. We continue to lose valuable soil at an alarming rate. Resources that go unprotected today will be unavailable to produce commodities tomorrow.

Farmers are rightfully looking to the 1985 farm bill for help in meeting this challenge. That bill must be oriented to conservation and the Senate Agriculture Committee has taken major steps to see that it will be oriented to conservation.

Working on the conservation section of the farm bill over a 2-week period in July, the Senate Agriculture Committee tentatively approved:

Strong "sodbuster" and "swampbuster" provisions; an extension of the landmark 1977 Soil and Water Resources Conservation Act; a Conservation Reserve Program that would idle 25 million to 30 million acres of erosion-prone cropland for 7 to 15 years.

These conservation measures won broad committee support and were approved mostly on voice votes. Also, in many cases, similar provisions have been adopted by the House as part of its farm bill. That greatly increases the likelihood that the conservation measures will be included in the version of the bill that goes to the President.

Let me explain in more detail what these conservation measures would do.

The sodbuster provision denies Federal subsidies and other Farm Program benefits to those who cultivate highly erodible land -- defined by the bill as classes IIIe, IVe, VI, VII, and VIII land -- without regard to conservation practices. The Companion Swampbuster Program denies farm benefits to those who drain, fill, or dredge wetlands for cultivation.

Land being farmed prior to enactment of the bill would be exempt from the swampbuster provision. For the sodbuster measure, however, the committee adopted a controversial "cross compliance" provision that severely restricts such grandfathering after 1988.

In short, after 1988, farmers who cultivate highly erodible land without implementing sound conservation practices will be ineligible for any type of price support or other payments made by the Commodity Credit Corporation, farm

storage facility loans, crop insurance, disaster payments, and Farmers Home Administration farm loans.

The sodbuster and swampbuster provisions are extremely important to those of us interested in conserving our precious natural resources. Conversion of marginal grassland to cropland is most serious in the Great Plains but it is a problem all over the country. Nationwide, 45 million acres of highly erodible land have already been brought into production and another 247 million acres could be cultivated.

Loss of wetlands takes its toll on wildlife and recreation and is a serious problem in Nebraska. We live in one of the five States in the Nation that have lost more than 90 percent of the natural wetlands, most of it through conversion to cropland. Nationwide, 14.7 million acres of wetlands were destroyed from 1955 to 1975, 80 percent of those wetlands were drained or filled for farm use.

The sodbuster and swampbuster programs are needed for economic reasons as well as for conservation. It is time Government stopped subsidizing the cultivation of land not suitable for farming. It just adds to our surpluses and further depresses commodity prices.

Let me also counter an argument used against these proposals. Neither the swampbuster nor the sodbuster interferes with a farmer's right to use his or her land as he or she chooses. This is not an attempt to dictate farming practices. We are simply saying to farmers, if you want to plow highly erodible land without regard to conservation practices, or if you want to drain and plow wetlands, you will do so without the benefits of Federal agricultural programs.

The conservation reserve, endorsed by the Reagan administration earlier this year, would reimburse farmers -- in cash or commodities -- for the cost of diverting their most erodible land to conservation uses for extended periods. John Block called the reserve the "largest single soil conservation initiative in the history of American agriculture."

The program would promote the planting of protective grasses and trees on classes IV, VI, VII, or VIII land. Payments to individual farmers would be capped at \$50,000. And here is the best news: the cost of the program to the taxpayer will be offset by lower spending on crop loans, subsidies, and other Federal farm programs.

The extension of the Soil and Water Resources Conservation Act requires USDA to update its nationwide appraisal of soil and water resources, along with its comprehensive conservation plan, every 10 years. The comprehensive plan has served an essential purpose and played a significant role in educating the public about natural resource conservation. It will be extremely beneficial to have periodic updates.

We cannot afford to mortgage the future by depleting the resources that our children will rely on for their food, clothes, and livelihoods.

More than a century ago, the great statesman and orator, Daniel Webster, reminded us that cultivating the Earth "is the most important labor of man."

"If there is one lesson in history which is unmistakable," he said, "it is that national strength lies very near the soil."

I am pleased to report that Webster's observations were heeded by the Committee on Agriculture, Nutrition, and Forestry in the drafting of S. 1714. The unprecedented programs established in the bill to reduce erosion and preserve our soil and water deserve the support of each and every Senator in this body.

## CONCLUSION

Mr. President, S. 1714 may not be a great farm bill. However, S. 1714 is by no means a disastrous farm bill. S. 1714, in fact, contains many important and significant provisions; the legislation combines new and innovative ideas with tried and proven programs. Of course, not all of the problems that plague agriculture will disappear with the enactment of S. 1714. On the other hand, the problems facing agriculture will be exacerbated if provisions similar to

those contained in S. 1714 are not enacted.

Other than the surplus reduction provisions, perhaps the most significant contribution S. 1714 can make to solving our Nation's agricultural crisis is to buy time through the income support provisions of the bill. Time is needed to see if the economic theory reflected in market-clearing loan rates is valid. Time is needed to reduce the oppressive surpluses that are smothering commodity prices under a mountain of grain. Time is needed for reducing the value of the dollar, to help our commodities move in world trade. Time is needed to address other factors outside the purview of farm legislation that affect agriculture. Most importantly, time is needed to allow the agricultural economy to work its way out of the excessive debt burden that is strangling so many of our farm operations.

Mr. PRESSLER and Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER (Mr. McConnell). The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I first commend in the most generous way I can the leadership provided to our committee by the chairman, the distinguished Senator from North Carolina, Mr. Helms, in the development, drafting, and bringing to the floor of the Senate this important legislation. He has been confronted with a lot of controversy in the development of the new farm bill, but he has displayed an inordinate amount of kindness and patience to committee members and has brought an equally large amount of hard work and expertise to the process. Even though there has been a good amount of criticism of this farm bill, it has been subjected to some bad reviews, it represents a lot of hard work and contains some important new provisions and initiatives which I believe are going to make our country and the agriculture economy stronger. I commend Chairman Helms and the distinguished ranking Democratic member of the committee, Senator Zorinsky, for their leadership in bringing this bill to the floor.

#### THE NEED FOR A MARKETING LOAN

Mr. President, when I introduced my farm bill, the Farm and Market Recovery Act of 1985, I pointed out that today U.S. agriculture is confronted with a major dilemma: on one hand, greater income is needed to help the farm economy overcome its acute financial distress but, on the other hand, lower "effective prices" are needed to help prevent the continued erosion of markets, both international and domestic. The problem is lower farm prices will not generate higher incomes, at least not immediately. So, agriculture is caught in a squeeze: after substantial capital investment increases in response to the 1970's world food demand, many farmers today face cash requirements that exceed their incomes.

As exports increased from less than \$8 billion in 1970 to over \$40 billion in 1981, farm debt increased from \$50 billion to over \$200 billion. Since 1981, exports have declined almost 25 percent, but farm debt has not declined. Farm debt today is about \$215 billion. With normal to high production during the 1980's, except for the PIK and drought year 1983, there is a surplus of commodities and generally lower prices. The net result is a farm income level which is not adequate to service the outstanding debt. An adjustment period is needed either for income to improve to support current investment or for some capital to exit in an orderly way.

The current farm dilemma did not develop in 1 or 2 years and it will not be resolved in a short time. But help is needed immediately to improve the price competitiveness of U.S. agricultural products. Only by being consistently competitive can markets, domestic or international, be developed and maintained.

Because about 40 percent of current U.S. production must be exported, special attention must be given to international markets. Since marketing internationally is subject to less than completely free price competition, farm policy must provide some measure of income stability. For over 50 years the Nonrecourse Price Support Loan Program has been in place for this purpose. However, with the loan program's fixed price floor, U.S. agriculture, operating as a global industry in an imperfect marketing environment, cannot be competitive enough year in and year out to develop and maintain markets.

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Many programs have been developed to assist in developing markets for our agricultural products. The Food-for-Peace Program, Public Law 480, has been in operation for many years. We also have several export credit assistance programs to help make U.S. products more competitive. These are good programs, but, with today's global competition and the current high value of the dollar relative to other currencies, U.S. agricultural products are not price competitive. That is, commodity prices are not competitive enough to sell all that farmers are producing.

We might ask, whose fault is it? Or, what can be done? These are good questions and they must be answered, but the answers are complex because the problem is complex. Failure to recognize this relationship results in some unfortunate conclusions about what is good policy.

At this point in the farm problem debate, you usually can separate the arguments into two groups. One argument would suggest the answer is Government control of production to raise prices by reducing supply. These people say farmers could make it if the Government would just raise prices. Even if the Government could increase prices, farmers would have to cut production because there would be even fewer markets for higher priced products than there are markets for products at current prices. Furthermore, after all this was done, there would be no guarantee that additional reductions would not be needed in the future without building walls around the country to keep foreign products out.

The other argument would have you believe that many inefficient farmers are being kept in business by high Federal supports and all we need to do to solve the farm problem is eliminate these programs, if not immediately, at least in a 3- to 4-year period. Many farmers, however, are already out of business. The number of farmers decline each year. This trend has been in place for over 50 years, and it will likely continue. The number of farms has declined from about 6.5 million in the early 1930's to about 2.3 million today.

I believe neither of these arguments are very helpful because they do not fully recognize the true characteristics of agricultural marketing.

U.S. agriculture is now a highly capitalized, global industry. It is directly affected by national monetary and fiscal policy and by international economic and political factors. Farmers, therefore, are affected by many factors over which they have no control. For example, some economic studies report that 30 to 50 percent of the decline in agricultural exports since 1981 is the result of the high dollar exchange rate.

U.S. agriculture has changed with the times, and world agriculture has changed, and changes must be made in Federal farm policy. But the impact of these policy changes cannot and should not be placed totally and solely on the backs of farmers. Benefits of a large, healthy, and competitive agriculture accrue to many people beyond the farm gate. The total agricultural industry accounts for 20 percent of private employment, 25 percent of our trade, and 20 percent of the Nation's gross national product [GNP]. Thus, it is important to the Nation's economy for agriculture to share in and be able to contribute to the economic recovery.

Toward the objective of ensuring the recovery of the agricultural industry, I proposed in S. 843, the farm bill I introduced, the concept of a "marketing loan" in conjunction with a gradual phase in of market-oriented nonrecourse loan levels. Put simply, the marketing loan is a sales oriented program. Above all else, the 1985 farm bill must address in an effective way the immediate need to sell U.S. agricultural products. There is no alternative to developing a sales program as the centerpiece of a new farm policy.

The marketing loan concept was developed out of the belief that, first, U.S. production agriculture is efficient and competitive, and second, the Nation's economy would benefit more from producing and selling the production each year than from producing and having the Government store the production, or reducing production to avoid Government storage.

Mr. President, the marketing loan effectively addresses the two critical issues today facing U.S. agriculture: First, industry's need to be domestically and internationally price competitive to move large volumes of production, and second, farmers' need for income stability to make the necessary investments to be on the leading edge of efficiency

while operating in a volatile global environment.

By allowing the traditional nonrecourse loan to be repaid at market clearing levels, U.S. commodities will be price competitive. Maintaining the traditional nonrecourse loan provides farmers with minimum income protection, but not a profit, as commodity prices fluctuate in response to world market, economic, and political conditions.

The marketing loan is a policy tool that will allow U.S. agriculture to regain the initiative in world markets. It will stop the erosion of U.S. exports caused by the overvalued dollar and let our competitors know that the United States intends to confront openly and aggressively subsidies and other forms of unfair market competition.

The marketing loan is a strong trade and export program. However, it is not an export program only. It does not discriminate between domestic and international markets. Domestic markets will also benefit from competitive price adjustments generated by the marketing loan.

This concept is important because many domestic users of agricultural products are adversely affected by cheap imports. We must not have Federal programs that add to these problems by selling U.S. products to foreign purchasers at lower prices than to domestic purchasers.

Mr. President, I am happy the Agriculture Committee has adopted the marketing loan for the cotton, rice, and honey programs, and included it as an integral part of the wheat and feed grain programs. I urge my colleagues to support these provisions as adopted by the Committee on Agriculture.

Mr. MELCHER. Mr. President, the scope of the farm problem can be measured by the following factors: First, net farm income.

Second, farm indebtedness and its effect on the financial institutions of the farm credit system, the commercial banks that make agricultural loans, and the Farmers Home Administration, that is the lender of last resort for those agricultural producer who are under severe stress.

Third, I believe the next important factor in the scope of the farm program could be measured by the effect on agribusiness, that includes the suppliers to farmers, all of the variety of business interests that do sell supplies to farmers, and to the economy of their own particular business entities.

Fourth, the effect on rural communities must be measured if we are to understand the scope of the farm problem, and the rural communities of this countryside are the very fabric of America.

Fifth, the continuing trend of the mismanagement of agricultural exports with its buildup of surplus commodities which depress prices and further aggravates the farm economy, liquidating more farms, liquidating more businesses and further damaging the entire economy. That is a fifth factor that must be measured if we are going to understand the scope of the farm problems.

Mr. President, there are several key points that must be first described before going into each of the five factors that make up the total scope of the overall farm problem.

Let us talk about target prices first.

Most of the agricultural producers in America do not receive any deficiency payments that are based on target prices. Let me repeat this, Mr. President: target prices are prices that are set by law in this farm bill and other farm bills and says, that is a price that is the minimum for what farmers should receive in order to cover the costs of their production. And that is not anything, in itself, but a statement. That is nothing more than just a statement that there is a target price for wheat, for corn, or the rest of feedgrains or for cotton or for rice, and it is set by law and says this is a price that should be received by the producers of these products.

Target prices also signify the other side of the coin.

When the prices are below that which the farmers receive for their products, then a deficiency payment is made out of U.S. Treasury funds for those individual producers making up the difference.

This is how we arrive at a large part of the costs of the farm program. Target prices and deficiency payments are not to the liking of individual farmers.

First of all, I think it is important that everybody understands that most farmers are not covered by target price programs -- only wheat, feed grain, cotton, or rice are. Most of the agriculture producers of this country are not covered or protected by target prices. They produce other goods or they are not in the program. There are certain restrictions if a producer of wheat, feed grains, rice, or cotton wants to be subject to the deficiency payment. That safety net, which is what it is commonly termed, is a safety net for those farmers who wish to be in the program to produce those crops.

But even those that are covered, those four major commodities, those farmers would prefer, very much prefer, to get the market price payment right out in the market, to receive a price for their product right off the marketplace that is at least equal to the cost of production and, therefore, at least as good as what we have set by law as the target price.

Since that situation does not exist, most of these farmers of these crops do get into the program. But, Mr. President, most agriculture producers are not producers that produce these commodities to begin with. Most agriculture producers are not covered by deficiency payments. They are either not in the program or they are not in production of the commodities that are covered in the program.

It is important that we understand that, Mr. President, because when we talk about farmers, we sometimes think along these lines: Every farmer is producing one of these basic crops and, therefore, every farmer has a stake in getting a deficiency payment. But that is not really true. There are livestock producers, whether it is hogs or cattle; there are poultry producers, whether it is chickens or turkeys; there are producers of vegetables; producers of fruit; and, of course, dairy producers, and none of these are directly involved with deficiency payments geared to the target prices that are spoken of so often. But yet they are involved, Mr. President, because they are all wrapped up in agriculture. Let me explain that.

The basis of food production depends upon these basic commodities, particularly grain. Most of the wheat that is produced in the United States and throughout the world actually goes into human consumption. Still some of the wheat goes into the production of livestock or poultry. All of the livestock producers, dairy producers, and poultry producers depend upon the supply of grain for their operation. They could not operate without it. They would not have the same type of food production without it. So they very much want to know what is going to happen to grain producers and if there is assurance that there will be a supply of grain for their purposes in their endeavors in livestock, poultry, or dairy. That is why we speak of feed grains.

But on the basis of dairy, livestock, and poultry depending upon grain, you might draw the conclusion -- and I think many in the public draw the conclusion -- that these producers would be better off if the grain were cheaper and that they are better off now because grain is obviously much cheaper than it has been for the past several years. However, that is not so at all. That is not the way this operation works. That is not the result for their business operation.

Cheap grain and the continuation of any circumstances that continues grain cheap for more than 1 or 2 years creates a bad situation for these producers because it means that more beef will be produced, more pork will be produced, more poultry will be produced, more milk will be produced and, therefore, the prices of their commodities go down. Their prices are low now and continually sag from the pressure of cheap grain.

That wraps up all of those producers not covered by deficiency payments and target prices. Whether they are in beef or in hogs or whether they are in poultry or whether they are producing milk, they are all wrapped up in the price of grain. And while grain is a commodity that they all purchase, they do not want it too cheap because historically, without

a doubt, it is going to mean that the prices of their particular commodities go down. Beef prices are low, pork prices are low, poultry prices are low, and milk prices are low, demonstrating, once again, that historically as the price of grain cheapens, those producers of these commodities -- pork, beef, poultry, and milk -- suffer lower prices for their products along with the grain farmer. The lower costs of the grain they purchase does not offset the lower price they receive for their products.

In summary, low grain prices result in low prices for beef, pork, poultry, and dairy and these producers lose income. It is bad economics and their losses are among the worst of the entire spectrum of agricultural producers.

There is another aspect that should be considered. We are the biggest grain producer in the world. That is, we have the ability year after year to outproduce all of our needs for domestic consumption and have a large amount available to be exported to other countries. So what effect is the world price? This large production virtually establishes the world price of wheat and feed grains. Whatever the U.S. domestic price is becomes the world price. We have large surpluses; therefore, the world price is very low.

What is the effect of low grain prices on the other countries? It has been rather discouraging for other countries, particularly those that are developing countries. Let us talk about them first because, with very cheap grain available, it becomes almost axiomatic that the grain that they can produce in their countries at higher costs is going to be discouraged from production. Indeed, those people from the multinational groups that are attempting to help the hungry people in Africa are very concerned about whether or not, even after the drought, we will see a concerted effort in those various countries within Africa to produce grain for their own use in their own countries. So the developing countries are hurt in Africa by low world prices for grain.

That is true in other parts of the world also. It is true in Central America. It is true in Asia. For all developing countries, when grain prices get as low as they are now, it is a discouragement for producing grain and cereal in their own particular country, because their prices are low also.

In other words, the price of corn and wheat in the United States has a direct bearing on what the world price is. The effects of low prices here in the United States, meaning low world prices for these grains, is not good news for developing countries. It is adverse to their interests.

Now, that might strike a lot of people as being a rather weird situation. After all, if they are a poor, developing country, they must need grain to eat, particularly in drought areas. So why are they not better off with the prices lower? I repeat, Mr. President, the reason they are not better off is that while, for the time being they may get cheap grain, that very fact discourages agriculture endeavors in their own country.

The overall effect of that is a lessening of food production in the world. For their own particular interest, it is a lessening of food production in their own country. And that is of no advantage to any developing country.

Mr. President, other countries that are industrial countries such as the Common Market countries also have quite large grain production. What is the effect of low prices of American grain? It means the world prices are low. It has a harsh effect on them, also. The Common Market countries are very anxious, absolutely gung ho, to protect their own agricultural endeavors. Wheat producers in France or in Germany are protected by a marketing system with a subsidy that assures they will continue to be in operation. To the extent their crops are good, they can export some grains. Then they come into competition with the United States. That is the circumstance of last year, of this year, and it may be the circumstance next year. The Common Market countries have more grain than they need for their own domestic use, and will be aggressive exporters in competition with the United States and other grain exporting countries. But the effect of low world price for grain on them is harsh, also.

Coming back to the United States and to our producers, let me talk a little bit about the cost of production. What is the cost of production of a bushel of wheat, or a bushel of corn, or 100 pounds of rice? We believe we have fairly accurate figures. Target prices reflect those estimates. The reason I say that it is just fairly accurate is that these

commodities are produced under different circumstances in different parts of the country. These are independent operations, farm by farm. Some of them have a lower cost of production than others. That is understandable, either because of the area they are in, the soil they have, or the size of their operation.

So when we speak to cost of production, we are talking about the cost of production based on the average. How do we arrive at the average? We look to the land grant colleges throughout the United States to have assessments in their particular States, and to have accurate assessments as near as they can make them. Then we average out those and weight them as to the production of each State. That is the best system that anyone can follow. It is updated annually. The cost of production varies, the cost of fuel varies, and the cost of taxes varies. Most taxes are on the land.

Because most of the people we are talking about here today are connected with production of these grains, cotton, and rice, are they not making much in the way of income. So they are not paying much in Federal income taxes. But the taxes vary on the land from area to area, fuel varies in cost, the size of the farms vary, the weather conditions vary -- all of these things are factors that must be considered regularly, repeated every year to see if there are changes, and then arrive State by State through the land grant colleges on what they view as the cost of production for commodities that are produced in their States. By averaging out those on a weighted basis we can come up with a fairly accurate cost of production.

The Department of Agriculture reviews these figures. They have methods of their own. They do it by States, regions, and commodities. And they come up with what they believe is the cost of production. By looking at it all, you can arrive at a figure. That figure is reflected pretty much in what the target price for these various basic commodities are.

Farm producers are of the opinion that the target price really is a little bit on the skimpy side, below the actual cost of production. So they are not in full agreement that the target prices accurately show what their true costs are. There is reason for them to believe that. There are legitimate reasons for them to believe that.

The cost of interest for these producers is relatively high. For most agricultural producers throughout this country, whether they are in grains, cotton, hogs, cattle or poultry, whatever they produce, the average cost of interest for them runs about 14 percent. Some of them are paying to their PCA's a little bit higher, and maybe a little bit lower. Some of them are paying to commercial banks that are carrying their loans that provide them with their lines of credit a little bit higher or a little bit lower than 14 percent. But in general, it is 14 percent, and that is a relatively high rate of interest. It has been averaging at that point for the last 3 or 4 years.

So that one element in the cost of production is at a modern, historic high. I do not think farm producers have had to pay that type of interest since the 1920's.

Considering the average interest rates of the last 50 years, the current 14-percent rate is high and is a heavy cost input to them.

Mr. President, let me recap. We can produce grains in abundance. We have cost effectiveness here in the United States. That cost effectiveness is tremendous. American farmers are producing these farm commodities at a lower cost than anywhere else in the world. Therefore, they are competitive with anyone else in the world. But surpluses of these commodities have driven prices down. And if the Department of Agriculture is accurate, the price of these commodities is going to go down even much more.

Perhaps a lot of people think, well, it is unfortunate that we have so much product here in the United States and other parts of the world because, obviously, we do not need all of the food that we have produced. Mr. President, that simply is not true. There is not too much food in the world. No study, no worldwide study has indicated that there is more than a minimal amount of carryover in the total amount, or total quantities of food that is available in the entire world.

So why do the food commodities continue to sag in price for these agricultural producers? The fact is that we simply have failed in the distribution of all the food supplies that are available. Notably, we have failed here in the United States. First of all, domestically, we are told by very serious studies of nutrition that 20 percent of the people in this country are to a certain degree malnourished, and to a certain degree they do not have adequate food. That should be corrected. The studies that are conducted by the world food organizations or other international groups have always demonstrated that the total output of food as it exists right now is adequate if it were properly distributed to all of the areas of the world where there are deficiencies of food. With their projections of what is going to happen during the next decade and the decade after that -- and the projections are consistent that at the present level of world food production demand would outstrip available supplies, hunger would be very damaging, and malnutrition would be extremely serious -- it is absolutely essential that there be more food available.

So what we are faced with now is properly utilizing the surpluses we have in this country and in some other countries. There is not such an abundance of food worldwide that we have a carryover of any significance. But that is not true of the United States and that is not true of some other large producing countries. The fact is that individually and collectively we have not found distribution methods that are adequate to take care of the supplies that are on hand.

We could and we should find those distribution methods and make use of them to lower these surpluses. As long as we have the surpluses here in the United States, prices for our producers are going to be low. The target price with deficiency payments will be in effect. However, it is not a good answer for agricultural producers. It is not a good answer for the farmers who produce these commodities. It is only a safety net despite the fact that they do not like it, and they would prefer that it not be necessary. These producers know that this safety net must be there so that at least they can be kept in business.

Mr. President, I started out by listing the five factors that have to be understood, that have to be weighed and measured to thoroughly understand the scope of the farm problem. I wanted to add the remarks I presented in the intervening time so that we could talk with intelligence about the five factors.

The first was net farm income. Net farm income is declining.

Let me put that in the right perspective.

If net farm income for 1985 is going to be around \$20 billion, and you divide the 2 million farm operations into that \$20 billion, you come up with an average of net farm income for each individual farm of \$10,000.

We know that an average can be very misleading. No farm operator that nets \$10,000 is going to be out of business, unless they have other losses that they have to make up for.

Is \$10,000 an adequate income? Mr. President, it is sad for me to say, but there is a great percentage of ranch and farm operators who do not believe they will show any net farm income from their operation in 1985. They wish they had the same net farm income as in 1984. Some have to go as far back as 1982 or 1983 or perhaps further to find a time when they actually had some income.

Mr. President, just what are we talking about here? Twenty billion dollars may be the net farm income for the entire country during 1985. Twenty billion dollars for whom? There are 2 million farmers. Just the raw arithmetic of that is divide 2 million farmers into \$20 billion and come up with \$10,000 per farm operator as net income.

Mr. President, we are not talking about some little group that are all banded together and we look at them and talk to them and say, "Are you satisfied, Joe? Is that all right, John?"

The Joes, the Johns, the Marys, the Sallys, and whoever else makes up all these farmers who produce all this stuff in the United States are scattered all over the country. They are producing all these things -- wheat, pigs, poultry, grain, milk, fruits, apples, oranges, peaches, pears, and vegetables. They are producing all these things and their operations are

not very uniform. So there are some farmers who are going to have quite a bit of money. Maybe they are covered by a marketing order and the marketing order for fruits and vegetables happens to work out OK for this year. The price is all right and they have a crop and make some money. They are going to be able to buy a new car or make a new investment. Maybe they made a bundle. That's fine. I am happy for them.

We might be talking about some grain producers who have had bumper crops and somehow they got their grain in on time. Maybe they produced barley and sold it to beer breweries at a good price and have a good income. Good. I am glad to see somebody successful in agriculture.

But what we are really talking about in net farm income is that it is not adequate to keep agriculture in business. That is what it means to the country. How are we going to keep those agricultural producers in the country? How are we going to produce corn, wheat, cotton, rice, sorghum, barley, and all the rest that are among the commodities that are covered by deficiency payments? Are they going to stay in business?

A lot of them are not. A lot of them are going to go down the tube. I will get into that a little bit later in discussing farm indebtedness.

I think that presenting figures to indicate how some operators are making good money is easy to do, but it is not those operators about which we worry nor for whom we will have to craft this farm bill.

They may be involved indirectly in the suffering which is affecting agriculture as a whole. All I can say about those particular farmers and ranchers who are making good money for 1985 or who made a lot in 1984 is I am glad they did, but, you know, if they were the significant group, Mr. President, we would pass a farm bill in 2 hours because most of what we are going to be discussing in this farm bill is the scope of the farm problem. That farm problem is huge.

The \$20 billion net farm income for all these agricultural producers of America, all 2 million of them, is not enough. For those who are having good income, actually have net income and that income is good, we are not going to have to worry about them. They are not the problem.

Our problem is the vast majority of these producers having such price difficulty as to jeopardize the continuation of their operation. That is the problem. The truth is that the vast majority of them are having difficulty on income that jeopardizes the continuation of their operation. So it becomes a national problem. That is what this farm bill is about, to help alleviate a national problem.

Farm indebtedness is the second factor that I believe has to be a part of the factors we review in the scope of the farm problem.

Farm indebtedness, of course, has its effect on the individual operators, but it also has an effect on the financial institution that is providing the credit for those individual operators. That includes the farm credit system. The farm credit system, made up of the Federal land bank and the banks for cooperatives and the production credit associations, is an institution that was started by first the devising of the Federal land bank back in the twenties. The bank for cooperatives and the production credit associations, the other two segments of the farm credit system, were added afterwards. But they have all been in operation for more than 50 years and agricultural producers throughout the country look to this system to provide them with credit that is sound and hopefully at competitive interest rates -- usually it has been -- and hopefully a little bit lower sometimes than can be provided through commercial lending institutions.

Some \$70 billion of the total farm debt in the United States is covered by the farm credit system. The total farm debt in the United States, the last time checked, was \$214 billion, a sizable chunk of dough. About one-third of that was covered by the farm credit system. Commercial banks loaned a big portion of the rest, about 25 percent and Farmers Home Administration, the lender of last resort for agricultural producers, was lending about 17 percent of that total package. The rest of the farm credit comes from other sources.

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The effect of farm indebtedness is indeed staggering for the farm credit system. They have \$70 billion loaned out to agricultural producers, either through the land bank or the PCA's or the banks for cooperatives, and they have precious little reserve left available to write off bad loans. They will approach this directly, formally, in a hearing which has yet to be held here, in the Senate Agriculture Committee, and they will describe the depth of their sickness. It is suggested that they are going to need \$10 billion in backing from the United States yet this year in order to keep this entire farm credit system solvent.

As for commercial banks, they are, of course, reviewing their agricultural loans very critically, have been for the past year, and are finding that much of the agricultural portfolio they are carrying has to be classified. I checked with two of the largest chains of commercial banks in the upper Midwest, and I find that as of sometime this summer, about 30 to 35 percent of their agricultural borrowers were classified and they would anticipate that that would increase somewhat during the balance of the year so that by the end of the year, they may be looking at 35 or 40 percent of their agricultural borrowers that have to be classified.

What that means is that some of those are going to be liquidated, some of those are going to have their credit stopped, forcing liquidation.

As for Farmers Home Administration, the borrower of last resort, their portfolio is even worse and all that we can anticipate as we look at this projection of where the prices of these commodities are going to be is very discouraging.

Mr. President, there are three more important factors that I believe must be examined, must be understood, and must be considered as we consider the scope of the farm problem. Those factors I shall discuss at a later time. They are, I repeat, the effect on agribusiness -- the suppliers in the economy -- and the effect on rural communities and, last, the continuing trend of mismanagement of agricultural exports with its buildup of surplus commodities in the United States. I do not want to prolong my discussion any further. I have taken plenty of the time of the Senate at this time.

I yield the floor.

Mr. McCONNELL. Mr. President, we today begin to write the most important farm legislation since the current enabling farm legislation was written 50 years ago. You'd think that we would have learned something about farm policy in 50 years, Mr. President, but it looks like we haven't. The bill reported by the Senate Agriculture Committee certainly contains some important innovations -- more market-oriented loan rates and a conservation reserve -- but it also contains many of the same policies that have put agriculture in its current mess. We have an opportunity during this debate to truly redirect farm policy to recognize the worldwide, dynamic nature of the agriculture of the 1980's and beyond and I hope we'll do it.

There are a number of proposals which will be offered that move agriculture in the right direction and merit serious consideration. Maintenance of farm income is critical, but doing it through bad policy deters the long-term growth of agriculture. Let me give you an example. On the one hand, we establish target prices significantly above market-clearing levels, encouraging farmers participating in farm programs to produce as much as they can to obtain maximum program benefits. On the other hand, we pay these same farmers not to plant.

If it does not make much sense to you, Mr. President, it does not make much sense to me either.

There are precedents already found in agriculture where high price support rates do not improve agriculture in the long term. The sugar, cotton, rice, and tobacco programs have served farmers well for years, but the evidence clearly indicates that U.S. farmers are losing market shares of these commodities at alarming rates. Just 10 years ago, U.S. cotton and sugar producers held the lion's share of the world market but now, these same farmers are restricted to a market where we have less than 50 percent of the world market. So the solution to keep price supports high is to further restrict U.S. planted acreage to control supply. Sounds easy and painless doesn't it?

So what happens? Our competitors, the Philippines for sugar, the Chinese for rice, simply increase acreage in

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response to our reduction and flood the market even further. American growers are again compelled to reduce planted acreage even further and fixed costs of farming must be paid with revenue from significantly smaller acreages. That leaves little if any room for profit and as the words from a current song go "the banker's against the farmer and the farmer's against the wall." We simply have to stop this merry-go-round before American agriculture collapses.

My Kentucky tobacco growers recognized the problem of noncompetitiveness. They swallowed a bitter pill by accepting an immediate 19 percent reduction in loan rates, with future price support rates driven by market forces. The result? Flue-cured tobacco growers, whose own price support structure for the 1985 crop year is geared to world prices, have seen the smallest amount of tobacco go under loan since 1979. Market clearing price supports work.

Mr. President, there are rampant rumors regarding various amendments which may be offered to the farm bill, so I shall address other issues when they are offered for consideration. However, I do think a moment of personal congratulations are in order here.

The distinguished chairman of the Senate Agriculture Committee has worked tirelessly with every member of the Agriculture Committee, including this Senator, to see that we had the opportunity to debate the issues which were important to us. His patience and diligence, along with his commitment to make the lives of America's family farmers a little better, are to be commended and I congratulate the Senator for his aggressive efforts to move from the failed farm policies of the past to farm policies which serve the best long-term interests of the American farmers.

Mr. President, I ask unanimous consent that an outstanding statement on this farm bill, written by Senator Helms, which appeared in the October 24 edition of the Washington Post, be printed in the Record at this point.

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

[From the Washington Post, Oct. 24, 1985]

#### THE STRUGGLING FAMILY FARMER WILL BE THE VICTIM

(By Jesse Helms)

As the Senate prepares to begin the farm bill debate, the image of family farmers struggling to save their livelihoods will be invoked to justify huge expenditures for farm subsidies. The tragic irony is that struggling family farmers will be VICTIMS of farm programs that, in fact, target their subsidies backward -- to the large and the wealthy.

Few Americans understand that less than 20 percent of the \$65 billion in benefits and subsidies in the farm bill is directed to farmers experiencing financial distress.

This is the farm bill's equivalent of the "\$600 toilet seat."

In fact, the fourfold increase in federal farm spending during the past five years has caused much of the stress. The reason is simple: Congress has established price supports at levels greater than the value of crops, contributing to unmanageable surpluses that drive farmers' prices below profitable levels.

Yet farm program benefits, unlike other means-tested federal programs, are not paid to individuals on the basis of need. Rather, farm subsidies are paid on the units of production -- by the bushel, pound or hundredweight. So the more of a subsidized crop a farmer produces, the bigger his government check. By definition, this means the greatest benefits and subsidies go to the largest farmers who least need help.

Despite the severe -- and widely publicized -- distress among some sectors of the farm economy, it is a fact that there is enormous wealth in the U.S. agricultural industry. On Jan. 1 of this year, the average net equity for farms with gross sales over \$250,000 was \$904,446, and for farms with gross sales between \$100,000 and \$250,000, the figure was \$429,891. In comparison, the net equity of the average American family -- which is taxed to pay these farm subsidies --

is about \$92,000.

Farmers as a class also have larger annual incomes than Americans on the average. The average net income for farmers with gross sales over \$250,000 in 1984 was \$96,889, and for those with gross sales between \$100,000 and \$250,000 it was \$36,273. The average income for the typical American family was about \$25,000.

An accurate picture of just how many farmers there are, and who they are, is revealed in an Agriculture Department study that estimates that by the end of 1985, about 5 percent of all farms will have debt-to-asset ratios exceeding 100 percent, meaning they are insolvent. Another 23 percent will be highly leveraged, with ratios between 40 and 100 percent.

The remaining 72 percent will not be experiencing financial stress threatening their livelihoods. Yet the agricultural programs indiscriminately spew out subsidies for all who come -- the large and small, the poor and wealthy, the financially successful and the financially distressed. It is indisputable that the greatest amount of money is directed to the largest, wealthiest and most financially successful, to the detriment of the small, poor and financially distressed farmers.

The farm bill the Agriculture Committee approved continues this bizarre scenario. That is why I was obliged to become the first chairman in the history of the committee to vote against reporting a farm bill.

But there is hope. There are some very good policy instruments in the bill. Fundamental changes are made in the loan rate for wheat, feed grains, cotton and rice. The bill prudently links the loan rate to world market prices in the future, ensuring increased competitiveness of U.S. farm products in the world markets our farmers must have if they are ever to prosper.

But what the committee improved with one hand, it ruined with the other. By voting to freeze the level of subsidies paid to farmers for each bushel or pound of crop they produce, the committee effectively prevents the secretary from using authorities that permit him to reduce the loan rates that make American farm products competitive. Because subsidy payments are based on the difference between the loan rate and the subsidy or target price, the budget exposure created by lowering the loan without lowering target prices is more than any administration's fiscal managers could allow.

The tragic consequence of unrealistically high target price levels is their inducement to big farmers to produce huge surpluses, continuing the depressed prices that make it almost impossible for the struggling, highly leveraged farmer to make a profit.

The most important change the full Senate should make in the committee bill is to allow target prices to ease downward over the life of the bill. My suggestion is a 5 percent reduction each year. Such gentle reductions would still ensure massive and unprecedented levels of income protection to farmers, but would signal that over time this protection will diminish marginally.

Other worthwhile changes include better targeting of subsidies to those 30 percent of the farmers in financial distress and requiring the largest, wealthiest farmers to bear market risks for producing surpluses. This can be accomplished by capping the amount of crop loans an individual producer can receive and limiting the amount of commodities for which an individual farmer may receive target price payments. The payment limitation, currently \$50,000, should be reduced, and the loopholes that allow farmers to divide their farms to avoid the limit could be tightened.

Contrary to popular myths, these changes would not drive thousands of farmers off the land. It is the current perversity of farm programs, which encourages surplus production, that's driving farmers out of business. So these modest reforms would improve the effectiveness of the programs and properly target the billions of dollars in benefits and subsidies to those farmers most likely to be in need of assistance.

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Mr. ABDNOR. Mr. President, this is a historic moment -- the U.S. Senate has within its hands, heads -- and hopefully hearts -- the future of the largest and most important sector of the U.S. economy -- agriculture. We now begin the debate on Federal farm policies and programs. This debate will send a message to agriculture and rural America as to whether this Congress views this portion of our society as a problem to be minimized or as an opportunity to be maximized.

Since its founding, Mr. President, this Nation has functioned as a family -- a family with common roots, goals, and ambitions. This family has held together through great and countless trials for more than two centuries because we possessed mutual confidence and pride in purpose and compassion. We fought a great Civil War and learned that a house divided cannot stand.

But an economy divided cannot stand either, Mr. President.

The rural and agricultural economy is the forgotten economy. Economists tell us that two consecutive quarterly declines in real gross national product represents a recession. This staggering economic event has occurred once during the last 4 years, in the fourth quarter of 1981 and the first quarter of 1982. This recession of 1981-82, we all recall, was devastating. There is a comparable figure which measures gross product for the farm sector. Quarterly real gross farm product has declined seven times during the last 4 years, Mr. President. Technically defined, the farm sector has experienced four recessions in the last 4 years. I contend that the only reason the U.S. farm sector exists today is because its individual units -- the farms and ranches -- are owned and managed by the most efficient and resilient form of business organization -- the family. You see, in farming, unlike other businesses, when times get tough, you can't pick up your marbles and go home -- because you are home.

Economists also tell us that during recessions government expenditures go up to cushion economic hardships caused by the recession. It's a "one for all, all for one" philosophy of our democracy. Between 1980 and 1983 Federal budget outlays increased 37 percent and the deficit almost tripled. From our common purse, help was provided when and where needed -- high and longer unemployment benefits, job retraining assistance, job-creating public works projects, food assistance, emerging loans and grants and the list goes on.

But those days are behind us as we celebrate the third year of economic recovery and growth: The unemployment rate has fallen better than 3 full percentage points and millions of jobs have been created; interest rates have been halved; inflation has been cut by better than two-thirds; domestic investment has increased by more than 50 percent.

In South Dakota -- in rural America -- Mr. President, all this is nothing but self-gratifying happy talk.

I now come before this Congress to plead -- no, not to plead -- to demand that my part of the family -- my fellow rural Americans, farmers and ranchers -- be recognized, appreciated, and treated not as robber barons in bib-overalls but as citizens. They have earned their citizenship and with that citizenship comes rights, and among those rights is access to the resources of this great Nation during time of desperate economic need.

I can't tell you how disturbed I was in reading in the October 24 edition of the Washington Times an article by Robert Walters which recommended the elimination of price supports "to slow the rise of food prices." Where has this guy been? According to the Department of Labor, during the last 12 months while the Consumer Price Index went up 3.2 percent, prices of food consumed in the home increased 0.7 percent. Also, according to the Department of Labor, the producer price index for farm foodstuffs during the last 12 months has declined almost 15 percent. Is this stupidity, blindness, or both? If there is any Member in this Chamber who adheres to Mr. Walter's philosophy, I would like to talk to him out in the hall. Let me try to put the economic depression in rural America and agriculture into perspective for my congressional colleagues. I can only ask that you try to relate these economic events in terms of your constituency.

Since the beginning of the so-called economic recovery:

Real net farm cash income has declined 14 percent.

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The value of farm assets has declined 20 percent, in some areas of the country by better than 50 percent.

Export sales have dropped over \$7 billion, down 22 percent; export volume has fallen to 10 percent.

Export sales have dropped over \$7 billion, down 22 percent; export volume has fallen 10 percent.

Department of Agriculture data shows that during just the last 12 months: Wheat prices have fallen 17 percent; corn prices 24 percent; soybean prices 22 percent and; beef cattle prices 11 percent.

And then add the pending collapse of a primary source of credit, the Farm Credit System.

Plus, the depressed financial condition of agriculture has cost the agribusiness sector \$26.2 billion in total output, 327,000 jobs and \$6.4 billion in personal income.

Maybe I'm still not getting through. According to a recent study by the General Accounting Office, the financial stress on the farm sector could result in farm loan losses of \$25 billion between 1985 and 1993. So what? Farm loan losses of this magnitude could cost the economy as a whole -- up to 275,000 jobs; a loss of \$51 billion in gross national product; an increase in interest rates of more than 1 full percentage point; lower business investment of \$38 billion, and 189,000 fewer housing starts.

Many -- perhaps a majority -- of my colleagues and certainly the Reagan administration will argue during the next several days that we cannot allow this farm bill to bust the budget. And I hope I don't need to inform my colleagues that nobody in this Chamber abhors deficits more than I. But we have a life or death situation here and you don't pull the plug on a patient to save a little electricity nor do you ask a starving man to fast for world hunger. Let those who have benefited from our economic recovery come forward and fast for the farmer.

Mr. President, during the last couple of months I have traveled extensively in South Dakota. I found that my constituency, my neighbors, my family are exhausted; they have given all they have to give. Farming -- the origin of 20 percent of this Nation's gross national product and over 20 million jobs -- has been treated like a punching bag by Washington. Let's begin with at least the commitment that the 1985 farm bill will provide hope, not despair, and the opportunity for long-term planning not the destruction caused by mass confusion and panic. Let's put a stop to trick-or-treat farm policy. Let's do what is fair and right.

Mr. DURENBERGER. Mr. President, I rise today as the Senate begins its historic debate on the 1985 farm bill to share a few thoughts with my colleagues. Over the next several weeks, while the Senate temporarily diverts its attention from budgets and summits and the other matters, I intend to use this opportunity to focus attention on some of the issues that will tend to be neglected in this debate. On each day the Senate considers the farm bill, I will discuss a different aspect of the problem which we as a nation must address, whether it is as large a topic as the plight of rural America, or as direct and concrete as the letters and stories of individual farmers who have called out to me for help. In so doing, I hope to sensitize my colleagues, and others who may read this Record, to the dangers which the current crisis holds for our Nation and the urgency and level of sacrifice its solution will require.

As we start our work as legislators on this bill, I want to remind my colleagues of a statement of President Dwight Eisenhower. He said, "Farming looks mighty easy when your plow is a pencil, and you're a thousand miles from the cornfield." That is what we will be engaged in primarily on this floor, Mr. President, plowing with our pencils and our calculators and our briefing books. We will talk a lot about budget targets, vetoes, and the merits or demerits of many proposals. I was informed that as we begin this bill there are 151 amendments which are out there to be offered to this bill. In the process, Mr. President, let us not lose track of what we are doing here.

We are separated by profession and by geography from those for whom what we say and do here is a matter, not of mere interest, but of survival. The bottom line in this debate is not budget outlays or whether we pass a Democratic package or a Republican package -- the bottom line is people: How this bill affects their ability to achieve their hopes

and aspirations.

I wish that I could bring the Members of this body with me to towns like Worthington, MN. Since January 1985, 30 businesses there have closed their doors. There has been a 400 percent increase in the number of delinquencies in tax payments. In the area surrounding this town 10,000 people, almost half the farmers are over 55 years of age. What will we find in towns like Worthington in the year 2000?

We are not talking in this debate about whether somebody is going to get their COLA or not, or whether three or four battleships are enough to get the job done. We are talking about the basic necessities for maintaining a way of life and a quality of life for some 60 million rural Americans.

Law, it has been said Mr. President, is nothing unless close behind it stands a warm, living public opinion, I believe that it is the opinion of those I serve in this place, and their countrymen and women, that we pass a law that provides some measure of relief for farmers today and holds out a genuine hope for the future of rural America.

I hope that the human dimension will be foremost in our minds as we consider this bill.

AMENDMENT NO. 886

(Purpose: To authorize the Secretary of Agriculture to prohibit the importation of any livestock or meat that has been administered certain drugs)

Mr. PRESSLER. Mr. President, I have two amendments that have been agreed to by both sides. At this time, I send the first of the two amendments to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from South Dakota [Mr. Pressler, for himself and Mr. Abdnor] proposes an amendment numbered 886.

Mr. PRESSLER. 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:

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

**IMPORTATION OF LIVESTOCK AND MEAT**

Sec. 1927. Section 20 of the Federal Meat Inspection Act (20 U.S.C. 620) is amended by adding at the end thereof the following new subsection:

"(g) The Secretary may prohibit the importation into the United States of --

"(1) any livestock, or

"(2) any carcass, meat, or meat products of any livestock,

if the Secretary determines that such livestock may have been administered any drug (including any antibiotic drug) which has been banned for use in livestock in the United States: PROVIDED, That

"(A) the Secretary determines that residues of that particular drug (including any antibiotic drug) threaten the health

and safety of U.S. consumers;

"(B) the use of that particular drug (including any antibiotic drug) gives foreign producers of livestock an unfair competitive advantage over U.S. producers."

Mr. PRESSLER. Mr. President, the amendment I am offering would authorize the Secretary of Agriculture to prohibit the importation of livestock intended for slaughter and meat products which may have been treated with an animal drug or antibiotic which has not been approved for use in the United States. This is an effort to make our food safety standards equal for all products.

Currently, an animal drug or antibiotic may be disapproved for use in the United States because of potential health hazards, but the product can still be used in other nations. Meat products and livestock from those nations can still be imported into the United States. Periodic residue samples may be taken from meat imports, but it is possible that contaminated meat or livestock imports nevertheless enter the United States. If we banned the drug in the United States, then we should also ban the importation of products which have been treated with the drug.

If consumer health is threatened by the use of these drugs in food producing animals, then country of origin should not be a factor. Earlier this year there was a controversy over the importation of Canadian hogs which may have been treated with the antibiotic, chlormphenical. This drug had been banned in the United States but it was still being used in Canada. Several States banned the importation of Canadian hogs because of the potential presence of the drug in the meat. In response Canada also has banned the use of the drug. However, there are other nations which use this drug and others banned in the United States. The Secretary of Agriculture should have the authority to restrict the importation of such livestock and meat products. That is all this amendment would do.

Mr. President, here in the United States, the Food and Drug Administration and the Department of Agriculture take great care in assuring the American consumer of a healthy food product. It is only fair that these same standards be imposed on food products imported from other nations. I urge my colleagues to join me in support of this amendment.

Mr. HELMS. Mr. President, I inquire of the Senator from South Dakota [Mr. Pressler] if my understanding is correct.

In the first place, his amendment would authorize but not require the Secretary of Agriculture to limit imports of meat products that the Secretary determines were produced with drugs not approved for use in this country. Is that correct?

Mr. PRESSLER. That is correct. It would result in a situation where the Secretary would have the authority, if he chose to use it, to ban products from a country which allows the use of an animal drug that has been banned in the United States.

For example, our current situation is that residue tests are done on a certain amount of meat products imported into the United States. If no residue shows up in those tests, the imports can continue. Under my amendment if the nation has a different standard in terms of an animal drug, then the Secretary would have the authority to restrict imports. He would not be required to use it, but he would have the authority to do so.

Mr. HELMS. I thank the Senator.

Mr. President, it is my understanding that the amendment of the distinguished Senator from South Dakota would authorize but not require the Secretary of Agriculture to limit imports of livestock and meat products that the Secretary determines were produced with drugs that are not approved for use in this country. With the understanding that this language does not instruct the Secretary to limit or prohibit imports, I am willing to accept this amendment.

I would just simply note for the record that U.S. farmers also have access to drugs and antibiotics that have been

banned in other nations. For example, over one-half the cattle in this Nation are produced using a growth hormone called Zeranol. This particular product has been banned throughout much of Europe.

The Agriculture Committee has worked very hard to enact a strong export title to this farm bill. I will not accept any amendments to this legislation that are certain to result in justifiable retaliation by our foreign trading partners and undermine the important components of the export title of this farm bill.

Again, with the understanding that this amendment is not binding upon the Secretary to take action, I am willing to accept this amendment.

I yield to the distinguished Senator from Montana.

Mr. MELCHER. Mr. President, the Senator from South Dakota is offering an amendment that is entirely discretionary and has two provisos, that the Secretary of Agriculture, first of all, may ban imports provided that first, the Secretary determines that residues of that particular drug including any antibiotic drug threatens the health and safety of U.S. consumers; and second, the use of that particular drug, including any antibiotic drug gives foreign producers of livestock an unfair competitive advantage over U.S. producers.

Mr. President, first of all, the amendment seeks to protect U.S. consumers. Foreign producers using drugs that are banned for use on livestock here in the United States seems to be a contradiction in public health matters. We have our laws here in the United States banning certain drugs for livestock. It is enforced and enforced for the very obvious reason, to protect the public health. But we do find ourselves importing products from abroad, even from our closest neighbors such as Canada, where commonly used livestock drugs up there are banned here in the United States for public health reasons.

So, the amendment on its face is absolutely in order and should be accepted, and I only state to my friend from South Dakota that I realize why the Department of Agriculture wants to add these two provisos, making it more difficult to keep out any products that may contain residues of a banned drug here in the United States but, nevertheless, I understand the circumstances. It gives the Secretary of Agriculture an undue authority, in my judgment, to delay or not to enforce what should be enforced.

I compliment the Senator from South Dakota on his amendment. I think it is wise. I think it is unfortunate that the provisos need to be in there to permit the Secretary to perhaps never ban the importation of livestock with such residues and also giving him the out of saying on that, he is not too sure that it constitutes anything in this country that is unfair competition to our producers.

But, nevertheless, I am very much in support of the Senator's amendment and I do not believe there is any objection on our side.

Mr. HELMS. I thank the Senator.

Mr. President, if no one else chooses to speak, I move adoption of the amendment.

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

The amendment (No. 886) was agreed to.

AMENDMENT NO. 887

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

The PRESIDING OFFICER. The amendment will be stated.

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The legislative clerk read as follows:

The Senator from South Dakota [Mr. Pressler] proposes an amendment numbered 887.

Mr. PRESSLER. 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:

On page 130, after line 22, insert the following:

#### STUDY OF OAT IMPORTS

Sec. 503. (a) The Secretary of Agriculture shall conduct a study of the impact on domestic farm programs of the increased importation of oats into the United States.

(b) By no later than one year after the date of enactment of this Act, the Secretary of Agriculture shall submit to the Congress a report on the study conducted under subsection (a).

Mr. PRESSLER. Mr. President, this amendment deals with a problem that is very important in my State, the increase in oats imports.

Mr. President, the amendment I am offering would require the Secretary of Agriculture to conduct a study of the dramatic increase in oat imports and its impact on the domestic price support program for oats.

In recent years the quantity of oats imported into the United States has increased dramatically. During the 1980-81 marketing year 1.3 million bushels of oats were imported. During the 1984-85 marketing year oats imports were 30.2 million bushels. Imports in 1984-85 equaled nearly 7 percent of the total U.S. production of oats. The majority of the increase in oats imports has come from Sweden, Denmark, and Finland. It is unclear why the imports have increased so dramatically.

The high value of the dollar may have encouraged some imports but with the domestic oats prices at very low levels it appears unlikely that it would be profitable to ship oats from Europe to the United States. The August 1985 average price for oats in the United States was \$1.13 per bushel. The loan rate for oats is \$1.31 per bushel. It is very unclear why imports of oats at an average price of \$1.78 would continue to increase. These increased imports should be investigated and action should be taken against any unfair trade policies which may be causing the increase.

The increase in oats imports not only affects farmers but also increases the cost of the farm program. The oats program is relatively small but the low prices have resulted in more oats being put under loan and higher deficiency payments to oats producers. A reduction in import levels would very likely reduce the cost of farm programs in the future.

Mr. President, I urge my colleagues to join me in support of this amendment. With the record trade deficit and high cost of farm programs we cannot afford to allow European nations to dump their surplus oats production on the U.S. market.

Mr. HELMS. If the Senator will yield, I know he has to catch a plane, he made his statement and I have examined the amendment and I find it acceptable.

Let me say to the Senator from South Dakota that I do commend him for his contributions and, as I say, I will accept his amendment.

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Mr. MELCHER. Mr. President, we have no objection to this amendment on this side.

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

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

The amendment (No. 887) was agreed to.

Mr. PRESSLER. Mr. President, I do have two additional amendments that I intend to offer next week and would like to have them printed. One is on misbranding food substitutes for cheese, and the other is to establish a three-tier target price for wheat and feedgrains. It will establish a three-tier target price and wheat and feedgrains to direct benefits to family farmers without increasing the cost of the program.

Mr. DIXON and Mr. HELMS addressed the Chair.

The PRESIDING OFFICER (Mr. Chafee). The Senator from North Carolina.

Mr. HELMS. Mr. President, just for the Senators on the floor and those who may be listening in their offices, I anticipate two rollcall votes in fairly short order. One will be by the distinguished Senator from Illinois, who will call up an amendment.

I ask unanimous consent that immediately thereafter, the Senator from Georgia [Mr. Mattingly] be recognized to call up an amendment.

The PRESIDING OFFICER. Is there objection? Hearing none, it is so ordered.

Mr. HELMS. I thank the Chair.

I yield the floor.

AMENDMENT NO. 890

(Purpose: To permit the transfer of agricultural products from one licensed warehouse to another warehouse for continued storage)

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

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Illinois [Mr. Dixon] proposes an amendment numbered 890.

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

**TRANSFER OF AGRICULTURAL PRODUCTS STORED IN WAREHOUSES**

Sec. . Section 17 of the United States Warehouse Act (7 U.S.C. 259) is amended --

(1) by striking out "That" and inserting in lieu thereof "(a) Except as provided in subsection (b),"; and

(2) by adding at the end thereof the following new subsection:

"(b)(1) Notwithstanding any other provision of this Act, if a warehouseman lacks sufficient space to store the

agricultural products of all depositors in a licensed warehouse, the warehouseman may, in accordance with regulations issued by the Secretary of Agriculture and subject to such terms and conditions as the Secretary may prescribe, transfer stored agricultural products for which receipts have or have not been issued out of such warehouse to another licensed warehouse for continued storage.

"(2) The warehouseman of a licensed warehouse to which agricultural products have been transferred under paragraph (1) shall deliver to the rightful owner of such products, on request, at the licensed warehouse where first deposited, such products in the amount, and of the kind, quality, and grade, called for by the receipts or other evidence of storage of such owner."

Mr. DIXON. Mr. President, I ask for the yeas and nays on my amendment.

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

The yeas and nays were ordered.

#### COPING WITH A BUMPER HARVEST

Mr. DIXON. Mr. President, the grain bins, country elevators and grain warehouses are bulging at the seams as a result of the bumper harvest our farmers are experiencing throughout much of the Midwest.

A unique problem has developed as a result of the abundance of grain being brought in by our farmers for storage. We have not been confronted with this situation before, and only a legislative remedy will cure the difficulty.

The problem is this: federally licensed warehouses are prohibited by a 1929 statute from redepositing grain at another facility, such as a river terminal. Their State-licensed warehouse counterparts are allowed to engage in such redeposits. As a result of this anomalous situation, Federal warehouses are operating this year at a competitive disadvantage because they cannot move old grain out to another location in order to accommodate the massive harvest of the current season.

To cope with this situation, I am offering an amendment granting discretionary authority to the Secretary of Agriculture to allow federally licensed warehouses to transfer grain during extraordinary circumstances such as we are faced with now when bumper crops are coming out of the farmers' fields, with no place to go for storage. My colleagues will note that this amendment does not repeal the 1929 law which is causing the current problem. The amendment simply grants discretionary authority to the Secretary to cope with a situation which is beyond everyone's control at a time when we are blessed with a more than bountiful harvest.

Mr. President, I urge my colleagues to support this amendment so that our federally licensed grain warehouses will be on a par with our State licensed warehouses in terms of being able to transfer grain to make room for the new harvest.

I simply want to add that the U.S. Department of Agriculture is aware of this problem and of the language in this pending amendment. Essentially, it puts Federal grain elevators and warehouses in exactly the same position as State grain elevators and warehouses, authorizing them to forward to other places the commodities at such time as their elevators or warehouses are full. I ask that this amendment be given the favorable consideration of the Senate.

Mr. HELMS. Mr. President, I agree with the Senator from Illinois. This amendment is most constructive. It is an improvement over the current law. The Senator from Illinois and some of the rest of us feel that it is a matter on which the Senate ought to express itself. I intend to vote for it with enthusiasm.

Mr. ZORINSKY. Mr. President, we have examined the amendment and believe that it has great merit. In fact, I think it provides insight into the magnitude of the overproduction that can lead to a crisis in the availability of storage. I

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think it will benefit this Nation to accept this amendment. We have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from Colorado [Mr. Armstrong], the Senator from Alabama [Mr. Denton], the Senator from Arizona [Mr. Goldwater], the Senator from Oregon [Mr. Hatfield], the Senator from Maryland [Mr. Mathias], the Senator from Oregon [Mr. Packwood], the Senator from Alaska [Mr. Stevens], and the Senator from Wyoming [Mr. Wallop] are necessarily absent.

I also announce that the Senator from California [Mr. Wilson] is absent on official business.

Mr. BYRD. I announce that the Senator from Texas [Mr. Bentsen], the Senator from Florida [Mr. Chiles], the Senator from California [Mr. Cranston], and the Senator from West Virginia [Mr. Rockefeller] are necessarily absent.

I further announce that the Senator from Massachusetts [Mr. Kennedy] is absent on official business.

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

The result was announced -- yeas 86, nays 0, as follows:

(See Rollcall Vote No. 256 Leg. in the ROLL segment.)

So the amendment (No. 890) was agreed to.

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

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

The motion to lay on the table was agreed to.

Mr. MATTINGLY addressed the Chair.

The PRESIDING OFFICER. May we have order?

The Senator from Georgia is recognized.

Mr. MATTINGLY. Thank you, Mr. President.

AMENDMENT NO. 891

(Purpose: To enhance the effort of adding to the Strategic Petroleum Reserve and simultaneously stimulating foreign purchases of current-crop U.S. agricultural products by making surplus Commodity Credit Corporation stocks available to the Secretary of Energy for barter purposes)

Mr. MATTINGLY. 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 reads as follows:

The Senator from Georgia [Mr. Mattingly] proposes an amendment numbered 891.

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Mr. MATTINGLY. 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:

On page 30 of the bill, strike lines 16 through line 24, and insert in lieu thereof the following: "Corporation shall, to the maximum extent practicable and with the approval of the Secretary of Agriculture, make available annually to the Secretary of Energy, upon the request of the Secretary of Energy, a quantity of agricultural products owned by the Corporation with a market value at the time of such request of at least \$300,000,000 for use by the Secretary of Energy in acquiring petroleum products (including crude oil) produced abroad for placement in the Strategic Petroleum Reserve through an exchange of such agricultural products. The terms and conditions of each such exchange shall be determined by the Secretary of Energy in consultation with the Secretary of Agriculture; PROVIDED, That if the volume of agricultural products to be exchanged has a value in excess of the then established market price of the petroleum products (including crude oil) acquired by such exchange, then the Secretary of Energy shall require as a part of the terms and conditions of the exchange that the party or entity providing such petroleum products shall agree to purchase, within six months following the exchange, current-crop commodities or value-added food products from the United States producers or processors in an amount equal to at least one-half of the difference between the value of the commodities received in the exchange and the market price of the petroleum products acquired for the Strategic Petroleum Reserve in such transaction."

Mr. MATTINGLY. Mr. President, the amendment which I am presenting today is one which is designed to accomplish several important objectives. It will allow us to continue filling our strategic petroleum reserve at a reasonable rate, while also reducing cash outlays from the Treasury. More importantly, the amendment which I propose may enable us to also stimulate a modest increase in export sales of agriculture-related products into markets which have been stolen from our producers through the use of unfair, predatory subsidies by foreign competitors.

Very briefly, the amendment would require the Secretary of Agriculture to make available to the Secretary of Energy a volume of Commodity Credit Corporation surplus stocks with a present value of \$300 million. The Energy Secretary could then use these commodities -- either alone or in combination with cash -- to purchase, by barter or exchange, crude oil or other petroleum products needed for the petroleum reserve.

Now this alone is really not a new idea, and in fact there is a provision in the farm bill we are considering which expressly grants the authority for such barter exchanges to acquire additions for the petroleum reserve. However, what is new in my amendment is the concept that the Secretary of Energy can pay a "commodity bonus" to the country from whom we are acquiring the oil, but only if that country agrees to make an additional purchase of U.S. agricultural products in an amount equal to at least one-half of the value of the "commodity bonus" which they received. Such a purchase would have to be made within 6 months of the oil transaction. This subsequent purchase would have to be made in the open market from current-crop commodities or value-added food products. Thus, we accomplish several objectives. We reduce our current-crop commodities surpluses -- we save some money by reducing storage costs -- we reduce cash outlays for the purchase of strategic petroleum reserve additions -- and we stimulate a further cash export sale of U.S. products which generates economic activity and treasury revenues.

Another important aspect of my amendment is that it leaves the determination of the terms and conditions regarding the acquisition of the petroleum products in the hands of the Secretary of Energy, who will consult with the Secretary of Agriculture. I have the highest regard for my friends at USDA, but I believe that they probably do not have any great expertise when it comes to determining whether or not crude oil is or is not of the proper quality to be fit for addition to the reserve.

Mr. President, I strongly urge my colleagues to adopt this amendment.

Mr. HELMS. Mr. President, I inquire does the Senator desire a rollcall vote?

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Mr. MATTINGLY. Yes. I ask for the yeas and nays.

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

The yeas and nays were ordered.

Mr. HELMS. Mr. President, I thank the Chair.

This is a good amendment, and I intend to support it with enthusiasm.

It is consistent with what we did in the farm bill in that it provides for the exchange of agricultural commodities owned by the Commodity Credit Corporation for petroleum products produced abroad, which would be placed in the strategic petroleum reserve. The terms and conditions of the exchange, of course, would be determined by the Secretary of Energy under the Senator's amendment and in consultation with the Secretary of Agriculture.

As I say, I support the amendment.

Mr. ZORINSKY. Mr. President, the amendment modifies the committee-reported provision relating to the use of the Commodity Credit Corporation surplus stocks in filling the strategic petroleum reserve. The amendment will allow greater use of the surplus stocks in acquiring petroleum stocks, and I think it has merit. However, the extent to which CCC stocks are used for this purpose will be subject to the approval of the Secretary of Agriculture.

With that understanding, I urge my colleagues to support the amendment.

Mr. MATTINGLY. That is correct.

Mr. ZORINSKY. I thank the Senator.

Mr. McCLURE. Mr. President, I have discussed this amendment with the distinguished Senator from Georgia over the last several days, as he has been developing not only the language but the support of the necessary officials who have the responsibility for administering this program.

I hope the amendment is adopted.

I understand that the amendment does not mandate a substitution of this program for the regular purchases. It gives the Secretary of Energy an option which he does not now have with respect to the acquisition of crude for the strategic reserves.

Mr. MATTINGLY. That is correct.

Mr. McCLURE. I understand it to be that option and not a mandatory program and it is not a mandatory substitution.

I also urge my colleagues to adopt this amendment for another reason. One of the problems we have with the Interior and related agencies appropriation bill is that the strategic petroleum reserve acquisitions were placed off budget in actions taken by Congress, and over my objection, I might add, and have persisted in that for the last several years.

This year as we begin to try to control outlays as well as budget authority in the budget process, we have been confronted with a great difficulty because those strategic petroleum reserve acquisitions not only are counted in the outlays but they have been put back on budget according to the budget reconciliation process for scorekeeping purposes at least. We are suddenly confronted with an entirely different mix of expenditures under that bill.

The result of that will be some pressure, I am certain, before we get finished with that appropriation bill to reduce all of the expenditures in the Interior and related agencies legislation.

This can reduce that pressure.

Therefore, for those of you who have any interest in all of the programs that are funded in the Interior and related agencies bill, this may provide some measure of relief to that pressure.

I urge the adoption of the amendment.

Mr. MATTINGLY. I thank the Senator.

I might add to my good friend that hopefully for the taxpayers it will be the Treasury Department printing presses can slow down also to where that the outlays of dollars will be reduced, therefore, the deficit will be reduced, since we will be using something other than hard cash.

Mr. McCLURE. If the Senator will yield, I have urged for many years that we adopt this kind of a program in order to help market our agricultural surplus. It makes eminent good sense to me to be able to use something that we have in surplus rather than using dollars which, as the Senator notes, are in short supply.

Mr. MATTINGLY. Let common sense prevail on the vote.

Mr. HART. Mr. President, will the Senator from North Carolina yield for a question?

Mr. HELMS. I beg the Senator's pardon?

Mr. HART. Will the distinguished Senator yield for a procedural question?

Mr. HELMS. I yield.

Mr. HART. For those of us trying to make urgent travel arrangements, does the Senator contemplate rollcall votes after this?

Mr. HELMS. I say to the distinguished Senator, yes. We do expect at least one rollcall vote, perhaps two or three more.

Mr. HART. Does the Senator know how long we will be in session on this bill?

Mr. HELMS. That will be up to the majority leader, of course, but I expect it will be late in the afternoon because we were a little delayed getting started on the amendments. But I will be glad to inquire of the majority leader and let the Senator know.

Mr. HART. That will be extremely helpful for this Senator if he does.

Mr. HELMS. I am glad to do that.

Mr. GLENN. Mr. President, if the Senator will yield, I have a question here. In reading through this for the first time, I am not sure I understand the language, and I wish to have it clarified before we vote on this, if I might.

It says that the Secretary of Energy can exchange market value at the time of such request of at least \$300 million.

Was that the intent of this, because that would mean that the upper end of it would be unlimited, as I read this? He could go up to billions and billions of dollars worth of exchange with no further approval required from Congress. Is that the correct language on that?

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This would say he would have to do at least \$300 million but he could go to \$300 billion legally and we would be backing him, if I read this correctly. Or am I misinterpreting this?

Mr. McCLURE. If the Senator will permit me to attempt to answer that, first of all, it is a permissive program. It is not mandatory. Second, I view it as being subject to the same acquisition authority for the strategic petroleum reserve as is now in current law. We have an acquisition rate stated in law.

Mr. GLENN. The upper limit would be, then, whatever the acquisition rate is or what the price per barrel would be on the exchange at that time?

Mr. McCLURE. The Senator is correct.

Mr. GLENN. The \$300 million would be a minimum. Do you have any estimate of what the upper limit could be?

Mr. McCLURE. The upper limit is \$561 million, roughly.

Mr. GLENN. That would be at the current price level?

Mr. McCLURE. Yes.

Mr. GLENN. I thank the Senator.

Mr. MATTINGLY. That is also conditioned on the Secretary of Agriculture approving it.

The PRESIDING OFFICER. Is there further discussion on the amendment? If there is no further discussion, the question is on agreeing to the amendment of the Senator from Georgia [Mr. Mattingly]. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from Colorado [Mr. Armstrong], the Senator from Arizona [Mr. Goldwater], the Senator from Oregon [Mr. Hatfield], the Senator from Maryland [Mr. Mathias], the Senator from Oregon [Mr. Packwood], the Senator from Alaska [Mr. Stevens], and the Senator from Wyoming [Mr. Wallop] are necessarily absent.

I also announce that the Senator from California [Mr. Wilson] is absent on official business.

Mr. BYRD. I announce that the Senator from Texas [Mr. Bentsen], the Senator from Florida [Mr. Chiles], the Senator from California [Mr. Cranston], and the Senator from West Virginia [Mr. Rockefeller] are necessarily absent.

I further announce that the Senator from Massachusetts [Mr. Kennedy] is absent on official business.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced -- yeas 83, nays 4, as follows:

(See Rollcall Vote No. 257 Leg. in the ROLL segment.)

So the amendment (No. 891) was agreed to.

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

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

The motion to lay on the table was agreed to.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I have some remarks that I want to make on the farm bill. Before I do that, there are a couple of points I would like to raise for the benefit of all my colleagues. One is that I was just informed this morning that the area offices for the USDA -- I presume that would be the area office that covered Iowa -- called the Iowa State Agricultural Stabilization Conservation Service Office, the ASCS Office, 2 days ago. They wanted to know this about Senator Harkin and about Senator Grassley. They wanted to know how many acres we farmed, they wanted to know whether or not we were participating in this year's feed grain program, and they wanted to know what payments we received.

For my part, I am willing to tell the Senate what my State ASCS people there in Iowa, who are civil servants, said in return. I do not want to say anything for Senator Harkin. I will let him find out for himself and then he probably will want to report his own findings.

They reported that I had cash rented my land. They reported that as a result of that cash rent, in the truest sense of their definition of being in the program, I was not in the program and that I had received \$368 sometime in the last 4 or 5 years on some sort of payment from the Federal Government. Off the top of my head right now, I really do not know what that was for, but I do not question that it was given.

The point that I am making here is that I think each one of my colleagues in this body ought to call their State ASCS office and see if that same inquiry was made by the USDA here in Washington about whether the Senators from the various States participate in the program, how many acres they own as a farmer, and how much payment they receive.

I am not sure I know the purpose of those questions being asked. I do happen to know, because there was contact between my State ASCS office and another State ASCS office, that at least one other inquiry has been made in the 50 States about two other Senators in this body.

I would think if they wanted to know this information they would come directly to us and ask us. Maybe it is a normal thing to be done. Maybe it is a normal inquiry that they make every year.

But I do know this, it was made 2 days ago, just prior to our going on this farm bill. I can also say that the same inquiry was not made of my State ASCS office in regard to the various participations of our colleagues in the other body.

My point in using this method, as opposed to sending a "Dear Colleague" letter is to alert my colleagues of this inquiry if they are interested, and, second, and I will do this more directly, I am going to ask Secretary Block what this information is used for.

That is the end of that part of my remarks. That was not part of what I was prepared to talk about this morning. I just received that call a couple of hours ago.

Mr. HELMS. Will the Senator yield?

Mr. GRASSLEY. Yes.

Mr. HELMS. Did the Senator say the USDA called his State?

Mr. GRASSLEY. Yes.

Mr. HELMS. Do you know who made the call?

Mr. GRASSLEY. I do not know the person's name, but I know it is from what is referred to as the area office. That would be the supervisory office here in Washington of the region where Iowa is one of the States. The call was made from that office to our State ASCS office. That was reported to me. I do not want to speak for the other State that I know was involved. I have alerted one of the two Senators from that other State of the fact that a call was made and I told him that he could call his State ASCS director. I told him where I got my information.

Mr. GRASSLEY. The second point I would like to make, and this point has not yet been raised in this debate, is I am sure when we are talking about aspects of this bill that are budgeted items, specifically how much this bill is going to cost, we are going to have the word given to us by some of our colleagues that this bill is so many dollars over budget and that it ought to be reduced. The reason for this is because there will be a threat of a veto hanging over our heads.

I cannot say that anybody has told me directly from the White House or from the USDA that a bill of this cost which is now before us is going to be vetoed, but that is all you have read in the paper, that is all you have seen on television. Every aspect of this farm bill downtown deals simply with dollars, with cost.

I think this is a legitimate question to pose before we get very far into this debate, not only for the colleagues of mine who might share the position of the administration that we might pass something that is too costly, but also if someone comes to the conclusion that the budget items are not that big, we can get that behind us and out of the way.

I would like to put this proposition to my colleagues and the administration: Of all the bills that I know we are going to have before us for consideration, none of those costs in budget are as costly as what the farm program of 1949 would be. If we do not pass farm legislation, there is a reversion to the 1949 legislation. It is my understanding that that would cost two to three times anything we are talking about in this debate. In many respects, again referring to something the administration has said they do not like about some of the legislation being proposed up here, that there is too much regimentation in it, I believe we would all agree that the 1949 law has more regimentation in it and more cost than we are going to send downtown for this President to review.

So if the President is concerned just about cost, and that is basically all we have heard from downtown, then I would ask, if he vetoes this, how can he legitimize his judgment of cost if what is left on the books is three times more expensive than anything we send down there?

I would suggest that if the President would veto a bill and he would figure that some other bill would pass, that may be legitimate strategy, but I would also suggest that if Congress would bow its back and pass no legislation, that the President of the United States, because of his veto of this farm bill, is stuck with a farm program more costly than anything we are going to send to him.

I think that is the way it has to work out. I think that is the way it will work out. I think if those are the facts, then I suggest two things: The President review and stop making the public comments on costs of legislation, and, second, he consider where we might end up if he does veto a bill. He should look positively at what is going to be presented here. On the bottom line, this would not be as costly as the 1949 legislation we could end up with.

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

Mr. GRASSLEY. I will yield in the sense of whatever the rules are, that I hold the floor.

The PRESIDING OFFICER. Does the Senator yield for a question?

Mr. GRASSLEY. Yes, I yield.

Mr. MELCHER. The Senator from Iowa has been laying out the honest to God truth. The Senator from Iowa is

reflecting what the Governor of Iowa has recently stated and I might add the Governor is of the same party as the distinguished Senator from Iowa.

My question is simply this: Some of us believe that in the rush of concluding the committee action on the bill, there were some points that were overlooked by the committee that are possible actual savings. In other words, if the committee had looked directly at some of the possibilities of savings, the committee, I feel certain, would have adopted some of those savings. We have been comparing the Senate bill with the House-passed bill. We see things in that bill that are actual savings and not detrimental to the farm procedures of this country.

My question is this: Would the Senator agree, that should we make all the possible savings that are not detrimental to the producers and their ability to continue operation? And in doing so improve the farm bill by making such savings, but not to go beyond those savings that would be detrimental to the producers themselves?

Mr. GRASSLEY. If the Senator from Montana is asking me if I would agree with that, obviously, the answer is yes. I think we ought to try to save wherever we can and be concerned about the cost. I am only trying to make the point that I am getting a little tired of veto threats when even the Secretary of Agriculture admitted on a major television program a couple of weekends ago that the 1949 legislation was much more expensive. If they are just worried about budget items, they ought to be thinking in terms of what the result of the veto can be.

I hope that we have people downtown who are that forward-looking in the process, that they know that this is a fact.

Mr. MELCHER. I believe that the Senator from Iowa makes a very rational and practical point. I suspect that we shall have to have a rather thorough discussion of this very point in some detail so that people in the Department of Agriculture and the people in the White House and the people in the Office of Management and Budget are aware of these very points, because they are very valid.

To return to the 1949 basic law is not very practical. To return to what we are doing right now in the current year is not very practical as far as costs are concerned.

I commend the Senator for his statement. I also advise the Senator that there are some cuts that can be made that are practical, that will not damage the agriculture producers, and that will nevertheless save some money and they do run into the billions of dollars. I ask him if he would like to work with me on developing those types of cuts.

Mr. GRASSLEY. Yes, Mr. President.

Mr. ANDREWS. Mr. President, will my colleague yield?

Mr. GRASSLEY. I yield to the Senator from North Dakota.

Mr. ANDREWS. I appreciate my colleague's yielding. I was listening to my colleague from Iowa on the floor. I picked up my phone to call my State ASCS director to find out if I have had a similar call on my farm. And I have.

I do not know what kind of Big Brother-Gestapo tactics have all of a sudden come into the Department of Agriculture. Let us face it: The Senator from Iowa and I are both farmers. Our constituents know we are farmers. Everybody knows how many acres we have, they know how many head of four-legged losers I have in my feed lot.

I find it personally objectionable for Big Brother to sit down in Washington and call out behind my back and suddenly say, what does the Senator get in payments on this program, that program, and the other program? These are all public records. As I say, everybody in North Dakota and everybody in Iowa knows how much farmland Chuck Grassley and Mark Andrews have. They know whether I have wild oats growing or whether my 2,4.D applications work. In fact, they drive by my farm, probably, more often than I do. That is what is known as total disclosure.

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Let me also point out for the Record if they are interested down there that I do not have any loans at low-interest rates from Government entities.

Let me also point out, and I think it ought to be said, as long as they want to find out about my farm operation or Senator Grassley's farm operation, that I do not owe any entity of the Federal Government pass-through loans, and I am not looking for any special deals, and I do not have partners that are in on things going on.

My farm is open, as it has been for a hundred years, to anybody -- our neighbors, our State, our people. They know we are farmers, they appreciate the fact that we are farmers.

I know, Mr. President, I sort of think they elect us to come down here because they are proud to have farmers representing them. And all of a sudden to find out -- I would not have known it if any colleague had not brought it up -- that Big Brother over in the Department of Agriculture does not have enough to do so they are picking up the phone to call up and find out what kind of farm operation we run, what kind of program payments -- I wonder if my colleague from Iowa could enlighten me on this: Would he suppose that there might be some idea of some threat or something, that they are going to call and say that they are going to somehow cut off these farm program payments? Or are they somehow or other saying that we should not participate in the farm programs that we inflict on other farmers?

I always figured that farm programs force you to cut back production and do all the rest and you are not doing your dead-level best if you do not cooperate with programs you have passed and foist on other farmers. Is that not essentially the way my friend and colleague from Iowa feels?

Mr. GRASSLEY. Yes, Mr. President, and it is not too different from the intimidation that you might get from the IRS or the Defense Department or a lot of those other agencies that we have involvement with over a long period of time.

Mr. ANDREWS. I wonder also, Mr. President, if when they were calling up the different State ASCS offices, they would call up the State of California or -- is it Arizona -- to find out John Norton's figures, and if they would call some of the other States to find out about people in the department?

These are matters of public record. This administration, without that kind of Gestapo threat, blackmail, or whatever kind of tactic it is -- I am wondering. I do not think the general public likes it. These are public figures that they can have. But let me make this point in agreement totally with my friend from Iowa.

I wish they would spend their talents on giving us honest figures on these various parts of the farm bill we put together around that table in the Senate committee room. I recall when we had a marketing loan concept -- and I know my friend from Iowa supports it because it is a new idea, it will let us be competitive in the marketplace -- that they phoned up the figures that they gave to us. On the next day, when we came back at them and said, "Look, you are \$100 an acre off on these figures," they were forced to admit they were. But by then, the damage had been done.

I wish they would spend a little more of their time, if they have so much of it, in giving us accurate figures on budget impact, giving us accurate figures on the budget impact if we do not put together a sensible Farm Program, and get this information to us so that we can do our work based on honest figures.

If they want to know about my farm, they can just ask any one of my neighbors. They know about it. I am sure if they want to know about Senator Grassley's farm, they can ask any one of his neighbors. I think farmers in North Dakota, farmers in Iowa, and farmers generally around this country resent the fact that while they are complaining about the money we are spending in agriculture, we have people who are so unemployed in the department that major figures can spend their time to call up behind our backs and want to know what kind of Farm Program payments we are getting.

I appreciate the Senator bringing it to the floor, and I share his, shall we say, disgust and, let me add, surprise that this is the kind of tactic that is going on in the Department of Agriculture.

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(Later the following occurred:)

Mr. GRASSLEY. Mr. President, I ask to have inserted in the Record further explanation of the first point I made in my remarks today; that is, that there has been some followup communication with the Department of Agriculture as a result of my statement which I made about the Agriculture Department making requests about Senators' participation in the Farm Program. We have been told by the U.S. Department of Agriculture that a Member of Congress had requested that information. Under the Freedom of Information Act, we have not found out who that Member is. It seems to me like if the USDA is making that request at the behest of a Member of Congress, they ought to tell us who that Member is. But I did want to say to my colleagues that I do have that additional information now at 3 o'clock in the afternoon that I did not have at 1 o'clock in the afternoon. I would like to have what I just now said inserted in the Record as a clarification at that point in the Record.

I yield to the Senator from Iowa.

The PRESIDING OFFICER. Without objection, the request is granted.

Mr. HARKIN. I thank my colleague for yielding.

I understand the Senator to say this was requested by a Member of Congress. Does the Senator mean a Member of the other body, or this body, or do you have any information on that, and also does not the Freedom of Information Act allow us to find out who made that request? That ought to be public information.

Mr. GRASSLEY. The information that I have now given was information my staff has given me, their communication with the Secretary's office, and then some information that Senator Andrews from North Dakota had spoken with the USDA about. The first instance was there was an indication it was a Member of the Senate. Then there was retraction, saying it was a Member of Congress. Then as a result of several requests, not only by Members of this body, but also by members of the press, that the information will not be given out, or at least the questions have not been answered as to what Members of Congress requested it. I would suggest the Freedom of Information Act should allow us to have that information, but I presume, too, that the redtape of getting it under Freedom of Information Act would be so great we might not know it soon enough to do us much good. I would call upon the U.S. Department of Agriculture to be forthcoming with that information.

Mr. HARKIN. If my colleague will yield further, I would think if any Member of this body or the other body would want that information on any of us from Iowa or any other State they can come and ask us. We would tell them. It is public information. They do not have to surreptitiously try to go get it anywhere. It is on the record. There is nothing wrong with anyone finding out that information. I find it curious, I guess, that someone would be, at this point in time, delving into something like it.

Mr. GRASSLEY. Very curious. I would associate myself with the conclusions drawn by my colleague from Iowa.

Mr. HARKIN. I thank my friend from Iowa.

(Conclusion of later proceedings.)

Mr. PRESSLER. Mr. President, I was going to speak to the points of the farm bill, but I have been told that the Senator from Tennessee is under a tight schedule. I will relinquish the floor for whatever the normal order of business would be and then I will try to get the floor back at a later time.

AMENDMENT NO. 892

(Purpose: To prohibit the importation of any tobacco produced or processed with the use of a pesticide that is not registered under the Federal insecticide, Fungicide, and Rodenticide Act)

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Mr. GORE. Madam President, I deeply appreciate the courtesy of the Senator from Iowa. I have an amendment which I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER (Mrs. Kassebaum). The clerk will report.

The legislative clerk read as follows:

The Senator from Tennessee [Mr. Gore] proposes an amendment numbered 892.

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

The amendment is as follows:

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

#### TOBACCO PESTICIDE RESIDUES

Sec. . (a) Section 213 of the Dairy and Tobacco Adjustment Act of 1983 (7 U.S.C. 511r) is amended by adding at the end thereof the following new subsection:

"(e)(1) Notwithstanding any other provision of law, any tobacco offered for importation into the United States shall be accompanied by a certification by the importer, in such form as the Secretary of Agriculture shall prescribe, that the tobacco has not been produced or processed with the use of a pesticide that is not registered under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135 et seq.).

"(2) Any tobacco that is not accompanied by the certification required by paragraph (1) shall not be permitted entry into the United States.

"(3) The Secretary, to such extent and at such times as the Secretary determines appropriate, shall sample and test tobacco offered for importation on entry into the United States to determine whether that tobacco conforms with the certification required under this subsection.

"(4) The Secretary shall by regulation provide that domestically produced tobacco is subject to substantially the same requirements with respect to residues of any pesticide as apply to tobacco offered for importation.

"(5)(A) Subject to subparagraph (B), if the Secretary determines that Flue-cured or Burley tobacco does not meet the requirements of this section, such tobacco may not be moved in commerce among the States and shall be destroyed by the Secretary.

"(B) This paragraph shall apply only to tobacco produced after the date of enactment of this provision that receives price support under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) or the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.)."

"(b)(1) The second sentence of section 213(c) of such Act is amended by striking out "such subsection" and inserting in lieu thereof "this section".

(2) The second sentence of section 213(d) of such Act is amended by inserting "and subsection (e)" after "subsection (a)(1)".

Mr. GORE. Madam President, let me briefly explain this amendment. I would hope that every single Senator on both sides of the aisle would vote in favor of this amendment. It is a farmer issue, and it is simultaneously a consumer issue. Briefly, all domestic tobacco has to be certified free of pesticides banned for use in the United States. This is to protect the consumers of tobacco against residue in the tobacco and also the farmers who use the substances involved.

But foreign tobacco imported into the United States does not have to be so certified, and now the volume of imported tobacco has grown to where it is one-third of the total tobacco consumed.

So we have a situation where American tobacco farmers are prevented from using these chemicals and yet their competitors overseas are allowed to use the same chemicals. That puts the American tobacco farmer at a competitive disadvantage and is one among several factors that has led to the dramatic increase in the amount of imported tobacco sold in the United States.

Second, the American consumers of tobacco, who believe that they are protected by the chemical pesticide laws that prevent American tobacco farmers from using these banned substances, are exposed to the very same chemicals because one-third of all the tobacco they consume has these residues. If you are in favor of the tobacco farmer in Bulgaria, then vote against this amendment because Bulgarian farmers can use these banned pesticides and send them into the United States. If you are in favor of the tobacco farmer in Zimbabwe and want to give that tobacco farmer an additional advantage over the American tobacco farmer, then vote against the amendment. If you want to expose the American tobacco consumer to these chemicals that are judged to be so harmful they have to be banned in the United States, then vote against this amendment.

This amendment has been endorsed by the North Carolina Farm Bureau. It has been endorsed by the American Farm Bureau Federation. And I might say the North Carolina Farm Bureau Tobacco Specialist is probably one of the leading experts on this matter in the entire United States.

There are no implications for GATT. I have a study prepared by the Congressional Research Service which I will supply to any Senator who is interested. If there is enough interest, I will put it in the Record, but it is so lengthy that I do not want to take that step. But suffice it to say, this amendment is "GATTtable," a phrase common in discussions of trade -- fair trade and unfair trade.

So this amendment, Madam President, has something for everyone. It is pro farmer and pro consumer. It would accomplish the modest objective of prohibiting the importation of tobacco into this country which uses pesticides and other chemicals which are banned in the United States. Let me say this amendment is very similar to the provisions of S. 67 which I introduced earlier this year. Indeed, this was the very first bill that I introduced upon becoming a Member of this body. A few moments after I was sworn in in January, I introduced this legislation.

It is also very similar to legislation I introduced last year in the other body and legislation that has long been advocated by the Senator from Ohio [Mr. Metzenbaum]. He advocated it vigorously last year in the conference committee with some success but it fell short of final adoption as did my legislation in the other body.

This amendment would very simply require imported tobacco to comply with exactly the same pesticide certification requirements that we currently impose on American-grow tobacco. It would not impose any additional restrictions whatsoever on any American tobacco. It would simply protect American consumers from these harmful substances in foreign tobacco just as the consumer is protected now from these substances in domestic tobacco. It is designed to protect both the American farmer and the health of the American people. It is also designed to give American farmers an opportunity to compete more fairly with their foreign competitors because if there was ever an example of an unfair trade practice that ought to be immediately eliminated, this is it.

Under current law, we tie the hands of the American tobacco farmer, tell him he cannot use these substances -- incidentally, I agree he should not use these substances because they do pose a health risk -- but we leave the foreign competitor totally free to use these harmful substances and simultaneously threaten the health of American consumers and drive more American tobacco farmers out of business.

In recent years, as I mentioned, the amount of foreign tobacco imported into America has increased dramatically up to the point now where one-third of the tobacco in American cigarettes is imported. In 1969 our country imported only 9 million pounds of foreign tobacco. By 1983, we were importing 240,000 metric tons of tobacco annually, an increase

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of 1900 percent over 1969, and an increase of 30 percent over 1982 alone. By 1983 imports of unmanufactured tobacco exceeded \$743 million.

Now, let me state, Madam President, what this amendment will and will not do. It will require that imported tobacco be certified as not containing unapproved pesticides before it can be brought into this country.

This is exactly the same requirement that American growers must comply with before selling their tobacco in this country. American tobacco farmers are quite aware of this issue. In fact, there are very few issues that have provoked as much concern and response from tobacco farmers as this unfairness with which they have to deal. In the United States today tobacco farmers have to abide by strict regulations. These regulations prohibit the use of a number of pesticides and other chemicals such as DDT, dieldrin, endrin, toxaphene, and others, all of which have been banned for health reasons, and yet we have absolutely no restrictions whatsoever on tobacco being imported into the United States with respect to these very same chemicals and pesticides. In fact, no agency of the Federal Government knows or keeps track of what pesticides or other chemicals are being used on tobacco being imported into the United States despite the potential health hazard imposed by this problem and despite this disadvantage to the American tobacco farmer.

Our failure to act harms America's tobacco farmers seriously and jeopardizes the 50 to 54 million Americans who smoke. Six hundred billion cigarettes a year are smoked by Americans, one-third of the tobacco in those cigarettes comes from foreign producers, yet we have no information about what hazardous substances contaminate that tobacco. We do not even have records of the countries from which we import and have never attempted to determine what their policies are with regard to substances banned for use in the United States. How can the American farmer compete? How can American consumers protect themselves, if we do not even collect this vital information?

There is serious reason for concern. Turkey, Bulgaria, Lebanon, and Zimbabwe are all large suppliers of imported tobacco leaf; yet, the only survey ever done about the use of pesticides and other chemicals used abroad, a survey conducted by the State Department, produced no information about the chemicals used in those countries. What the survey did reveal is that many countries do permit the use of pesticides banned from use in the United States. For example, tobacco from Thailand is imported into the United States; but we know that Thailand permits the use of DDT, dieldrin, and endrin, each of which has been banned in this country for health reasons. In the Philippines, the only chemical banned is DDT. In New Zealand and Australia, DDT is used to treat the soil. And evidence is accumulating that DDT is the pesticide of choice in Brazil, a country from whom we are importing massive and increasing amount of burley tobacco. Unfortunately, what we know about this issue is still less than what we do not know, where the use of pesticides in these foreign countries is concerned. This amendment would give us that information.

To some, the bill may appear to be motivated by protectionist concerns. Nothing could be further from the truth. This bill only seeks to place foreign producers of tobacco on the same ground as our American farmers. The United States not only has a right to impose those health and safety restrictions on imported products, it has an obligation to its citizens to do so.

There is no reason whatsoever for imported tobacco to be exempt from these requirements. What this bill does with regard to tobacco, we already do for most products imported into the United States. For example, we require importers of foreign automobiles to meet our pollution and safety standards. Importers of machinery and consumer products are required to comply with health and safety standards applicable to all products sold in the United States. We already also require cigarette packages imported in the United States to comply with the labeling provisions of the Federal Cigarette Labeling and Advertising Act. The United States would not be the first country to impose the requirements I am proposing. West Germany has gone even further by prohibiting the importation of tobacco containing any chemical or additive not on an approved list.

In conclusion, the amendment represents a cautious, reasonable approach to a potentially serious problem. It is an amendment that directly benefits both the American farmer and the American consumer. And it is a classic example of action that we can take to ensure that our farmers are playing on a level field, without endangering our trade

relationships.

Madam President, I am honored to offer this amendment in conjunction with the Senator from Tennessee [Mr. Sasser] and the Senator from Ohio [Mr. Metzenbaum], to whom I referred earlier and to whose efforts I referred earlier.

The amendment embodies a bill that has been introduced and is cosponsored by the Senator from Kentucky [Mr. Ford], the Senator from Maryland [Mr. Sarbanes], the Senator from South Carolina [Mr. Hollings], the Senator from Ohio [Mr. Glenn], the Senator from Hawaii [Mr. Inouye], the Senator from Tennessee [Mr. Sasser], and myself. I urge my colleagues on both sides of the aisle to support this amendment.

I yield the floor, Madam President.

Mr. HELMS. Madam President, I say to the distinguished Senator from Tennessee that this is an attractive amendment, the thrust of which I support. I did not see the draft of his amendment until a few minutes ago, and I feel obliged to ask the Senator his intent, just for the purpose of legislative history.

On page 1, the Senator's amendment states:

Notwithstanding any other provision of law, any tobacco offered for importation into the United States shall be accompanied by a certification by the importer, in such form as the Secretary of Agriculture \*\*\*

Does the Senator contemplate that each hogshead of tobacco be certified?

Mr. GORE. Will the Senator repeat the question?

Mr. HELMS. On page 1 -- --

Mr. GORE. I heard the last part. It was just the last sentence.

Mr. HELMS. Does the Senator contemplate that each hogshead of tobacco shall be plugged and examined?

Mr. GORE. Each what?

Mr. HELMS. Each hogshead, each container of tobacco.

Mr. GORE. In response, the importer would have to certify that each shipment of tobacco and all tobacco imported by that importer meets the requirements. The inspection process for verifying the certification would not require that each container be sampled, because they could sample and test, according to the second page, subsection 3, as follows:

The Secretary, to such extent and at such times as the Secretary determines appropriate, shall sample and test tobacco offered for importation on entry into the United States to determine whether that tobacco conforms with the certification required under this subsection.

The process is intended to be similar to the one that is used for American farmers. They have to certify all that, but there are just samples that are tested.

Mr. HELMS. The Senator referred to the portion on page 2, beginning on line 7, that appeared to present the possibility of a contradiction. What the Senator is saying, then, in effect, is that the Secretary of Agriculture shall prescribe how this is to be done. Is that correct?

Mr. GORE. That is correct.

Mr. HELMS. And he is not saying that this amendment would mandate that every hogshead of tobacco be examined. That would be determined by the Secretary of Agriculture, to protect the health of the consumer. Is that

correct?

Mr. GORE. The distinguished chairman of the committee is correct, and that is an important clarification, because the amendment should not be interpreted to require the Secretary to inspect every single leaf that is imported. Far from it. The Secretary can determine the appropriate way to set up a sample testing procedure. However, the person importing the tobacco must certify that all the tobacco that importer brings into the country is free and clear, just as an American tobacco farmer has to do the same.

Mr. HELMS. On line 21 of page 2, the Senator is saying, in effect, that this would begin with the 1986 crop.

Mr. GORE. It is intended to operate prospectively, and it applies only to tobacco produced after the date of enactment of this provision. It would not apply to any tobacco that was produced before the date of enactment.

Mr. HELMS. I thank the Senator.

Madam President, the Senator's amendment makes sense, particularly when one considers that we have a tobacco program reform proposal in the reconciliation bill, which is intended and would in fact have the effect of reducing enormously the amount of imported tobacco. I think the Senator may have a little bit of that in his mind with his amendment.

I have become disturbed over a period of several years at the growing percentage of imported tobacco, laying aside the pesticide content, and our legislation was drawn with the purpose of encouraging the tobacco companies to use more domestic tobacco.

I think the Senator, while he is very much interested in the health of the American people, and so am I, is also mindful that this may serve more than one purpose.

So, that is the upside of it. It should protect the health of the American people by prohibiting the importation of tobacco containing pesticides and other chemicals that are not permitted in this country.

The Senator is right. The farmer growing the imported tobacco is not subjected to the same pesticide restrictions as the American farmer and obviously that is not fair and that is the point the Senator made and made eloquently.

The implementation as we have just discussed of this amendment could result in a decrease in imported tobacco. That, as the Prince of Denmark once said, is a consummation devoutly to be wished.

The other side of the coin, and I feel obliged to mention it, is the Senator is certain, and I take his word for it, that it would not violate GATT or any other agreements.

Mr. GORE. If the chairman will yield on that particular point, I asked the Congressional Research Division of the Library of Congress to do a lengthy study of that legal question and what their response boiled down to, in essence, is that this amendment would not do anything that could be construed as a violation of GATT.

Mr. HELMS. That is encouraging.

Madam President, the USDA requires, as the Senator knows, as a condition of price support eligibility, that our farmers -- our producers -- certify that they have not used DDT, TDE, Toxaphene, or endrin in the production of their tobacco. Even if the American grower has used the restricted pesticide he is still eligible to have his tobacco graded and marketed. The importer would be denied marketing opportunity under this provision.

Madam President, if the Senator will forbear, let me consult with my staff for just a moment.

Mr. GORE. If the chairman will yield, while he is conferring here, Madam President, I ask unanimous consent that

the Senator from New Mexico [Mr. Bingaman] be listed as a cosponsor of this amendment.

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

Mr. GORE. I wish again to pay tribute to the Senator from Kentucky who is a cosponsor of the bill which led to this amendment.

Mr. GRASSLEY. Madam President, will the Senator yield?

Mr. GORE. I am delighted to yield.

Mr. GRASSLEY. No. 1, I would also like to be a cosponsor of his amendment and then, No. 2, and this is not a facetious comment but I would like to know. First of all, I obviously support his amendment or I would not cosponsor it, and I very much support the direction that the Senator is going and I could have said the same thing earlier today to Senator Pressler on his amendment.

But in what might appear to be a facetious comment I would like to ask if your amendment has been cleared by the State Department. And obviously the Senator probably has not even asked the State Department and I hope he has not.

Let me say why I make that point. I remember the years when I was in the other body, and the Senator from Tennessee served in that other body as well, I served on the Agriculture Committee over there and I remember many a time some of us tried to get similar amendments adopted through the House Agriculture Committee and we were very unsuccessful. Maybe the environment is different. I hope it is, because I want the Senator's amendment to become law.

But I remember at some of the negotiations right in markup sessions we not only had people from the Agriculture Department there but we had people from the State Department called in, and they very much oppose this sort of an amendment. Somehow it was treading on their turf. It would maybe bring about bad relationships between the United States and other countries, just as if that ought to be the primary purpose or primary consideration as opposed to the Senator's primary consideration of putting the consumer of America first.

So, I hope the Senator's amendment would call to attention for my colleagues another point, a point in a larger setting. What I would like to have my colleagues consider in the next 2 weeks of debate on farm legislation is the extent to which so many things have affected agriculture adversely. To a large extent we have had a preeminence of the State Department in those policy decisions and to that extent it has hurt agriculture tremendously.

In consideration of this, I am sure the points are going to be made that the reason agriculture is in bad shape is that we had high support prices. But there are a lot of things done by nonagricultural interests and policy decisions in that area that have been very detrimental to agriculture. One of those has been that we have had an inconsistent policy for the consumers of this country that somehow some pesticides and other additives would be bad if those additives were put on domestic crops but they were OK in the case of imports from foreign countries.

That has been very costly but most important it has been very unfair and it has been unfair both to the farmer and it has been unfair to our consumer.

I thank the Senator from Tennessee for yielding.

Mr. GORE. Madam President, with the indulgence of the Senator from North Carolina, I apologize for presuming to yield earlier. It is the time of the Senator from North Carolina.

Mr. HELMS. That is quite all right. I enjoyed what the Senator from Iowa said. I shall tell the Senate what the Senator from Iowa is saying. He is saying that the State Department has an African desk, a South American desk, a European desk, an Asian desk. The Senator said it is about time the State Department had an American desk. Is that right?

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Mr. GRASSLEY. Yes.

Mr. HELMS. OK.

I yield to the Senator.

Mr. GORE. Madam President, I ask unanimous consent that the Senator from Iowa [Mr. Grassley] be added as a cosponsor of the amendment.

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

Mr. GORE. In response to the question that he assures me is not facetious I will say to the Senator from Iowa that I did not take the step of asking the State Department for formal clearance on the amendment. Perhaps I should have shown them that courtesy, but it is a matter of public record. I introduced it as legislation in January. I introduced it last year. It has been debated by many Senators and Members of the other body who have long favored an idea similar to this one.

The State Department has had ample opportunity to register its objections to this particular amendment if it wishes to.

The only thing that I could conceive of them objecting to would be its intersection with GATT and, as I mentioned earlier because it imposes on imported tobacco only exactly those requirements imposed on our domestic producers, it poses no problems under GATT.

I appreciate the distinguished chairman yielding to me for that interchange.

Mr. HELMS. Very well.

I apologize for the delay but, as I say, I just saw the amendment right after the Senator offered it. I feel obliged to have as much legislative history as I can.

On page 2, line 18, the Senator's amendment states: "Such tobacco may not be moved in commerce among the States and shall be destroyed by the Secretary."

Just for the record, who pays for the destroyed tobacco? What is the intent of the Senator with respect to that?

Mr. GORE. The source of the funding for that would be the same as the source of funding for destroying American tobacco which is found to be in violation of that same requirement.

Mr. HELMS. What is that?

Mr. GORE. I apologize to the chairman in saying that I presume that that source of funding is the Tobacco Program, but I do not have the precise answer to the chairman's question on the tip of my tongue.

Mr. HELMS. Frankly, neither do I. I will tell the Senator that I think it may be a good idea if perhaps we could have a colloquy subsequent to the consideration of the the amendment just to make the legislative history clear as to the Senator's intent. If he will agree to that, we could get together, or our representatives can get together and take care of that.

Mr. GORE. Does the Senator mean, have a colloquy after the amendment is adopted?

Mr. HELMS. Yes.

Mr. GORE. That would be fine.

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Mr. HELMS. The important thing is the thrust of the amendment but it is also important to have the Senator's intent and, thereby, the Senate's intent, presuming that the amendment will be approved.

Mr. GORE. I will be delighted to do that.

Mr. HELMS. I thank the Senator.

Madam President, I am predisposed to accept the amendment and take it to conference.

Mr. MELCHER. Madam President, we have no objection to the amendment on this side.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee [Mr. Gore].

The amendment (No. 892) was agreed to.

(Later the following occurred:)

Mr. GORE. Mr. President, I ask unanimous consent that notwithstanding the pending business, I be allowed to make a motion to reconsider the vote on amendment No. 892.

The PRESIDING OFFICER. Is there objection? The Chair hears none and it is so ordered.

Mr. GORE. I move to reconsider the vote by which the amendment was agreed to.

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

The motion to lay on the table was agreed to.

(Conclusions of later proceedings.)

#### AMENDMENT NO. 893

(Purpose: To extend the authorization for appropriations for the Federal Insecticide, Fungicide, and Rodenticide Act through fiscal year 1986)

Mr. PROXMIRE. Madam 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 Wisconsin [Mr. Proxmire] proposes an amendment numbered 893.

Mr. PROXMIRE. Madam 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:

On page 445, beginning on line 10, strike out the comma after "57,067,300" and all that follows through "necessary" on line 12.

Mr. PROXMIRE. Madam President, I understand the managers of the bill are favorable to the amendment. This

amendment would substitute a 1-year reauthorization of the Federal Insecticide, Fungicide, and Rodenticide Act for the 2-year reauthorization currently contained in the farm bill. As principal author of the FIFRA reform amendments, S. 1303, I am pleased that the campaign for pesticide reform, representing over 40 consumer, environmental and labor organizations, and the National Agricultural Chemicals Association, with 100 members, have recently reached basic agreement on FIFRA amendments which they intend to submit soon for our consideration. For more than a decade, the need for FIFRA reform has been the subject of substantial controversy between industry and environmentalists. This agreement between traditional antagonists is a substantial breakthrough. A 1-year reauthorization will permit the committee to consider this consensus legislation promptly.

Mr. HELMS. Madam President, on behalf of this side of the aisle, I am willing to accept the Senator from Wisconsin's amendment to substitute a 1-year reauthorization of FIFRA for the 2-year reauthorization that is presently contained in this legislation. A 1-year reauthorization for fiscal year 1986 will preserve FIFRA's legal authority, while allowing the Senate Agriculture Committee sufficient time to consider and review the so-called compromise agreement.

We expect to receive recommended statutory language soon which reflects the industry-environmental agreement. I am encouraged that negotiations on controversial FIFRA amendments have produced such a consensus, and believe this compromise language will provide a sound basis for the Agriculture Committee's review of the FIFRA statute next year.

Mr. STAFFORD. I am pleased that the distinguished chairman of the Agriculture Committee intends to review the FIFRA law next year. It is the view of this Senator that this law is vital to protection of public health and the environment from adverse effects of pesticides. Unfortunately, the Pesticide Regulatory Program has not worked as well as it should in some areas. This Senator believes that there is room for improvement in the law.

It is encouraging that representatives of the agricultural chemicals industry and the environmental community have agreed with one another on certain amendments. I commend them for their efforts. Whether the areas of agreement will expand, or even survive to debate over issues not yet agreed, remain to be seen. Whatever the outcome of those discussions, this Senator wishes to commend the distinguished chairman for his willingness to take on this important task. The job will not be easy, but it needs to be done.

Mr. DURENBERGER. I wish to associate myself with the remarks of the distinguished Senator from Vermont. As chairman of the Subcommittee on Toxic Substances and Environmental Oversight, I, too am concerned about the problems that pesticide chemicals can cause. Numerous witnesses at subcommittee hearings have described problems with contaminated ground water, contaminated foodstuffs, and inadequate or incorrect data on pesticide toxicity. The time is right to being a review of the pesticide law in order to see whether it can be strengthened in appropriate places.

Mr. MELCHER. Madam President, we have no objection to the amendment on this side.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. Proxmire].

The amendment (No. 893) was agreed to.

Mr. PROXMIRE. Madam President, I wish to thank the distinguished chairman of the committee very much for accepting the amendment, and the distinguished ranking minority member.

Mr. HELMS. It is always a pleasure to work with the Senator from Wisconsin.

AMENDMENT NO. 894

(Purpose: To exempt REA financed electric and telephone systems from eligibility restrictions on borrowing from the banks for cooperatives)

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Mr. ANDREWS. Madam 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 North Dakota [Mr. Andrews] proposes an amendment numbered 894.

Mr. ANDREWS. Madam 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:

Sec. -- . Section 3.8 of Farm Credit Act of 1971 (12 U.S.C. 2129) is amended by --

(1) inserting "(1)" immediately before "Any association"; and

(2) adding at the end thereof a new subsection (2) as follows:

"(2) Notwithstanding any other provision of this title, cooperatives and other entities which have received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration, or a loan or loan commitment from the Rural Telephone Bank, or which have been certified by the Administrator of the Rural Electrification Administration to be eligible for such a loan, loan commitment, or loan guarantee, and subsidiaries of such cooperatives or other entities, shall also be eligible to borrow from a bank for cooperatives."

Mr. ANDREWS. Madam President, the pending amendment would authorize the Farm Credit System's Banks for Cooperatives to extend credit to all rural utilities that participate in the programs administered by the Rural Electrification Administration.

Under current law, 60 percent of the members of a rural utility cooperative must be farmers for the cooperative to be eligible for financing through the Banks for Cooperatives. This restrictive eligibility requirement eliminates the Banks for Cooperatives as a supplemental source of credit for most of the 2,000 rural utilities that participate in the Rural Electrification Administration programs.

By amending current law to modify the restrictive eligibility requirement, rural utilities will be provided an additional nongovernmental source of credit. However, I want to emphasize that this authority will not be used as a substitute for financing provided by the Rural Electrification Administration as authorized under the Rural Electrification Act.

Rather, this authority will be used primarily to provide supplemental financing in conjunction with low-interest REA loans to electric cooperatives under criteria approved by Congress. Under current law, REA can require electric borrowers to obtain up to 30 percent of their financing from supplemental sources. In addition, this authority will enable rural telephone systems and their subsidiaries to obtain financing for certain projects that contribute to the economic well-being of the telephone system's service area. Many of these projects undertaken by rural telephone systems involve so-called nonact purposes -- meaning that such projects are ineligible for REA financing under the Rural Electrification Act. These nonact purposes usually involve providing of communications services -- such as cable television facilities and cellular radio facilities that serve both rural and nonrural users.

As a result of divestiture and deregulation, many essential communication services involve both unregulated and regulated services. Generally, the Federal Communications Commission and State regulatory agencies require unregulated operations to be kept separate from regulated activities. This is to ensure that telephone users are not

subsidizing unregulated commercial ventures.

Many rural telephone systems establish subsidiary companies to satisfy State and Federal regulators that revenues from regulated operations are not mixed with revenues from unregulated operations. In many cases, these unregulated subsidiary operations provide valuable services to rural consumers and essential revenues for rural telephone systems although such subsidiaries generally do not qualify for REA loans.

As indicated, the amendment has been designed to enable the Banks for Cooperatives to provide for the unmet credit needs of rural electric and telephone utilities and related subsidiaries. In addition, I believe rural consumers will receive a significant benefit in the form of more reasonable utility rates if this amendment is approved.

Finally, I will note that the amendment is supported by the National Rural Electric Cooperative Association, the National Telephone Cooperative Association, and the Rural Telecom Association.

I urge my colleagues to join me in supporting the amendment.

Mr. HELMS. Madam President, the Senator's amendment is a good one. It would amend the Farm Credit Act to authorize all borrowers who participate in the loan programs administered by the Rural Electrification Administration to obtain credit from the Farm Credit System's Banks for Cooperatives.

This amendment, by authorizing all rural utilities that participate in REA programs to obtain credit from the Banks for Cooperatives, will provide an alternative source of unsubsidized credit for borrowers who might otherwise be tempted to rely on Federal credit programs. I believe that is a desirable objective. We need to encourage greater reliance on nongovernmental sources of credit.

I want to emphasize two additional points about this amendment.

First, the amendment deals only with rural utility financing. This proposal is not designed, I ask the Senator from North Dakota, to be part of an emergency farm credit assistance package?

Mr. ANDREWS. No; it is not.

Mr. HELMS. I would say to my good friend that legislation of that nature will be considered as a separate bill after the Agriculture Committee has conducted hearings.

Second, this amendment will not get the Farm Credit System into a new line of business. That is correct, is it not?

Mr. ANDREWS. The Senator is absolutely correct.

Mr. HELMS. For nearly 15 years, the Banks for Cooperatives have been authorized to extend credit to rural utilities that meet certain eligibility requirements. The Banks for Cooperatives currently have outstanding loans or loan commitments in excess of \$2.4 billion to rural utilities.

In 1971, the Banks for Cooperatives were authorized to provide financing to those rural electric and telephone cooperatives in which 80 percent of the voting control was held by farmers and ranchers. In 1975, that threshold was reduced to 70 percent of the voting control. With the Farm Credit Act Amendments of 1980, it was further reduced to 60 percent of the voting control.

Despite these periodic adjustments, the restrictive eligibility requirement has proved to be increasingly unworkable for most rural utility cooperatives -- given the ever changing demographics of rural America. Urban sprawl, the diminishing number of farms, and the increasing number of nonfarm residents in rural areas will continue to decrease the number of rural utilities eligible to borrow from the Banks for Cooperatives.

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These points were brought up during the farm bill hearings that were conducted in the Spring of 1985 and the amendment is designed to address that issue.

As indicated, the amendment does not require the expenditure of tax dollars, nor does it create any new bureaucracies. In addition, it is my understanding that the administration and the Farm Credit Administration support the amendment.

For the reasons I have stated, I urge the adoption of the amendment.

(Mr. ABDNOR assumed the chair.)

Mr. ZORINSKY. Mr. President, I support the pending amendment because it would better enable the Farm Credit System's Banks for Cooperatives to serve the needs of rural electric and telephone systems and the consumers those systems serve.

Specifically, the amendment would authorize the Banks for Cooperatives to extend credit to all cooperatives and other entities which have received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration, or a loan or loan commitment from the Rural Telephone Bank, or which have been certified by the Administrator of the Rural Electrification Administration to be eligible for such a loan, loan commitment, or loan guarantee, and subsidiaries of such cooperatives or other entities.

This authority would be in addition to the authority provided under current law.

Under current law, Banks for Cooperatives are authorized to extend credit to rural electric and telephone cooperatives in which farmers account for at least 60 percent of the voting members. This restrictive eligibility requirement eliminates the Banks for Cooperatives as a source of credit for most of the utility systems that serve rural areas.

Because of the restrictive eligibility requirement, rural utilities are denied access to a source of credit based on circumstances beyond the control of the utilities or lenders. A utility becomes ineligible for Bank for Cooperative financing when service is extended to the household that causes the fraction of farmers in the service area to drop one person below 60 percent. Since most States require utilities to serve every customer in the service area, rural utilities have no control over the proportion of farmers to nonfarmers served.

In addition, by conforming the Banks for Cooperatives' eligibility requirement for utility lending to that of the Rural Electrification Administration, an unnecessary restriction on the marketplace will be eliminated. This will ensure that rural consumers receive the benefits of competition -- in the form of lower utility rates.

In recent years, rural electric and telephone systems financed through the Rural Electrification Administration have found it necessary to diversify operations to replace revenues lost as a result of conservation practices in the electric industry and divestiture and deregulation in the telephone industry. Financing for those diversified operations is generally not available under programs administered by the Rural Electrification Administration. This amendment is intended to supplement, but not supplant, Rural Electrification Administration financing.

To ensure that rural utilities are able to fully benefit from the authority provided under this amendment, the administration should work with the Banks for Cooperatives and other lenders in developing a responsible lien accommodation policy. This amendment and a workable lien accommodation policy will protect the Government's interest and provide rural utilities access to financing that is needed but not currently available through Rural Electrification Administration programs.

It should be noted that under this amendment, the Banks for Cooperatives, like the Rural Electrification Administration, will be authorized to extend credit to certain rural utilities that are not organized as cooperatives. This is

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particularly important to Nebraska since the electric utility systems that serve my State are publicly owned and are not organized as cooperatives. In addition, about 750 rural telephone companies that are not organized as cooperatives but that are eligible for the programs administered by the Rural Electrification Administration would become eligible for Bank for Cooperative financing under this amendment.

Since 1971, when the Banks for Cooperatives were first authorized to extend credit to utility cooperatives that could meet the restrictive eligibility requirement, the Banks for Cooperatives have demonstrated a firm commitment to serving the needs of rural utilities. The Banks for Cooperatives have many strengths to offer: Established large funding capacity, industry knowledge, favorable interest rates, diverse loan portfolios, a commitment to serving the needs of rural America, as well as a service-oriented cooperative philosophy.

This proposal is supported by the National Rural Electric Cooperative Association and the National Telephone Cooperative Association. In addition, the Farm Credit Administration has testified in support of this type of legislation and I understand the administration has no objection to the amendment.

I urge my colleagues to join me in supporting the amendment.

The PRESIDING OFFICER (Mr. East). Is there further debate on the amendment? If not, the question is on agreeing to the amendment of the Senator from North Dakota.

The amendment (No. 894) 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. HELMS addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. Mr. President, I yield to the distinguished Senator from Kansas.

Mrs. KASSEBAUM. Mr. President, I appreciate the Senator from North Carolina yielding.

#### AMENDMENT NO. 895

(Purpose: To extend the National Agricultural Cost of Production Standards Review Board and provide that a member may serve on such Board for one or more terms)

Mrs. KASSEBAUM. 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 Kansas [Mrs. Kassebaum], for herself and Mr. Dole, proposes an amendment numbered 895.

Mrs. KASSEBAUM. 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:

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

#### NATIONAL AGRICULTURAL COST OF PRODUCTION STANDARDS REVIEW BOARD

Sec. . (a) Subsection (c) of section 1006 of the Agriculture and Food Act of 1981 (7 U.S.C. 4102(c)) is amended to read as follows:

"(c) A person may serve as a member of the Board for one or more terms."

(b) Section 1014 of such Act (7 U.S.C. 4110) is amended by striking out "1985" and inserting in lieu thereof "1989".

Mrs. KASSEBAUM. Mr. President, I offer this amendment on behalf of myself and Senator Dole. The purpose of the amendment is to reauthorize the National Agricultural Cost of Production Standards Review Board. This advisory board was first established by the 1981 farm bill to review the accuracy and adequacy of the cost-of-production methodology used by the Department of Agriculture. This Board has been instrumental in determining specific costs associated with production agriculture and seeing that USDA's figures accurately reflect these costs.

This amendment would eliminate the limits that Board members may only serve two terms. Currently many experienced Board members would have to be removed from the Board in a short period of time.

Mr. President, I think it is important to have consistency of those who would continue to serve with the background of information they have garnered through the service they have already given from the infancy, so to speak, of this newborn. I understand that this same provision has been accepted in the House farm bill, H.R. 2100, and I appreciate the support of the majority leader. I believe it has also been cleared by the managers on both sides of the aisle.

I move its adoption, Mr. President.

Mr. DOLE. Mr. President, I support Senator Kassebaum's amendment regarding the National Agricultural Cost of Production Standards Review Board which she was instrumental in establishing as part of the 1981 farm bill. I understand the House has taken similar action and it is appropriate to confirm the important mission this Board undertakes by approving reauthorization language in the Senate farm bill as well.

#### PURPOSE

The makeup of the Board consists of seven farmers, three general members with the education and background needed to assess the production costs associated with the major agricultural commodities and a designee of the Department of Agriculture. Hopefully this mix of farmers working with agricultural professionals will provide a practical "hands on" approach to determining national average cost of production figures and provide useful advice to the Secretary of Agriculture regarding such methodology.

#### IMPROVED LANGUAGE

This amendment also removes the cap on the number of terms each member can serve. Since much of the data reviewed by Board members is of a technical nature, it is necessary to maintain a consistent level of expertise among members in order to complete the Board's review of cost of production data.

Mr. President, adopting the amendment will benefit farmers through the development of more accurate methodologies reflective of today's agricultural economy.

Mr. HELMS. Mr. President, the majority has reviewed the amendment and has no objection to it. As a matter of

fact, we support it. The amendment, as the distinguished Senator from Kansas has said, will simply extend the National Agricultural Cost-of-Production Standards Review Board through 1989. It would also eliminate the two-term limitation for Board members. As Senator Melcher said this morning, it is very important that we have accurate cost estimates on production. This amendment will certainly take us a step in that direction.

Mr. ZORINSKY. Mr. President, we have examined the amendment. I compliment the Senator from Kansas for introducing this amendment. I urge my colleagues to support its adoption.

Mrs. KASSEBAUM. Thank your very much. I appreciate that support.

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

The amendment (No. 895) 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. 896

(Purpose: To require the development of new means of establishing grain classifications)

Mrs. KASSEBAUM. 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 Kansas [Mrs. Kassebaum], for herself, Mr. Dole, and Mr. Nickles, proposes an amendment numbered 896.

Mrs. KASSEBAUM. 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:

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

#### NEW GRAIN CLASSIFICATIONS

Sec. . (a) The Secretary of Agriculture shall direct the Federal Grain Inspection Service and the Agricultural Research Service to cooperate in developing new means of establishing grain classifications taking into account characteristics other than those visually evident.

(b) The Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, semiannually, with the first report due not later than December 31, 1985, on the status of cooperative efforts required under subsection (a), as such efforts relate to more accurately classifying types of wheat and other grains currently in use.

Mrs. KASSEBAUM. Mr. President, I offer this amendment on behalf of myself, Senator Dole, and Senator Nickles in the hope that it will bring a change to existing procedures for the classification of wheat. Wheat is traded in five official classifications: Hard Red Winter, Hard Red Spring, Soft Red Winter, White, and Durum. The Federal Grain Inspection Service is responsible for this classification and uses visual appearance as the criterion. Since its inception, this classification has been based solely on the physical characteristics of the kernel.

In the past, visual appearance was not a problem in deciding classifications. However, recent efforts to improve yields have combined the best qualities of different classes of wheat. These new varieties and wheat hybrids are more productive and resistant to disease.

The problem is that we now have wheat that resembles one class in appearance but has the milling and baking qualities of another class. Since grain millers, exporters, and elevator operators must be able to purchase wheat of known quality, the new type of wheat has run into problems in our present classification system. To address this problem, we must find ways to improve the way wheat classification rules are implemented.

This amendment, which I offer along with Senator Dole and Senator Nickles, directs the Federal Grain Inspection Service and the Agriculture Research Service to cooperate in developing new means of establishing wheat classifications taking into account characteristics other than those visually evident. It also requires reports to the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry prior to December 31, 1986, and semiannually thereafter until a new classification method is developed and approved.

Mr. DOLE. Mr. President, I support Senator Kassebaum's amendment which would require the Federal Grain Inspection Service [FGIS] to report to the House and Senate Agriculture Committees on the status of improved grain classification techniques.

Language adopted in the House farm bill would require FGIS to make such a report by December 31, 1985. Our amendment would require FGIS to make semiannual status reports following the initial report until an improved means of classifying grain has been adopted by FGIS.

#### NEED

This amendment would focus the attention of FGIS upon a new and growing problem within our grain marketing system. FGIS has always classified wheat by visually examining the shape and texture of kernels and this method has become universally recognized by the grain trade. As technology has advanced, researchers have been able to cross wheat varieties to develop higher yielding strains less susceptible to the adversities of weather and insects. This holds the potential for significantly increasing the profit margin of many farmers.

However, some new varieties do not exhibit the uniform kernel characteristics which visual criteria are based on. For example, a wheat variety that exhibits characteristics of Soft Red Winter kernels may actually have milling and baking qualities of a Hard Red Winter wheat.

#### A COOPERATIVE EFFORT

Mr. President, it will be in the interest of farmers and agriculture in general to develop a better way to speedily classify such new varieties. This amendment will provide the ongoing information needed to assist us in our efforts toward this goal.

Mrs. KASSEBAUM. Mr. President, I urge its adoption.

Mr. President, I ask unanimous consent that Senator Boren be added as a cosponsor.

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

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Mr. HELMS addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. I thank the Chair.

Mr. President, the amendment is a good one. I commend the Senator from Kansas for it. I certainly support it. As the Senator from Kansas has stated, the amendment would require the USDA Federal Grain Inspection Service and the Agricultural Research Service to develop an objective means to classify grain.

A report on the status of these efforts is required by December 31, 1985.

It is my understanding that many major grain exporting countries use standards that classify grain based on visual characteristics -- including the United States.

However, new wheat varieties that exhibit altered functional properties and atypical appearances are making it difficult to use visual classification standards.

The industry is supportive of the amendment as well as the administration.

I am pleased to accept it on behalf of the majority.

Mr. HELMS. Mr. President, we approve of the amendment on this side.

Mr. ZORINSKY. Mr. President, we have examined the amendment on this side of the aisle. I urge my colleagues to support its adoption.

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

The amendment (No. 896) 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.

AMENDMENTS NOS. 897 AND 898

(Purpose: (No. 897) To revise provisions relating to the assessment of scientific literature concerning the relationship of dietary and blood cholesterol)

(Purpose: (No. 898) To revise provisions relating to the assessment of research and scientific literature concerning dietary calcium)

Mr. HELMS. Mr. President on behalf of the distinguished Senator from Utah [Mr. Hatch] and his cosponsors, I send two amendments to the desk and ask for their immediate consideration. I ask unanimous consent that they be considered and agreed to en bloc.

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

Without objection, the amendments will be considered en bloc.

The clerk will report.

The assistant legislative clerk read as follows:

The Senator from North Carolina [Mr. Helms], on behalf of the Senator from Utah [Mr. Hatch], for himself and Mr. Kennedy, propose amendments numbered 897 and 898.

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

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

The amendments are as follows:

AMENDMENT NO. 897

On Page 311, line 21, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 312, line 1, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 312, line 4, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 312, line 8, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 312, line 9, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 312, line 11, strike out "the Secretary considers" and insert "such Secretaries consider".

On page 312, line 13, strike out "Secretary shall submit to the Committee" and insert "Secretary and the Secretary of Health and Human Services shall submit to the Committees".

On page 312, line 14, insert "and Energy and Commerce" after "Agriculture".

On page 312, lines 14 and 15, strike out "Committee" and insert "Committees".

On page 312, line 15, insert "and Labor and Human Resources" after "Forestry".

On page 312, line 16, strike out "Secretary" and insert in lieu thereof "Secretaries".

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AMENDMENT NO. 898

On page 310, line 10, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 310, line 16, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 310, line 19, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 311, line 2, insert "and the Secretary of Health and Human Services" before the period.

On page 311, line 3, insert "and the Secretary of Health and Human Services" after "Secretary".

On page 311, line 5, strike out "the Secretary considers" and insert "such Secretaries consider".

On page 311, line 8, strike out "Secretary shall submit to the Committee" and insert "Secretary and Secretary of

Health and Human Services shall submit to the Committees".

On page 311, line 9, insert "and Energy and Commerce" after "Agriculture".

On page 311, lines 9 and 10, strike out "Committee" and insert "Committees".

On page 311, line 10, insert "and Labor and Human Resources" after "Forestry".

On page 311, line 11, insert "and the Secretary of Health and Human Services" after "Secretary".

Mr. HATCH. Mr. President, I have two amendments at the desk on behalf of myself and Mr. Kennedy and ask for their immediate consideration.

Mr. President, I am offering two amendments to provisions of the bill which call for studies of cholesterol and calcium and health.

The original language of the bill makes these studies mandatory for the Department of Agriculture. Senator Kennedy and I wrote to Senator Helms several weeks ago, expressing concern about the fact that the Department of Health and Human Services, which already has considerable research effort in these areas, and which has the scientific expertise for studies of the relationship between nutrients and health or disease, was not included as a participant in these studies. I am delighted that Senator Helms and the ranking minority member, Senator Zorinsky, have agreed that the studies should be done jointly by the Department of Health and Human Services and the Department of Agriculture.

My amendments would simply provide that the Secretary of Health and Human Services will work with the Secretary of Agriculture, first in conducting an assessment of existing literature and data relevant to the questions of the relationship between dietary and blood cholesterol and the relationship between calcium and health; and, then, in designing and conducting appropriate additional studies.

Mr. President, I think it is a classic example of serendipity that we are discussing dietary cholesterol in the Senate at the same time as the Nobel Prize for Medicine is awarded to two of the premier heart disease researchers in the world, Drs. Joseph Goldstein and Michael Brown of the University of Texas, whose work has been to determine the mechanism by which the body metabolizes cholesterol. Their elegant work, and the important work of others, will surely comprise a part of the assessment and study of dietary cholesterol which USDA and HHS are asked to do under these provisions. Indeed, as Drs. Brown and Goldstein themselves put it, in an article in the Scientific American, the kind of research that they are doing, and the kind that we are looking to USDA and HHS to review and continue, may one day allow Americans to "have their steak and live to eat it too."

Again, I want to thank Senators Helms and Zorinsky for their willingness to work with me on this matter.

Mr. HELMS. Mr. President, I am prepared to accept the two amendments offered by the distinguished Senator from Utah.

These amendments simply clarify that the Secretary of Agriculture must coordinate and work closely with the Secretary of Health and Human Services in developing the assessment of literature and data relevant to the questions of the relationship between dietary and blood cholesterol and the relationship between calcium and health. The Senate Agriculture Committee voted to include these programs in S. 1714.

I am not aware of any opposition to this amendment. Speaking for the majority, I approve of them.

Mr. ZORINSKY. Mr. President, we have examined the amendments, and are wholeheartedly in support of them.

I urge my colleagues to support their adoption. I move adoption of the amendments.

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The PRESIDING OFFICER. Is there further debate on the amendments? If not, the question is on agreeing to the amendments of the Senator from Utah.

The amendments (Nos. 897 and 898) were agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendments were agreed to.

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

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

Mr. HELMS. Mr. President, am I correct that those amendments were approved en bloc?

The PRESIDING OFFICER. That is correct.

Mr. ZORINSKY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. ZORINSKY. Mr. President, the Department of Agriculture is distributing statements concerning the costs of S. 1714. In a recent letter to the chairman, Assistant Secretary of Agriculture, Secretary Thompson states that the Department has analyzed, evidently at the chairman's request, the cost of the bill.

According to the Department, the cost of the bill exceeds the congressional budget target by billions of dollars.

Mr. President, this brings to mind a story that illustrates Government bureaucracy and politics.

The story goes that three individuals were seeking public office. The first individual seeking public office went to a place where they gave a test to see if you would qualify for public office.

All of these three individuals went to the same place for the same test.

That test consisted of one question. That one question was, What is 2 and 2?

The first individual wanting to hold public office was an engineer. He went in and was asked, "What is 2 and 2?"

He took out a slide rule and calculated it. He said, "The answer to that question is precisely 4."

They said, "Fine. You qualify."

The next fellow was an accountant and was asked the same question, "What is 2 and 2?"

He took all the papers out and laid them across the table, scrutinizing them very meticulously. He thought for a moment and said, "The answer to that question lies somewhere in the area between 2 and 6."

They thought, "Well, that is close enough. You will make an excellent candidate."

The third fellow was a bureaucrat. In fact, he may have had something to do with the USDA. They asked him the same question, "What is 2 and 2?"

He looked over both shoulders first and then said, "Are we alone?" They said, "Yes, we are alone."

He said, "What do you want it to be?"

I think that is the essence, possibly, of how some of these numbers are being arrived at concerning the cost of this

budget and how much S. 1714 supposedly exceeds the congressional budget targets. The Department's estimates may or may not be accurate. To make an informed judgment concerning the accuracy of the estimates, we need to examine the current, detailed assumptions upon which those estimates are based. To date, the Department of Agriculture has not responded to any request for such detailed information.

To be able to reasonably evaluate the Department's cost estimates, the following information, at a minimum, is needed. And the Department must have such information concerning the estimates in order to prepare cost projections.

What are the projected prices of wheat, feed grains, upland cotton, rice, and soybeans for each of the crop years under the bill?

What are the production levels for those crops under the bill?

What are the export levels of those crops for each year under the bill?

What are the ending stocks of those crops each year under the bill?

How much of the ending stocks would be under price support loans in each of those years? In the case of grains, how much of the ending stocks would be in a reserve program?

What amounts of what crops, in each of the years under the bill, are assumed to be made available and shipped under the Food for Peace Program, especially under title II of Public Law 480 and section 416 of the Agricultural Act of 1949?

What is the projected farm income under the bill in each of the years covered by the bill? How do those estimates compare with farm income in those years under an extension of current law?

What assumptions are used with respect to the use of set-aside or acreage reduction programs in the Department's analysis? Does the analysis assume that paid land diversion or payment-in-kind programs are used? If so, what are the terms of such programs?

What amount of acreage is assumed to be placed in the conservation reserve program under the Department's estimates? How much acreage in the reserve, under the assumptions, would be withdrawn from the production of wheat, corn, cotton, and rice?

What interest rates are projected in the Department's analysis of the bill?

What assumptions are made concerning the cost and availability of farm credit? What would be the level of farm debt and average farmland values under the bill, as compared to an extension of current law?

Does the Department assume any change in the exchange rate for the dollar, as compared to the currency of major competitors or major foreign purchasers?

What would be the effect of S. 1714, as compared to an extension of current programs, on consumer food prices?

What are the projected costs of production for commodities under S. 1714 in each of the years under the bill?

In short, Mr. President, to evaluate the Department's cost estimates and their accuracy, it is essential that we receive more detailed information. I am requesting the Secretary of Agriculture to furnish this information and I will share it with my colleagues as soon as I receive it.

But until then, I remain very dubious about USDA estimates. The previous story I told illustrates the point: What do you want the number to be, and someone will make it that way.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, I want to thank the managers for their expeditious handling of the farm bill so far. I know we are going to be bogged down later on with major amendments, but I think we have covered a lot of territory today. Some amendments have been accepted. At least that much is done. We will do more on Monday and then on Tuesday, Wednesday, and Thursday probably get into the heavy, more contraversial amendments.

There is no doubt about it, we have to have a farm bill. I am still hopeful that somewhere in this Chamber we can put together a majority, keeping in mind the questions just raised by the distinguished Senator from Nebraska. There has to be a majority in this Chamber on both sides of the aisle to put together some kind of a farm bill that we can pass and that will not be vetoed by the President.

I ask unanimous consent to have printed in the Record at this point a letter from the President which I received some weeks ago, indicating the President wants to sign a farm bill if certain guideline are met.

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

The White House,  
Washington, September 10, 1985.

Hon. Robert Dole,  
Majority Leader, Committee on Agriculture, U.S. Senate, Washington, DC.

Dear Bob: One of the most important issues facing the Congress this year is the writing of the 1985 Farm Bill. In this legislation, the Congress will have the opportunity to make the fundamental reforms necessary to assure long-term farm prosperity.

We are in a period of difficulty for America's farmers. Prices for the major crops are weak. Demand for exports has fallen as foreign suppliers fill markets once ours alone. Although the successful effort to control inflation has helped farmers greatly by putting an end to double-digit increases in the cost of fuel, fertilizer, and other supplies, at the same time it weakened many farmers financially by dampening inflation-fueled speculation that had been causing land prices to rise sharply.

Farming and ranching are hard work, maybe the hardest. And the strength of our farmers and ranchers has always been the strength of their hopes for the future, seeing a young son or daughter working the fields or tending the herd, hoping they will stay on the farm or ranch and be able to make a go of it.

Those hopes are threatened today. We hear that there is no future for our farmers and ranchers, only a faster or slower slide into failure.

Only by working together can we plant the seed of hope for America's agriculture community.

In writing the laws that will govern Federal farm programs in the coming years, I believe that we can find agreement on objectives to guide us:

Establishment of commodity price supports that allow export-dependent commodities to become competitive in international markets;

Gradual reductions in the level of income support each year;

Reductions in the dairy support price as long as surpluses exist;

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A phaseout of acreage reduction programs; and

Targeting of income benefits to legitimate family farm operations.

In addition, we must develop agricultural policies that do not harm our overall fiscal policy. In this regard, the budget levels adopted by the House and Senate in the First Concurrent Resolution on the Budget should serve as the appropriate balance between the funding needs of farm programs and the need to reduce the deficit.

The farm problem is as important as any challenge we face. We must, therefore, approach it with a spirit of cooperation and consensus. A way of life is at risk, one too precious to our national heritage to be the subject of politically inspired machinations.

I have asked Secretary John Block to renew the Administration's effort to arrive at a farm bill that will achieve the objectives outlined above. He will work with those in the Congress who share these objectives.

I look forward to signing a farm bill that provides hope, not measured doses of despair. But I must note that I am prepared to disapprove legislation that repeats the mistakes of the past.

We must work together to fulfill our responsibility to this Nation's farmers.

Sincerely,  
Ronald Reagan.

Mr. DOLE. It is my hope that, as we debate the various issues -- a mandatory program, voluntary program, 1 year, 2 year, 3 year or 4 year target price freeze, plus the hundred other issues -- that we can put together some kind of package that will have broad support.

AMENDMENT NO. 904

(Purpose: To amend the Animal Welfare Act to ensure the proper treatment of laboratory animals)

Mr. DOLE. Mr. President, I send an amendment to the desk, which is not on commodities, and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kansas [Mr. Dole], for himself, Mr. Heinz, Mr. Roth, Mr. Stevens, Mr. Leahy, Mr. Cohen, Mr. Stafford, Mr. Matsunaga, Mr. Bingaman, Mr. Zorinsky, Mr. Gorton, Mr. D'Amato, Mr. Burdick, Mr. Kasten, Mr. Proxmire, Mr. Simon, Mr. Ford, Mr. Durenberger, Mr. Baucus, Mr. Domenici, Mr. Specter, Mr. Chafee, Mr. Pell, Mr. Goldwater, Mr. Boschwitz, Mr. Moynihan, Mr. Murkowski, Mr. Mitchell, Mr. Wilson, Mr. Stennis, Mr. Humphrey, Mr. Hecht, Mr. Bumpers, Mr. Cranston, Mr. Metzenbaum, Mr. Mattingly, Mr. Heinz, and Mr. Biden proposes an amendment numbered 904.

Mr. DOLE. 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 bill insert the following:

## TITLE -- AMENDMENTS TO ANIMAL WELFARE ACT

Sec. . This title may be cited as the "Improved Standards for Laboratory Animals Act".

## FINDINGS

Sec. . The Congress finds that --

(1) the use of animals is instrumental in certain research and education for advancing knowledge of cures and treatments for diseases and injuries which afflict both humans and animals;

(2) methods of testing that do not use animals are being and continue to be developed which are faster, less expensive, and more accurate than traditional animal experiments for some purposes and further opportunities exist for the development of these methods of testing;

(3) measures which eliminate or minimize the unnecessary duplication of experiments on animals can result in more productive use of Federal funds; and

(4) measures which help meet the public concern for laboratory animal care and treatment are important in assuring that research will continue to progress.

## STANDARDS AND CERTIFICATION PROCESS

Sec. . (a) Section 13 of the Animal Welfare Act (7 U.S.C. 2143) is amended --

(1) by redesignating subsections (b) through (d) as subsections (f) through (h), respectively; and

(2) by striking out the first two sentences of subsection (a) and inserting in lieu thereof the following:

"(1) The Secretary shall promulgate standards to govern the humane handling, care, treatment, and transportation of animals by dealers, research facilities, and exhibitors.

"(2) The standards described in paragraph (1) shall include requirements --

"(A) for handling, housing, feeding, watering, sanitation, ventilation, shelter from extremes of weather and temperatures, adequate veterinary care, and separation by species where the Secretary finds necessary for humane handling, care, or treatment of animals; and

"(B) for exercise of dogs and primates.

"(3) In addition to the requirements under paragraph (2), the standards described in paragraph (1) shall, with respect to animals in research facilities, include requirements --

"(A) for animal care, treatment, and practices in experimental procedures to ensure that animal pain and distress are minimized, including adequate veterinary care with the appropriate use of anesthetic, analgesic, tranquilizing drugs, or euthanasia;

"(B) that the principal investigator considers alternatives to any procedure likely to produce pain to or distress in an experimental animal;

"(C) in any practice which could cause pain to animals --

"(i) that a doctor of veterinary medicine is consulted in the planning of such procedures;

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"(ii) for the use of tranquilizers, analgesics, and anesthetics;

"(iii) for pre-surgical and post-surgical care by laboratory workers in accordance with established veterinary medical and nursing procedures;

"(iv) against the use of paralytics without anesthesia; and

"(v) that the withholding of tranquilizers, anesthesia, analgesia, or euthanasia when scientifically necessary shall continue for only the necessary period of time;

"(D) that no animal is used in more than one major operative experiment from which it is allowed to recover except in cases of --

"(i) scientific necessity; or

"(ii) other special circumstances as determined by the Secretary; and

"(E) that exceptions to such standards may be made only when specified by research protocol and that any such exception shall be detailed and justified in a report outlined under paragraph (7) and filed with the Institutional Animal Committee."

(b) Section 13(a) of such Act is further amended --

(1) by designating the third and fourth sentences as paragraph (4);

(2) by designating the fifth sentence as paragraph (5); and

(3) by striking out the last sentence and inserting in lieu thereof the following:

"(6) Nothing in this Act shall be construed as authorizing the Secretary to promulgate rules, regulations, or orders with regard to the design, outlines, or guidelines of actual research or experimentation by a research facility: PROVIDED, That the Secretary shall require every research facility to show that professionally acceptable standards governing the care, treatment, and practices on animals are being followed by the research facility during research and experimentation.

"(7)(A) The Secretary shall require, at least annually, every research facility to report that the provisions of this Act are being followed.

"(B) In complying with subparagraph (A), the research facility shall provide --

"(i) the details of any procedure which was likely to produce pain or distress in any animal and assurances demonstrating that the principal investigator considered alternatives to those procedures;

"(ii) assurances satisfactory to the Secretary that such facility is adhering to the standards described in this section; and

"(iii) an explanation for any deviation from the standards promulgated under this section.

"(8) Paragraph (1) shall not prohibit any State (or a political subdivision of such State) from promulgating standards in addition to those standards promulgated by the Secretary under paragraph (1)."

(c) Section 13 of such Act is further amended by inserting after subsection (a) the following new subsections:

"(b)(1) The Secretary shall require that each research facility establish at least one Institutional Animal Committee.

Each Committee shall be appointed by the chief executive officer of each such research facility and shall be composed of not fewer than three members. Such members shall possess sufficient ability to assess animal care, treatment, and practices in experimental research as determined by the needs of the research facility and shall represent society's concerns regarding the welfare of animal subjects used in such facility. Of the members of the Committee --

"(A) at least one member shall be a doctor of veterinary medicine;

"(B) at least one member shall not be affiliated in any way with such facility other than as a member of the Committee, shall not be a member of the immediate family of a person who is affiliated with such facility, and shall be charged with primary responsibility for representing society's concerns regarding the welfare of the animal subjects; and

"(C) in those cases where the Committee consists of more than three members, not more than three members shall be from the same administrative unit of such facility.

"(2) A quorum shall be required for all formal actions of the Committee, including inspections under paragraph (3).

"(3) The Committee shall inspect at least semiannually all animal study areas and animal facilities of such research facility and review as part of the inspection --

"(A) practices involving pain to animals, and

"(B) the condition of animals,

to ensure compliance with the provisions of this Act and that pain and distress to animals is minimized. Exceptions to the requirement of inspection of such study areas may be made by the Secretary if animals are studied in their natural environment and the study area is prohibitive to easy access. Nothing in this Act shall be construed to require research facilities to grant access to Institutional Animal Committees during inspections to any area in which research is being conducted involving confidential or proprietary information, which would be subject to compromise or inadvertent disclosure. Such exclusion shall not preclude access to USDA inspectors. Instances of excluding Institutional Animal Committees from access to a facility's confidential or proprietary research shall be reported by the facility to the Secretary of Agriculture in the facility's annual report and included in the records of the Institutional Animal Committee.

"(4)(A) The Committee shall file an inspection certification report of each inspection at the research facility. Such report shall --

"(i) be signed by a majority of the Committee members involved in the inspection;

"(ii) include reports of any violation of the standards promulgated, or assurances required, by the Secretary, including any deficient conditions of animal care or treatment, any deviations of research practices from originally approved proposals that adversely affect animal welfare, any notification to the facility regarding such conditions, and any corrections made thereafter;

"(iii) include any minority views of the Committee; and

"(iv) include any other information pertinent to the activities of the Committee.

"(B) Such report shall remain on file for at least three years at the research facility and shall be available for inspection by the Animal and Plant Health Inspection Service of the Department of Agriculture and any funding Federal agency.

"(C) In order to give the research facility an opportunity to correct any deficiencies or deviations discovered by reason of paragraph (3), the Committee shall notify the administrative representative of the research facility of any

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deficiencies or deviations from the provisions of this Act. If, after notification and an opportunity for correction, such deficiencies or deviations remain uncorrected, the Committee shall notify (in writing) the Animal and Plant Health Inspection Service of the Department of Agriculture and the funding Federal agency of such deficiencies or deviations.

"(5) The inspection results shall be available to Department of Agriculture inspectors for review during inspections. Department of Agriculture inspectors shall forward any Committee inspection records which include reports of uncorrected deficiencies or deviations to the Animal and Plant Health Inspection Service of the Department of Agriculture and any funding Federal agency of the project with respect to which such uncorrected deficiencies and deviations occurred.

"(c)(1) The research facility shall provide for annual training for scientists, animal technicians, and other personnel involved with animal care and treatment in such facility. Such training shall include instruction on --

"(A) the humane practice of animal maintenance and experimentation;

"(B) research or testing methods that minimize or eliminate the use of animals or limit animal pain or distress; and

"(C) utilization of the information service at the National Agricultural Library, established under subsection (d).

"(2) Research facilities shall inform their employees of the provisions of this Act and shall inform such employees to report any violations of such provisions. Any such employee may not be discriminated against on grounds that such employee reported a violation of such provisions.

"(d) The Secretary shall establish an information service at the National Agricultural Library. Such service shall, in cooperation with the National Library of Medicine, provide information --

"(1) pertinent to employee training;

"(2) which could prevent unintended duplication of animal experimentation as determined by the needs of the research facility; and

"(3) on improved methods of animal experimentation, including methods which could --

"(A) reduce or replace animal use; and

"(B) minimize pain and distress to animals, such as anesthetic and analgesic procedures.

"(e) In any case in which the funding Federal agency determines that conditions of animal care, treatment, or practice in a particular project have not been in compliance with standards promulgated under this Act, despite notification by the Secretary or the funding Federal agency to the research facility and an opportunity for correction, such agency shall suspend or revoke Federal support for the project. Any research facility losing Federal support as a result of actions taken under the preceding sentence shall have the right of appeal as provided in sections 701 through 706 of title 5, United States Code."

## INSPECTIONS

Sec.. Section 16(a) of the Animal Welfare Act (7 U.S.C. 2146(a)) is amended by inserting after the first sentence the following:

"The Secretary shall inspect each research facility at least once each year and, in the case of deficiencies or deviations from the standards promulgated under this Act, shall conduct such follow-up inspections as may be necessary until all deficiencies or deviations from such standards are corrected."

## PENALTY FOR RELEASE OF TRADE SECRETS

Sec.. The Animal Welfare Act (7 U.S.C. 2131-2156) is amended by adding at the end thereof the following section:

"Sec. 27. (a) It shall be unlawful for any member of the Institutional Animal Committee to release any confidential information of the research facility, including any information that concerns or relates to --

"(1) the trade secrets, processes, operations, style of work, or apparatus, or

"(2) to the identity, confidential statistical data, amount or source of any income, profits, losses, or expenditures of the research facility.

"(b) It shall be unlawful for any member of such Committee --

"(1) to use or attempt to use to his advantage, or

"(2) to reveal to any other persons,

any information which is entitled to protection as confidential information under subsection (a).

"(c) A violation of subsection (a) or (b) is punishable by --

"(1) removal from such Committee, and

"(2)(A) a fine of not more than \$1,000 and imprisonment of not more than one year, or

"(B) if such violation is willful, a fine of not more than \$10,000 and imprisonment of not more than three years.

"(d) Any person, including any research facility, injured in its business or property by reason of a violation of this section may recover all actual and consequential damages sustained by such person and the cost of the suit including a reasonable attorney's fee.

"(e) Nothing in this section shall be construed to affect any other rights that any such person may have, nor shall subsection (d) be construed to limit the exercise of any such rights arising out of or relating to a violation of subsections (a) and (b)."

## INCREASED PENALTIES FOR VIOLATION OF THE ACT

Sec. . Subsection (b) of section 19 of the Animal Welfare Act (7 U.S.C. 2149(b)) is amended --

(1) in the first sentence by striking out "\$1,000 for each such violation" and inserting in lieu thereof "\$2,500 for each such violation"; and

(2) in the sixth sentence by striking out "\$500 for each offense" and inserting in lieu thereof "\$1,000 for each offense".

## DEFINITIONS

Sec. . (a) Section 2(e) of the Animal Welfare Act (7 U.S.C. 2132(e)) is amended by adding after "The term 'research facility' means" the following: "each department, agency, or instrumentality of the United States which uses live animals for research or experimentation,".

(b) Section 2 of such Act is further amended by redesignating subsections (f) through (j) as subsections (j) through (n), respectively and by inserting after subsection (e) the following new subsections:

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"(f) The term 'Federal agency' means an Executive agency as such term is defined in section 105 of title 5, United States Code, and with respect to any research facility means the agency from which the research facility receives a Federal award for the conduct of research, experimentation, or testing, involving the use of animals;

"(g) The term 'Federal award for the conduct of research, experimentation, or testing, involving the use of animals' means any mechanism (grant, award, loan, contract, or cooperative agreement) under which Federal funds are provided to support the conduct of such research;

"(h) The term 'quorum' means a majority of the Committee members;

"(i) The term "Committee" means the Institutional Animal Committee established under section 13(c);".

(c) For purposes of this Act, the term "animal" shall have the same meaning as defined in section 2(j) of the Animal Welfare Act (7 U.S.C. 2132(j)), as redesignated by subsection (b) of this section.

#### EFFECTIVE DATE

Sec. . This title shall take effect one year after the date of the enactment of this title.

Mr. DOLE. Mr. President, for the last several years we have been trying to figure out some way to improve the standards for laboratory animals so that in some way we can avoid the pain and suffering inflicted on animals and still carry out legitimate research. There is no question about it, in many areas research on animals over the years has been invaluable. We have had a number of discussions with the U.S. Department of Agriculture and with others in the Congress. There are about 35 cosponsors of this amendment. I know it is opposed by the distinguished chairman of the Labor Committee, Senator Hatch, who will be here later to explain his objections.

Mr. President, I would like to explain what the bill does. It is not very complicated.

The amendment amends the Animal Welfare Act. It is similar to legislation introduced during the 98th session. We had hearings in the Senate Agriculture Committee and the House Subcommittee on Departmental Operations, Research, and Foreign Agriculture.

It has been pointed out that experimentation and testing on animals has benefited our society by yielding medical breakthroughs that have aided the development of new knowledge, new drugs, and better surgical techniques which have saved countless lives. It is also true that we need to ensure the public that adequate safeguards are in place to prevent unnecessary abuses to animals, and that everything possible is being done to decrease the pain of animals during experimentation and testing. S. 1233 would establish principles already recognized by responsible scientists and administrators.

What we have done is try to gather the views of a lot of responsible people and to codify those views.

We require a number of things. Let me indicate some of them.

#### PROVISIONS

Facilities would report annually that they are in compliance with the AWA and provide in their justification of the research; in their description of painful procedures, an indication that standards to minimize pain are being adhered to and an explanation of any deviations from the standards. The Secretary of Agriculture would also promulgate standards for the exercise of dogs. All standards including exercise would defer to scientific protocol. The Secretary is not authorized to set any standards with respect to the design of experiments.

#### PAIN RELIEF

To minimize pain and distress, this bill requires use of anesthesia if paralyzing drugs are used. It calls for veterinary medicine and nursing care. It requires pain-relieving drugs or euthanasia for animals suffering at the conclusion of experiments.

#### RESEARCH REVIEW

This bill also would require each institution to form an animal committee, including a veterinarian and at least one member not associated with the institution. Such member would be primarily responsible for society's concerns for the welfare of animals although all members would be expected to represent such concerns.

The committee will conduct semiannual inspections; file reports with the research facility; and notify the institutions and appropriate Federal authorities of violations. If a facility, given the opportunity to correct violations, does not adhere to the Animal Welfare Act Federal agencies are directed to suspend or revoke finding. The USDA APHIS inspectors would be required to inspect facilities at least once a year, with followup visits until violations are corrected. APHIS would be required to inspect Federal facilities.

#### INFORMATION SERVICE

To assist in putting these humane principles into practice, S. 1233 would provide an information service at the National Agricultural Library, to work in consultation with the National Library of Medicine, in order to prevent unnecessary duplication of experiments or tests and to give information on alternatives to laboratory researches who request the information.

#### WHISTLEBLOWER

The bill also contains a whistleblower provision to prevent discrimination against personnel who report violations to the committee.

#### GROWING SUPPORT

Mr. President, laboratory animals deserve humane treatment. Their contribution to human health can only be repaid by ensuring that the pain and distress they suffer is minimized. S. 1233 has been carefully drafted to achieve this purpose without impeding research.

This is a bill which has brought an unusual degree of consensus in a field that has, in the past, been fraught with controversy. Not only do the animal welfare organizations support it, but the American Physiological Society, the largest users of experimental animals, approve it, too.

Mr. President, I ask unanimous consent to have printed in the Record a number of editorials. I know editorials sometimes are good and sometimes bad. But my point is they give some idea of the widespread support for what we are attempting to do. The following papers carried editorials on the dates indicated:

The Chicago Tribune, September 19, 1985.

The Buffalo (NY) News), September 21, 1985.

The Arlington (IL), September 30, 1985.

The Santa (CA) Barbara News Press, October 8, 1985.

The Asbury Park (NJ) Press, October 1985.

The Waterford (OK) Daily News, October 6, 1985.

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The Hartford (CN) Courant, September 21, 1985.

The Anchorage (AK) Daily News, September 1985.

The New York Times, July 31, 1985.

The Oregonian, July 24, 1985.

The Marquette (MI) Mining Journal, August 19, 1985.

Las Cruces (NM) Sun-News, September 17, 1985.

Tallahassee (FL) Democrat, September 7, 1985.

Ashland (OH) Times-Gazette, August 21, 1985.

Dallas (TX) Times Herald, August 26, 1985.

Minneapolis (MN) Star and Tribune, August 15, 1985.

Greenville (TN) Sun, August 17, 1985.

The Press (Atlantic City, NJ), August 15, 1985.

The News Tribune (Tacoma, WA), August 18, 1985.

Times Tribune (Palo Alto, CA), August 25, 1985.

Honolulu (HI) Star-Bulletin, August 23, 1985.

Newsday (Long Island, NY), August 16, 1985.

Warren (OH) Tribune Chronicle, August 9, 1985.

Mansfield (OH) News Journal, August 24, 1985.

Mr. President, I shall select a representative group of these editorials so they will not extend the Record.

There being no objection, the editorials were ordered to be printed in the Record, as follows:

[From the Washington Post, July 28, 1985]

#### TORTURING ANIMALS

Laboratory experimentation with animals has yielded and will continue to yield many important benefits to human health. Still, there is no case for continuing to tolerate inhumane treatment of the sort that columnist James J. Kilpatrick described on the opposite page last week.

The 13 years of baboon brain-bashing that Mr. Kilpatrick reported -- now suspended by order of Health and Human Services Secretary Margaret Heckler -- came to light because some angry people made off with more than 60 hours of videotapes from a University of Pennsylvania clinical research center. It would be comforting to think that neither the gruesome experiments nor the ghoulish behavior of the researchers who performed it was characteristic of the treatment given many of the 100 million animals used in research every year. But reports of unnecessary research, avoidable suffering and callous researchers recur with disturbing frequency.

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Responsible scientists admit that these reports cannot all be dismissed as propaganda by antivivisectionists. When you find well-documented examples of maltreatment at a center that the director of the National Institutes of Health has called "one of the best laboratories in the world," you are entitled to be suspicious about what goes on at satellite laboratories where supervision and standards are often lax.

Neither does the attitude of the medical researchers generally afford grounds for complacency. Scientists are understandably fearful that heavy-handed restrictions on the use of animals might impede highly beneficial research. New techniques, such as computer simulations and bacteria and animal-cell cultures have reduced the need, but for many purposes there is no substitute for using animals for tests. But many researchers have been slow to accept necessary safeguards and are contemptuous of those who argue for some degree of protection.

Many research institutions and animal handlers have already responded to public pressure and are paying more attention to federal guidelines governing the treatment of animals. In May nine federal agencies adopted tighter guidelines for care of animals. However, new NIH policies -- requiring institutions receiving federal grants to set up review committees that must include at least one outside member -- will not go into effect until the end of this year and will still depend heavily on good-faith efforts by institutions, handlers and satellite laboratories. We hope those efforts are made. There is every reason to pursue necessary medical research on animals -- but no reason on Earth for the U.S. government to subsidize sadism.

[From the Dallas Times Herald, Aug. 26, 1985]

#### CONTROL ANIMAL RESEARCH

When Congress resumes work after its summer recess, it is expected to take up the thorny issue of balancing the important needs of medical research with the humane treatment of the animals used in such experiments. The debate is not likely to produce any easy solutions. Yet by exercising good judgment, the lawmakers should be able to reach a compromise fair to both scientists and animal rights advocates.

Each group offers convincing arguments. The scientists are correct in asserting that many medical breakthroughs would have been very difficult to achieve without some experimentation on animals. But the animal rights advocates also make an excellent point in arguing that laboratory animals sometimes are treated cruelly or used as subjects unnecessarily.

The task facing Congress, then, is to ensure that medical researchers can continue their work without too many restrictions but that they also pay closer attention to their use of laboratory animals. Ideally, experiments should be conducted on animals only when the desired information cannot be obtained by other research methods.

Indications are that current government rules and guidelines dealing with research animals are being ignored in some quarters. Two research institutions -- the City of Hope Medical Center in Duarte, Calif., and the University of Pennsylvania -- are being investigated for alleged violations of those guidelines, and their federal grants have been suspended pending the outcome.

Two bills before Congress, introduced by Rep. George Brown, D-Calif., and Senate Majority Leader Robert Dole, R-Kan., appear to strike a proper balance. The commendable measures would increase the number of laboratory inspections, provide stricter penalties for violations, require that alternatives to painful procedures be considered and improve the supervision of animal care.

Congress already has rejected attempts by the Reagan administration to cut or eliminate funding for laboratory inspection. It now needs to take that commitment a step further by passing legislation designed to ensure that research animals are not abused in the name of scientific achievement.

[From the New York Times, July 31, 1985]

#### CRUELTY TO RESEARCH ANIMALS

Medical research would be impossible without experiments on animals, and most researchers treat them well, not least because badly kept animals make poor subjects. But there are distressing exceptions. Recently, the National Institutes of Health cut off funds for a University of Pennsylvania laboratory after a preliminary finding that the lab failed to treat animals humanely.

Experimentation on animals rouses strong public feeling, particularly when cats or dogs are concerned. Extremist animal rights groups have recently taken to raiding laboratories and turning animals loose. In May 1984 a group stole videotapes of experiments from the Head Injury Research Laboratory at the University of Pennsylvania. Another group, People for Ethical Treatment of Animals, has distributed excerpts of the tapes that seem to show baboons suffering from insufficient anesthesia and non-sterile surgery.

Animal rights advocates not long ago staged a sit-in at the National Institutes of Health protesting the Pennsylvania experiments. The demonstration ended when Margaret Heckler, Secretary of Health and Human Services, ordered the N.I.H. to suspend its funding.

Does the standard of animal care by researchers need improvement? Scientists currently observe voluntary codes. Their institutions have inhouse committees that monitor animal research, and are subject to Department of Agriculture inspections. This light-handed control would be ideal if it worked. It doesn't. Painful experiments aside, Agriculture's veterinary inspectors regularly find violations of minimum standards of care. According to inspectors' reports analyzed by the Society for Animal Protective Legislation, 24 percent of one sample of research institutions were found to have major, repeated violations; 22 percent had some major violations, 29 percent had minor violations and only 24 percent were in compliance.

A bill to improve the system has been introduced by Bob Dole in the Senate and George Brown in the House. It would require researchers to minimize pain by all reasonable steps that do not frustrate the experiment. Institutions's animal care committees would have to include a veterinarian and a concerned public member. Researchers would have to consult a veterinarian in planning any painful experiment.

This moderate bill is supported by the American Physiological Society, the largest user of research animals. It believes the bill would impose no hardship on its members and would not impede research. Raising the standards of animal care, and catching offenders who have fallen into callousness, has intrinsic value. It is also necessary to preserve public support against those who oppose all use of animals in research.

Mr. DOLE. Mr. President, I hope we can have some agreement to accept this amendment. I noticed that Senator Hatch does not oppose the thrust of the amendment. I do not mean to suggest for one moment that he believes that animals should be treated any way other than humanely, but he has raised some questions. Hopefully, we can dispose of those questions. It may be that he will have a substitute. If that is the case, he can come to the floor and we can have whatever votes we are going to have by 3 o'clock and move on to something else.

Mr. HEINZ. Mr. President, I commend the distinguished majority leader, Senator Dole, for offering this fine measure, originally introduced as S. 1233, the Improved Standards for Laboratory Animals Act, as an amendment to this legislation. I was pleased to join the Senator as an original cosponsor of the bill, and would like to ask that I be listed as a cosponsor of the amendment.

The amendment before us would amend the Animal Welfare Act to require improved standards of cleanliness, and better veterinary care for laboratory animals. The suffering of these creatures, under appalling conditions, is unconscionable. Under the current law, which dates back to 1966, researchers are only required to meet minimal standards of care in research. The amendment before us would make proper standards the norm.

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Quality research, Mr. President, must be conducted according to the highest standards. When Federal funding is involved, we must expect private contractors and laboratories to conduct themselves accordingly. The research community itself realizes this, and I understand that many have only a few technical objections to this amendment, which perhaps can be worked out.

Over one-third of the Senate has cosponsored Senator Dole's bill, and I commend my colleagues for their foresight, and concern for the welfare of the helpless. I urge the adoption of the amendment.

Mr. ZORINSKY. Mr. President, Senator Melcher has asked that I protect his rights with respect to this amendment. He would like to make some comments also. We are trying to get hold of him right now to give him the floor. Until he arrives, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SYMMS. 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. SYMMS. Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

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

AMENDMENT NO. 905

(Purpose: To require U.S. representatives to international financial institutions to oppose assistance by such institutions for the production of agricultural commodities in competition with United States produced agricultural commodities, and for other purposes)

Mr. SYMMS. Mr. President, 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 Idaho [Mr. Symms], on behalf of himself and Mr. Nickles, proposes an amendment numbered 905.

Mr. DOLE. 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:

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

**OPPOSITION TO MULTILATERAL ASSISTANCE FOR FOREIGN SURPLUS AGRICULTURAL COMMODITIES**

Sec. 927. (a) The Secretary of the Treasury shall instruct the United States Executive Directors of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Inter-American Development Bank, the International Monetary Fund, the Asian Development Bank, the Inter-American Investment Corporation, the African Development Bank, and the African Development Fund to use

the voice and vote of the United States to oppose any assistance by these institutions, using funds appropriated or otherwise made available pursuant to any provision of law, for the production of any agricultural commodity for export, if --

(1) such commodity is in surplus on world markets; and

(2) the export of such commodity would cause substantial injury to the United States producers of the same, similar, or competing commodity.

(b)(1) The amount of payments which the United States may make to the paid-in capital of an international financial institution described in subsection (a) during any capital expansion or replenishment of such institution may not exceed the amount of funds which the United States agreed to pay for paid-in capital under such expansion or replenishment minus an amount which bears the same proportion to the aggregate amount of assistance described in paragraph (2) furnished by such institution as the United States share of the expansion or replenishment bears to the total amount of the expansion or replenishment.

(2)(A) The aggregate amount of assistance referred to in paragraph (1) is the amount of assistance furnished by an international financial institution to all countries during the period described in subparagraph (B) --

(i) to support the production of any agricultural commodity for export, if --

(I) such commodity is in surplus on world markets; and

(II) the export of such commodity would cause substantial injury to the United States producers of the same, similar, or competing commodity; and

(ii) to subsidize (other than under clause (i)) the exports of agricultural commodities from such countries.

(B) The period referred to in subparagraph (A) is the same number of years as the capital expansion or replenishment period, which immediately preceded the first year of the expansion or replenishment period.

(3) For purposes of paragraph (2)(A)(ii), the term "subsidize" is used within the meaning of the Agreement on Interpretation and Application of Articles V, XVI, and XXIII of the General Agreement on Tariffs and Trade and the annex relating thereto, done at Geneva on April 12, 1979.

(4) Any funds withheld from payment to an international financial institution pursuant to this section shall be used to reduce the public debt in the manner specified in section 3113 of title 31, United States Code.

Mr. SYMMS. Mr. President, I apologize to the distinguished leaders of the Agriculture Committee, Senator Helms and Senator Zorinsky. It was my intention to offer this amendment next Wednesday, but it seems that there is an available opportunity here, so I offered it.

The purpose of the amendment is to restrict agriculture lending to our foreign competitors so that the U.S. taxpayer and U.S. farmers are not financing foreign agricultural exports with which they directly compete.

A number of our colleagues, including the good chairman of the Senate Agriculture Committee seated here, advocate restoring American farms to the reality of world markets. The rest of the Senate argues that we simply cannot compete with foreign producers.

If we cannot compete, Mr. President, much of it may be our own fault. International financing with Federal Government dollars has encouraged foreign production directly competitive with the United States. For example, this year Hungary received a loan of \$80 million for "expansion of exports of processed animal products." Uruguay received \$60 million to increase export incentives in the agriculture/livestock sector. Egypt was lent \$139 million to increase

production of rice for export.

All of these loans were made at interest rates far less than those available to our own farmers. No nation is rich enough to subsidize its competition in this way.

Subsidizing foreign production in an already surplus market is an inexcusable waste of resources. Many of these investments are driven more by the opportunity to acquire dollars at bargain interest rates than by actual market demand. Using these same dollars to reduce our deficit would be vastly more productive.

In the past 4 years, international financing institutions in which the United States participates have loaned out more than \$20 billion for agricultural development. If this money were solely to combat the tremendous hunger and underdevelopment of the Third World, there could be few better investments. Unfortunately, international financiers look first to their repayment in high valued U.S. dollars. That means the developing country must export -- even if it's not in the country's best interests.

Investments of this kind hurt American farmers in two ways: First, creating competition with our own agricultural products by countries which have no comparative advantage other than the availability of cheap credit; and second, increasing the demand for U.S. dollars with which to repay the debt, thereby driving up the dollar's value.

This amendment, entitled "The Foreign Agricultural Investment Reform," "FAIR" for short, reduces such self-defeating investment. It requires the Secretary of the Treasury to instruct U.S. executive directors of international financing banks to oppose investment in production of any commodity for export which is already in surplus on the world markets, and which would directly harm the U.S. exporters of the same commodity.

This provision is very similar to an amendment sponsored by our colleague from Utah, Senator Garn, which addresses international investment in copper, a mineral commodity also in surplus on world markets. That amendment passed this body unanimously to the distinct benefit of our domestic copper industry. There is no reason why we should not extend that same benefit to America's struggling farmers.

Mr. President, I ask for the yeas and nays.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. Is there further debate on the amendment? If not, the question is on agreeing to the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from Colorado [Mr. Armstrong], the Senator from Mississippi [Mr. Cochran], the Senator from Arizona [Mr. Goldwater], the Senator from Oregon [Mr. Hatfield], the Senator from Nevada [Mr. Laxalt], the Senator from Maryland [Mr. Mathias], the Senator from Oregon [Mr. Packwood], the Senator from South Dakota [Mr. Pressler], the Senator from New Hampshire [Mr. Rudman], the Senator from Alaska [Mr. Stevens], the Senator from Wyoming [Mr. Wallop], and the Senator from Connecticut [Mr. Weicker] are necessarily absent.

I also announce that the Senator from California [Mr. Wilson] is absent on official business.

Mr. BYRD. I announce that the Senator from Texas [Mr. Bentsen], the Senator from Florida [Mr. Chiles], the Senator from California [Mr. Cranston], the Senator from New Jersey [Mr. Lautenberg], the Senator from Vermont [Mr. Leahy], the Senator from Louisiana [Mr. Long], the Senator from West Virginia [Mr. Rockefeller], and the Senator from Mississippi [Mr. Stennis] are necessarily absent.

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I further announce that the Senator from Massachusetts [Mr. Kennedy] is absent on official business.

The PRESIDING OFFICER (Mr. Andrews). Are there any other Senators in the Chamber who desire to vote?

The result was announced -- yeas 65, nays 13, as follows:

(See Rollcall Vote No. 258 Leg. in the ROLL segment.)

So the amendment (No. 905) was agreed to.

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

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

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, there will be no more votes today, but I hope, if there are those who have amendments that could be accepted, they would remain.

I was reminded by one of the distinguished managers of the bill, Senator Zorinsky, that from the time they started on this bill this morning there was not a single interruption, not a single quorum call until 2:30. So there has been a steady application of effort on the bill. I thank my colleagues from both sides of the aisle.

There have been at least 10 amendments disposed of. There is an amendment pending, an animal welfare amendment, that I hope Senator Hatch will agree to. We are trying to negotiate some differences on that now and will not get that done today.

So there will not be any more votes today.

Mr. KERRY. Mr. President, I wonder, since today has been a good day, if it might be agreed to stack votes until Tuesday, so that on Monday we could be able to do some of the things we were not able to do today.

Mr. DOLE. I would say this again: This is a matter of great urgency to many of us in the rural areas. I think there will be enough of us here on Monday to offer amendments.

And if we can dispose of a number of those that do not require rollcalls -- it is not my desire to punish anyone -- I think it is probably fair to say that Monday may be a good day to send out your laundry.

Mr. KERRY. So we understand, there will be no rollcall votes on Monday.

Mr. DOLE. I will do my best. Somebody could jump up and ask. We are going to try to continue. There are a number of noncontroversial amendments that will take most of the day. Then, I think, we will have a major amendment offered. When you get into a major amendment in the farm bill, you have several hours of debate. We are not going to hold up anything, but we are going to go forward with amendments that we achieve without rollcalls.

Mr. KERRY. Thank you.

Mr. METZENBAUM. If there should be an amendment, can we be assured at least that the rollcall would be in the afternoon?

Mr. DOLE. Yes. We will even try to do better than that.

Mr. PROXMIRE. Mr. President, can the majority leader tell us the nomination of Mr. Grundfest to the FEC will come up, and will it come up this afternoon?

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Mr. DOLE. As I understand, it could come up this afternoon. I might ask. Is the Senator from Wisconsin willing to have it come up this afternoon?

Mr. PROXMIRE. Yes, indeed. I want to speak on it as soon as I can.

Mr. DOLE. We will do it as quickly as we can, I say to my friend.

Does anyone else have amendments?

Mr. GRASSLEY. Mr. President, as I had indicated earlier, I was prepared about 1 o'clock to make some remarks on the farm bill. Because the Senator from Tennessee had an amendment that he found very necessary to offer because of time constraints on his part, I gave up the floor at that point. So I would like to discuss the farm bill as we proceed to its consideration. We have even acted upon some amendments.

I think it is very important that we fully understand not only the magnitude of the problems facing agriculture, but also the reasons for these problems. Obviously, if we do not recognize and understand the underlying reasons for the financial problems facing farmers as well as the reasons for the recently high cost -- budgetwise of our farm programs -- there seems little hope of developing a new farm bill and farm policies that will have a chance of success.

Mr. President, I would like to share a story that I think illustrates the real problems facing agriculture. This story is also aimed at exposing the flaws in much of the reasoning that at this point appeared to represent the driving forces that will shape the characteristics of a new farm bill.

The characters in our story includes the U.S. Olympic track team, America's best and, of course, its coaches and doctors. The rules and practices of these world games are quite different as you will soon see. So bear with me.

Our Olympic track team was the best in the world. We won every race, beating our competitors at the Olympics, and at other world games.

But then one day, the official starter began using real bullets in his starting gun, and it happens that he shot our top track stars right in the foot. Of course, that was a gruesome picture.

Needless to say, they did not perform as well with the bullet holes in their feet, but another major problem this created is that our track stars began losing a great deal of blood. Fortunately, the team doctors had a good supply at the blood bank. So whenever an official shot one of our athletes, the doctors were there ready with the transfusions.

The only thing that kept our track stars going was a commitment of a good supply of blood. The doctors administered transfusion after transfusion and tried to patch our track stars up the best that they could so they could continue to compete.

Then one day the coaches decided that too much blood was being given to our crippled track stars. The coach consulted with our Olympic Committee, and they also agreed. Our track team had been using more blood than they had a few years ago. Not only had the team been using more blood, it was no longer winning the track meets. The coach and the Olympic Committee decided that the solution to this problem was to cut off the blood supply.

It was obvious to them that all those transfusions had not helped, and in fact, were probably the reason that our track stars could no longer compete effectively with the rest of the world.

The outcome to this major decision came as no surprise. Our team lost a good number of its very best stars. Moreover, our team was never the same after that tragic decision.

It seems quite obvious to me, and I hope this point is not lost with my colleagues, but it is obvious that what our track coach and Olympic Committee should have done is keep up the blood transfusions.

The second thing, and probably most important, they should have done is put a stop to all that bloodshed and the cause of all that bloodshed. We needed to stop shooting our athletes in the foot. Once they stopped shooting them, the need for transfusion obviously would drop off to nil. Furthermore, our athletes would then be able to compete in the world arena as they had in the past and would have continued to beat all of the top competitors around the world.

Mr. President, this story is a precise analogy to what has happened and to what is about to happen to the American farmers competing in the world market.

American farmers have been shot in the feet by the hundreds of policy decisions, both actions and inactions, that our Government has taken, many of which were in no way intended to hurt the farmers, but, nevertheless, have had a very devastating effect.

We have shot them time and time again in the foot, and guess what? They have been bleeding ever since.

Fortunately, we have had in place a blood transfusion program, better known as our farm programs. This has given farmers basic, but very basic, price support protection, protection against the idiotic actions taken by our own Government and those taken by other governments which our Government has refused to counter.

But as we have continued to shoot our farmers in the feet, and in recent years it has increased in intensity and with great frequency, the demand on our farm programs has also increased. The need for blood, or should I say for Government funding, has increased tremendously.

The point for my colleagues to understand is this: The more we shoot the farmer in the foot with misdirected Government policies, the higher the outlays, the higher the cost in budget terms, for our farm programs.

I would like to give you a recent example that illustrates this.

During this past year, just within the last few months, the U.S. Customs Department made a grievous error in issuing letter rulings that allowed ethanol importers to avoid paying the legally required 60 cents per gallon duty for imported ethanol. Several million gallons entered the United States before this loophole was discovered by our domestic producers and by some of us in Congress.

Had we not caught this, as much as 600 million gallons of foreign-produced ethanol would have been imported duty-free into this country. The impact of this policy error would have been devastating to agriculture. Two hundred forty million bushels of corn would have been displaced, reducing the price of corn by at least 15 cents per bushel and by reducing farm income by at least \$1 billion.

But this shot in the foot would have also triggered a transfusion. The Commodity Credit Corporation would have been forced then to purchase more corn, this displaced corn, and it would have cost nearly \$1 billion. Add to that the 30 cents per bushel per year storage payments and the 25 cents per bushel per year in interest rates and over \$1 billion would have been the cost to the taxpayers of this country in one misdirected action taken by just one agency.

Do you realize what farm critics would have then said? Of course, they would have said that we are spending \$1 billion too much on farm programs. They don't bother with the reasons. They simplistically argue that the farm program is costing more than it should.

None of us can afford to start casting stones. The blame can be spread around quite well among past and present administrations, and Congresses of both political parties.

Farmers have had a history of resiliency. They can take on the bad weather, perhaps a few bad policies, but farmers have their limits.

But how can the farmer survive one attack after another that shoots them in the foot? Monetary policy, squeezing

out inflation, and strengthening the dollar is great for some but it devastates the farmer.

Fiscal policies aimed at revitalizing America have helped much of the country, but controlling taxes has also contributed to a widening budget deficit because Congress has not had the nerve to cut spending as it should. This too, affects interest rates and the strong dollar, which hurts farmers.

Cheap food policies are great for consumers but it has put a lid on farm prices.

Our trade policy has turned into a one-way street that helps our trading partners but cuts off farm trade abilities.

Why do we not stand up to these unfair trade practices as a Government?

Cargo preference is great for the maritime industry but it hurts farmers and increases the cost of farm programs.

Embargoes are seductively attractive for our State Department, but they ruin our farmers. The last Soviet grain embargo by the previous administration, in 1 year alone, 1980, cost us over \$11 billion in national output, \$3 billion in personal income, and a staggering loss of 310,000 jobs.

The consumer activist running the Department of Agriculture in the last administration had a hey-day with the nitrite fiasco. Talk about Government policy with blinders! Scare the wits out of people about hot dogs because of the necessary preservative additives, but don't tell them the same chemicals occur naturally in vegetables. Does anyone have any idea what unnecessary cost there was to the American farmer? Well, it ran into the billions of dollars.

Some might argue that if responsible and fiscal monetary policies are the solution to the farm prices, the place to begin with is by slashing the spending levels in this bill. But deficit cutting must be done responsibly and fairly, not austere.

Did we act "responsibly" by holding the defense increase to just \$109 billion in outlays over the next 3 years above the 1985 level. Did we act responsibly by holding the entitlements increase to just \$88 billion over the last year's level. If you add energy, education, and the interest account to all of that before mentioned, you have 91 percent of the Federal budget increasing responsibly.

I think we have to raise questions about how responsibly that really is.

Meanwhile, the 1.9 percent of the budget which is the agriculture budget, is being cut below the previous year's level.

So not only is there is a crisis going on in the farm sector, but our solution to it is austerity. What kind of policy is that? We don't even prescribe austerity, that type of austerity, in an economic recession. Why do we prescribe that sort of austerity for the farm sector?

It is not austerity we need but it is responsibility. Before you put a car in reverse, you obviously have to slow it down and then stop it. But we have been slowing down 91 percent of the Federal budget for 4 years and it is still rolling along. As if to compensate, we are asking 2 percent of the budget, the agriculture portion of the budget, to not only slow down and stop, but also to reverse, all at the same time. Ever try to drive down the highway and slap it in reverse? It's not too good for your transmission, is it?

We are going to find that same effort if this administration were to get away with trimming the Senate Agriculture Committee bill the way they desire to trim it. So, Mr. President, we have to get responsible, before we reverse, we have to stop. Before we stop, we have to slow down. The farm programs have done their fair share of slowing down. Now we are willing to stop. We are asking for a freeze in target prices.

I do not know whether everybody realizes that, but this bill came out of the Agriculture Committee with a freeze in

target prices. The bill affects the farmers. In a lot of ways other segments of the budget are not touched because they are not frozen, particularly the Defense Department. Let me remind my colleagues that 2 years ago, when target prices were supposed to go up to I think \$3.15, farmers took a target price freeze they have already done their share. If we are willing to give the defense budget 3 percent real growth from now until eternity, we can certainly freeze target prices for only 4 years for only 1.9 percent of the budget.

People are finding fault with the fact target prices are frozen, calling it a budget buster. That is why I said previously today that I do not see where this administration is coming from when they say this budget is too expensive. On a relative basis, agriculture has already done more than its fair share of getting this deficit under control.

Also, a point I made previously: if they think this bill is expensive and Congress decides not to pass anything if this bill were to be vetoed, the President ought to be made cognizant of the fact that the 1949 legislation we would revert to would be three times more expensive than anything we are going to spend here. So he ought to think twice about even talking about that. It is not going to fool us any more.

Mr. President, the answer to our farm problems is not found in cutting off the blood supply to our farmers, unless we also take dramatic action to stop Government interference into the affairs of agriculture -- all those embargoes, all those irresponsible fiscal policies that have brought high interest and high-valued dollar, all of those timid efforts on the part of our Government to enforce our trade laws, and all those other policies that we would consider nonagricultural that have hurt agriculture.

The best way to approach this problem is to freeze our budget, and then correct the problems that are causing the hemorrhaging and creating the need for transfusions. I will not take a back seat to anyone when it comes to working for a balanced budget.

That is why for the last 4 years I have worked hard for an across-the-board budget freeze including farm programs. Had we followed this approach, Congress would not now be facing its deficit problems, and our farmers and farm programs would not be in such a mess.

We would not be waiting 6 years for a balanced budget under the Gramm-Rudman proposal. We would have had it by today. We would have had lower interest rates. We would have had a lower valued dollar.

Again, it has been suggested that the President may veto our farm bill if it is too expensive, but I want to remind my colleagues that Secretary Block admitted himself, on "Meet the Press" that permanent law would be far more expensive. I'm skeptical that when the reality of this is brought home to the President, he would veto it.

Mr. President, I hope my colleagues give very serious consideration to the points I have discussed this first day of what will be a long series of debates on the farm bill. It should help them better to understand what our problems really are, particularly all the governmental policies that adversely affect agriculture, drive down prices, and raise the budget costs of the farm programs, resulting in all the focus of attention being unfairly directed at the cost of the 1.5 percent of the budget representing farm programs. This unfair focus allows us to ignore the blame for that high cost of farm programs because of the other ill-conceived policies that have been for a long period of time hurting agriculture.

Mr. President, I hope this consideration of a broadened review of the farm problems, beyond this farm bill, gives people a little more moderate view of this very important piece of legislation.

Again, I urge my colleagues to approach this farm bill in a bipartisan manner.

Mr. President, when I am out in Iowa, and I think I have heard my other colleagues say it, there is not any partisanship brought up in our grassroots meetings in the sense of what sort of farm bill we ought to have. I never hear people say that we ought to have a Republican farm bill or a Democratic farm bill. People out there, because things are so economically bad in the heartland of America, are asking us to pull together to find a solution to this problem. Our

farmers deserve better than to be exploited for political reasons. Nobody has done that so far and I do not expect that it will be done.

Moreover, the severity of this farm problem, more serious than it has ever been since the 1930's, absolutely requires that we work together to find a solution to this problem.

#### AMENDMENT NO. 906

(Purpose: To exclude liquidation proceeds from the income of farmers and other families if the proceeds result from foreclosure, forfeiture, or bankruptcy for the purpose of certain family contribution computations)

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

The PRESIDING OFFICER. An amendment by Senator Dole is pending.

Mr. HELMS. Mr. President, I ask unanimous consent that the pending amendment be laid aside temporarily in order that the Senator from South Dakota may offer an amendment.

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

The clerk will state the amendment.

The bill clerk read as follows:

The Senator from South Dakota [Mr. Abdnor] proposes an amendment numbered 906.

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

#### EXCLUSION OF LIQUIDATION PROCEEDS FROM FAMILY CONTRIBUTION COMPUTATIONS

Sec. . Section 482 of the Higher Education Act of 1965 is amended by adding at the end thereof the following new subsection:

"(f) The Secretary shall, within 30 days after the date of enactment of this subsection, promulgate special regulations to permit, in the computation of family contributions for the programs under subpart 1 of part A and part B of this title for any academic year beginning on or after July 1, 1985, the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy."

Mr. ABDNOR. Mr. President, this is an amendment to ensure postsecondary students whose families face farm or business foreclosure or bankruptcy access to Federal financial assistance.

Mr. President, under current law and regulations, the proceeds from the sale of assets is included in the computation of the family contribution, even when those proceeds are used to retire outstanding debts.

Earlier this year, the son of a South Dakota rancher who has filed bankruptcy was denied student aid due to proceeds from the sale of land and livestock. Another young man, whose father sustained severe chest injuries in a farm-related accident, has had difficulty obtaining necessary financial aid as a direct result of the sale of the family farm. Prior to the accident which has left his father unable to operate the farm, this student qualified for financial assistance. Following the sale of the family's farm assets, he is no longer eligible even though the proceeds were used to pay outstanding debts.

Mr. President, these are tragic situations. I do not believe Congress intended to deny student aid to families facing

foreclosure or bankruptcy. I ask my colleagues to join me in rectifying this serious inequity.

My amendment directs the Secretary of Education to promulgate regulations to permit in the computation of family contributions for the Pell grant and guaranteed student loan [GSL] programs, the exclusion from family income any proceeds from the sale of farm or business assets, in the event the sale resulted from a foreclosure, forfeiture, or bankruptcy. The amendment applies to academic years beginning on or after July 1, 1985, allowing students who are currently enrolled to file a correction to their existing applications.

Mr. President, many of our Nation's farm families are experiencing severe financial difficulties. My amendment simply corrects an inequity which precludes families in greatest financial need from obtaining student assistance. I know of no opposition to my amendment and I wish to point out to my colleagues that this same provision was adopted by the House Education and Labor Committee as a part of its reconciliation package. I believe it has been cleared on both sides of the aisle. It is imperative that this provision be adopted, and I urge my colleagues to support my amendment.

Mr. HELMS. Mr. President, there is no Member of this body more knowledgeable of the way the Senate operates than the distinguished Senator from South Dakota. He is a real pro. This is evident from the way he developed this amendment to the point of bringing it up for consideration by the Senate this afternoon. He has checked this amendment with the relevant committee, and it has been cleared by that committee, I have been assured. But more than anything else, I would emphasize that Senator Abdnor is being very consistent today in terms of his interest in equity and fairness and his zeal to make sure that the small family farmer gets fair treatment. I commend the Senator and I commend him on his amendment. I assure him that on this side of the aisle it is acceptable.

Mr. ABDNOR. If the Senator will yield, I certainly thank him. I appreciate his kind words. Certainly this is an equitable amendment, one that rectifies a great injustice. We must not perpetuate a policy under which a student is eligible for financial aid a month before his family declares bankruptcy, but afterward is not because his family has been forced to sell its lifetime assets, and at that particular moment shows a great abundance of income until the proceeds are used to retire outstanding debts. My amendment will correct this inequity, thereby helping our Nation's farm families.

Mr. HELMS. It certainly will, and I commend the Senator again on his amendment.

Mr. HARKIN. Mr. President, I do not have any objections to the amendment. I believe it has been cleared on this side of the aisle. I say to my friend from South Dakota I had an amendment similar to this in the Agriculture Committee. While it did not speak to the exact purpose which the Senator from South Dakota speaks, that is, to the provision of support for the family through student loans and student aid for higher education, my amendment spoke to the fact that a lot of farmers go through involuntary foreclosure or bankruptcy and, because of the operation of the food stamp laws, they are not allowed to receive food stamps. We have farmers who have been growing food to feed the hungry for a long time, but because of involuntary foreclosure, because of the way they figure the food stamp provisions in that they take into account perhaps what their assets were, then they cannot get food stamps.

I do not have any problems with the amendment. I think it is a correct one. I think it speaks to an inequity. I hope the Senator will support an amendment which will come along later that would do similar kinds of things for those farmers who have been involuntarily foreclosed upon and are in bankruptcy proceedings so that they could be considered under the food stamp and other assistance provisions like many people in our society.

Mr. ABDNOR. Mr. President, I have no quarrel with the junior Senator from Iowa. As a matter of fact, I have run into situations where farmers must pay a big income tax on assets sold to pay their debts. It is tragic to see someone forced out of a business, forced to sell off all his assets to pay off his debts and then see him hit with a huge income tax because of that one sale.

Our Nation's farmers are facing real problems. I can well appreciate what the Senator is saying and that is why I am offering this amendment to assist our Nation's neediest farm and business families in obtaining necessary student aid.

Mr. HELMS. I suggest we vote, Mr. President.

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

The amendment (No. 906) was agreed to.

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

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

Mr. HELMS. Mr. President, I do not see Senators anxious to offer amendments. I notice around this place that when the majority leader says there will be no more rollcall votes, it is almost a traffic jam leaving the parking facility downstairs. I suppose that is true right now, and I believe Senator Harkin wants to join them. I wish him a nice weekend.

Mr. HARKIN. Mr. President, if the chairman might indulge me, I do not intend to keep everyone here for a long statement, but I wish to make some comments on the farm bill.

Mr. HELMS. Of course. Very well.

Mr. HARKIN. I have yet had an opportunity to do that today.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. HARKIN. Mr. President, the debate has finally started on the farm bill -- long overdue, but better late than never. I believe we have seen the first minor skirmishes today, although the votes have been overwhelming. Some minor amendments have been adopted. But the real intense debate and the real crucial votes will be coming up hopefully next week as we continue debate on the bill.

I wish at this point to indicate for the Record why I voted against the bill, S. 1714, when it came out of committee. As a new member of the Senate Agriculture Committee this year, I first want to pay my respects to the distinguished chairman, the Senator from North Carolina, for his conduct in operating the committee in an open and very fair manner throughout the entire debate from the beginning of this year. As I have said before, at no time was any member cut off from debate or was anyone ever precluded from offering any amendment that any member of the committee wanted. So the debate in the committee was full and open and very fair.

I voted against the bill when it came out of committee -- I think I was probably the only person on my side of the aisle to do so -- basically for three reasons, but one in particular.

Mr. President, even with the target price freeze in the bill, the fact remains that if this bill were adopted in its present form and signed by the President, it would indeed reduce farm income in the Midwest in each of the next 4 years. I have stated from the beginning of this year that in no way will I vote for any farm bill or any amendment to any farm bill that will reduce farm income. That is basically what we have here even with a freeze.

There was an amendment in committee offered by the distinguished Senator from Oklahoma [Mr. Boren] that tiered the target price payments for wheat. It would increase somewhat the income for family-sized farmers in the wheat-producing areas. A similar amendment was not adopted for feed grains, and I will be offering that amendment next week. I am hopeful that it will be adopted to at least bring feedgrains on a par with wheat and to target farm program benefits to family-sized farms. But because the bill in freezing target prices would in reality reduce income in each of the next 4 years, I have found that I could not vote for it.

Another reason I could not vote for it was because there were some amendments adopted in the committee that I believe went against what we have been trying to do as a nation, as a Government for many years in meeting the needs

of poor people who require food stamps or require feeding assistance, either for those who are poor or for those who are elderly or perhaps those who belong in both of those categories. There were amendments offered and adopted in the committee which I felt were overly harsh on that segment of our population. Again, I am hopeful that we can rectify it on the floor next week.

Lastly, I voted against the bill because it continues the failed policies of the past. I hear from my people back home that they want two things done: they want the deficit reduced and farm income increased. Well, this farm bill does just the opposite; it increases the deficit and reduces farm income.

So, Mr. President, for those reasons I found I could not in good conscience vote for the bill when it came out of committee.

There are some good provisions in the bill that I am supportive of, and I am especially proud of the strong conservation measures adopted by the committee which are now in this bill. I hope those measures will stand the test of floor debate and will come to the floor as they come out of the committee.

In short, the bill does need to be strengthened and not weakened. So votes will be taken next week, and the votes will fall on whether or not Senators want to increase or decrease farm income.

I will pick up where my distinguished colleague from Iowa, Senator Grassley, pointed out a few minutes ago, that there are a lot of forces affecting agriculture. Many outside of agriculture and outside the farmers' power to do anything about it -- a strong dollar, about 30 percent overvalued against most other currencies of the countries to whom we sell our grain; about a 30-percent tax on everything we export; and a 30-percent subsidy on everything we import.

So we are pricing ourselves out of the world market in grain, not because our grain is overpriced or our support prices too high, but because the dollar is overvalued. So I see the administration saying to the farmers, "Take a lower price," but the problem is the value of the dollar.

I do not know why the farmers of Nebraska, Kansas, Iowa, Georgia, Florida, Alabama, or anywhere else in this country have to take it in the neck because of the misguided economic policies of this administration. If they want to sell more abroad, I suggest the answer is not to reduce farm income but to reduce the value of the dollar, and that is what the administration has within its power to do. The farmer cannot do it, but the administration can do it. That would do more for selling our products abroad than anything else.

By just reducing farm prices, I ask how low does the price of a bushel of corn or wheat have to go before we can be competitive on the world market? I suggest that it would go so low that it would bankrupt our wheat and grain farmers all over this country, if we continue to play that kind of game.

Farmers are also faced with high interest rates, high real interest rates. They have no control over that. That is caused by the misguided economic policies of this administration in squeezing down the money supply and increasing the real interest rates. Our farmers are still paying some of the highest real interest rates they have ever paid.

There are two other reasons why our farmers face these difficulties beyond their control. One is that other countries subsidize their farmers. We hear a lot of talk about a free market, but there is no free market out there, not when all these other countries subsidize their agriculture, as they have always done and will continue to do.

I have pointed out in the debate on this matter that we are the only Government in the world that sells its grain abroad through private companies. Every other country uses a grain board which sets the price of their grain. They have done it for years and will continue to do so.

If we are going to continue this game, we will drive down our prices, they will drive down their prices, we will bankrupt our farmers, and our Government and they will bankrupt theirs. That is a formula for increased chaos and

increased hardship in this country and abroad, particularly in the developing third world countries.

Last -- and the reason why our farmers are having a problem overseas with selling products -- is that there is a normal growth in agriculture production in other countries. I refer here to a recent editorial in the Des Moines Register by a distinguished former editor of that paper, Lauren Soth. Mr. Soth is perhaps one of the foremost agriculture experts and observers of agricultural policy in this country. He has been writing about and observing agricultural policy, I think, for the last 30 to 40 years. In a recent editorial, he pointed out all the different factors that are influencing agriculture which are beyond the farmers' individual or collective power to do anything about. I especially talk about this last point, that other countries are increasing their production. I read from his editorial:

So, add up the factors. In the long run, we're bound to lose our share of the world food market, because less-developed countries (and the developed ones, too) are adopting our advanced farm technology and growing more of their own food. Monetary and fiscal policies far overshadow farm-price policy in foreign trade.

So, in writing new farm legislation, let's not overemphasize the foreign market by subsidizing exports and subsidizing farmers for overproducing. It should be sounder economics to hold production more nearly in line with real market demand. That is true market orientation."

Mr. President, I ask unanimous consent that the editorial be printed in the Record.

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

[From the Des Moines Register, Oct. 21, 1985]

#### CLUES TO CRISIS IN AGRICULTURE FOUND IN WORLD-TRADE SITUATION

(By Lauren Soth)

You might get the idea from debate on the new farm bill that high price supports have ruined the foreign market for U.S. farmers. Ag. Secretary John Block gives that impression; he harps on the subject every time he makes a speech. He argues that "market orientation" is the answer -- plus, contradictorily, his Bonus Incentive Commodity Export Program, an export subsidy, although that has been almost a complete bust.

Reducing commodity-price supports might also prove to be a bust in boosting grain exports. There are a few other factors affecting U.S. farm exports. The level of farm-price supports seems far less significant when you examine the others. John Block's economists have done so and it would pay him to read their stuff.

Increasing world production. World grain production has been increasing faster than consumption. India and China no longer import grain and in some years are exporters. The U.S. share of world grain trade would be expected to decline because of greater production elsewhere, aside from other factors. However, the U.S. share of combined wheat and coarse-grain exports has fallen only moderately to about 50 percent from 55 percent in the 1980-81 marketing year.

The world recession. After the soaring inflation of the 1970's the leading industrial countries acted in concert, or almost in concert, to slow the rate of money growth and put a brake on inflation. The annual rate of growth of money supply in these countries was 10 percent from 1974 to 1980. In 1980-1984 it was 6 percent. The Reagan administration led the money restriction. This brought about a sharp and prolonged global recession.

That curtailed foreign trade in general and brought down agricultural prices. Countries with large debts couldn't meet payments and cut imports. Also, the value of the dollar rose in foreign exchange. A study by the USDA Economic Research Service indicates the United States lost about \$10 billion in farm exports from 1981 to 1985 from this cause. That is nearly equal to the total decline in farm-export value, leaving little to be explained by high price support.

The much-cursed Carter grain embargo against Russia in 1980-1981, was inconsequential. Grain exports increased

in that period.

Poor quality grain in export shipments. The Farm Journal ran a review of complaints about the foreign material and mixture of low-quality grain in some wheat, corn and soybean exports. I don't know how much weight to place on these complaints. Buyers often complain about such things, as the Japanese and Soviets did about embargoes, as a weapon in bargaining for better deals.

However, the Farm Journal report is convincing that our export grain is often not up to the quality of the Australian and Canadian wheats and Argentine corn. In the late 1970s I served on an advisory panel for the Federal Grain Inspection Service, and I thought at that time F.G.I.S. was making progress toward tighter inspection. But, our grain standards apparently are looser than those of other exporting countries.

The world market is not a free market. A good deal of the international trade in grain takes place not on the basis of market pricing, quality and service but on the basis of subsidies, tariffs and other kinds of inventions. That includes the United States with its BICEP and other export subsidies. Most important, a substantial amount of the business is by state trading, direct or indirect, notably by Russia, the biggest importer.

France and other European countries subsidize exports to maintain high internal prices. They also assess countervailing tariffs to limit imports of many food and farm products. So do we: recent example, the duties on hogs and pork from Canada.

Of course, sugar is the extreme example of non-free trade. We maintain prices for our sugar growers at about four times the world price. We could pay off every sugar grower's investment in land and equipment and save money for taxpayer-consumers within a few years by importing from lower-cost foreign producers.

That policy would knock the tar out of the corn-sweetener business of Archer-Daniels-Midland and other processors. Corn-growers' lobbyists wouldn't like that, but it would be a move in the direction of free world trade, which they claim to want.

So, add up the factors. In the long run, we're bound to lose our share of the world food market, because less-developed countries (and the developed ones, too) are adopting our advanced farm technology and growing more of their own food. Monetary and fiscal policies far overshadow farm-price policy in foreign trade.

So, in writing new farm legislation, let's not overemphasize the foreign market by subsidizing exports and subsidizing farmers for overproducing. It should be sounder economics to hold production more nearly in line with real market demand. That is true "market orientation."

Mr. HARKIN. Mr. President, we have two courses we can follow.

One, we can reduce farm income and reduce it drastically as proposed by this administration and then suffer the consequences -- devastation in our rural countryside, the loss of small towns, communities and small businesses, bankruptcies of farms, businesses, and banks all over the country, as well as the entire collapse of our Farm Credit System and perhaps of our rural commercial banks.

We have about \$220 billion in farm debt in this country. Some are saying that perhaps 50 percent of that has to be written off. If that is so, what is going to happen when that \$100 billion that has to be written off?

I suggest that if you think Continental Illinois Bank would have caused problems in this country had it failed, wait until the bad debt in agriculture, which may approach \$100 billion, has to be discharged. Then I think you will see Wall Street down in Washington lobbying for a farm bill that will increase farm income. I do not think we have to wait that long, and I hope we do not.

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I hope we will take the other course, that is to recognize that farmers simply are overproducing. They have the capacity to do that and have been encouraged to be so because of the policies of this administration. But the way to increase farm income is to get supply in line with demand, and that means getting our production in line with what the demand is. If we go down that road, we can increase farm income.

If we increase farm income, we will save the Farm Credit System and we will not have to come back here next month or next year to bail out, to the tune of perhaps \$5 or \$10 billion, a Farm Credit System that is already facing bankruptcy.

So those are the two distinct courses of action.

I hope that in the wisdom and judgment of the Senate all next week, as we continue with this farm bill, we will find it in our power to enact amendments to this bill that will not continue the failed policies of the past, but will strike out on a new course which will allow farmers themselves to be able to control their production, to get the supply in line with the demand, so that we can reduce the amount of Government payments going to farmers, and let the farmers make the profit they need and deserve from the marketplace and not as Government payments.

Mr. President, I commend to the Senate that we take a look at a new course of action and not continue the failed policy of the past.

I thank the distinguished chairman of the Agriculture Committee for permitting me this opportunity to deliver my remarks on the opening day of the debate on the farm bill.

The PRESIDING OFFICER. The assistant majority leader.

Mr. SIMPSON. Mr. President, while the Senator from Iowa is here, I do want to commend him on his extraordinary knowledge of the issue of agriculture. He has previously served in the House of Representatives from the State of Iowa.

Our House brethren have more opportunity, as has the occupant of the chair also -- in serving in the House of Representatives, of having more opportunity to direct their attention and knowledge to a certain singular area, and certainly Senator Harkin brings to this Chamber a great deal of information and knowledge about agriculture and the farm bill. That is something I have watched with great interest. He does a very fine job on that.

I just wanted to indicate that certainly the farm bill will be one of the most vexing things before us. We have all heard today how that will be.

I must just share with Senators and take one moment and not longer to indicate that I recently had a call from a very lovely friend of mine who has ranched for 40 years in Wyoming and raised cattle and wool and also purchased a farm in Iowa of 1,500 acres to raise corn there. Then he might take the corn to the cattle in Wyoming or take the cattle to Iowa to feed them the corn and it worked very well, except that he called the other day and he said: "I am gone, I am broke, I am bankrupt."

I said, "I can't believe that, not you, anybody but you."

He said: "Well, it is true." And you know what? I did it to myself. "There is no one to blame. I overextended myself. I overleveraged myself. I did it, and I am gone."

I had not heard anyone in the farm crisis say that before like he did because when we say that the farmer himself is powerless and it is beyond his power to do anything about the issue I must say that I do not believe that. I am not being hardhearted but I do not believe that. Because greed is controllable, and in many instances they overreached themselves; with the assistance of their land-grant colleges, telling them to build and plant fence to fence, and their newsletters out of the Midwest, telling them what to do and the commodity credit market making them wizards in "puts and calls"

instead of water and grain; and so there it is.

We do not want to lose sight of the fact that we do have a problem and we will not solve it at all with money. That farm money goes to some of the biggest, heavy hitters in the United States, and I have said it before and I will not belabor the body again. It is late and we are here on Friday afternoon and we are going to close up and we are going to do that in 1 minute.

But when in 1984, 14.5 percent of the wheat money goes to 1.4 percent of the wheat growers, something is goofy. When 16 percent of the corn money goes to 2 percent of the corn growers, something is sick. And the whole rest of it is sick right down the line -- 62 percent of the dairy money goes to 25 percent of dairymen; 56 percent of cotton money goes to 12 percent of cotton producers; and 65 percent of rice payments go to 22 percent of rice producers.

So we continue on and we will have a marvelous debate about the poor old guy in the Oshkosh B'Gosh overalls out there with hoe in his hand looking out into the sunset; and he does not get hardly a nickel.

Until we deal with target prices, which are putting us completely out of the international market, we will not get anywhere. Until we cut the deficiency payments, which are a marvelous advantage for those who know how to work the programs, then we are not going to get out of the box.

So if we are all just going to sit back and overproduce and overproduce and wait for the Feds to bail everybody out, I must say I am not too sympathetic about that.

OK, the mail will begin to flow on Monday after this statement, so I will now repair to some other issue!

So, now my friend the Democratic leader is present and we do have a bit of business here to do.

#### POSSIBLE AMENDMENT TO STRIKE AGRICULTURE COMMITTEE'S ENERGY ASSISTANCE PROVISION

Mr. HELMS. Mr. President, I am concerned by the possible offering of an amendment to strike the Agriculture Committee's provision reforming a complicated problem dealing with the deductibility of certain energy expenses in the Food Stamp Program. As I understand it, the amendment may be offered to the farm bill (S. 1714) or to the same provision in the reconciliation bill (S. 1730).

The amendment would have the effect of increasing food stamp benefits to reflect energy expenses which are already being paid by another Federal program. The adoption of such an amendment to the reconciliation bill would reduce the savings in the Agriculture Committee's portion of the bill to the point that the committee would be out of compliance with its reconciliation instructions. Since time constraints may preclude a thorough discussion of the subject on the budget reconciliation bill, I am taking this opportunity to outline some of the facts surrounding the committee's provision.

I regret that the situation involved is rather complicated, but I will attempt to outline in the most succinct manner possible both the committee provision and the consequences of striking it.

The committee adopted a provision which corrects an anomaly that presently exists, which the proposed amendment would reinstate, whereby food stamp recipients are eligible for deductible shelter expenses even when those costs were paid for by federally funded energy assistance payments.

The Agriculture Committee's provision establishes the straightforward principle that deductions for shelter expenses in the Food Stamp Program should not be allowed for expenses that are paid for by payments, direct or indirect, that are excluded as income. The provision was adopted by a unanimous 17 to 0 vote during Agriculture Committee consideration as a part of a bipartisan package offered by Senators Boschwitz and Leahy and sponsored by

Senator Harkin.

I want to stress that the committee in no way changes the longstanding policy that federally funded energy assistance payments are not counted as income for purposes of determining either food stamp eligibility or benefit levels. The only issue addressed by the Agriculture Committee was how to treat expenses paid for by payments -- from the Low-Income Home Energy Assistance Program -- that are excluded from being counted as income.

There are generally two types of low income energy assistance payments -- direct payments made to individuals and indirect, so-called vendor, payments made to energy companies on behalf of individuals. Food stamp policy currently states that food stamp recipients who are also recipients of energy assistance vendor payments may not count energy costs paid to an energy company on behalf of the household as an expense for purposes of determining the household's deductible shelter expenses in the Food Stamp Program. This is a logical position because the household incurred no "out-of-pocket" expense of its own. Rather, the Low-Income Energy Assistance Program paid for those expenses. A recent court ruling in the eighth circuit court of appeals has overturned this interpretation and stated that such vendor payments must be counted as part of the household's expenses when determining the household's deductible shelter expenses. The ramifications of the court ruling are quite expensive if applied nationally. The committee's bill explicitly puts into law the present regulatory policy in order to reverse the court ruling.

The committee bill goes a step further. The present treatment of direct energy assistance payments is as illogical as the vendor payment policy is logical. While vendor payments do not count toward the household's deductible shelter expenses, direct payments made under the Low-Income Home Energy Assistance Program are permitted to count as deductible expenses. There is no reasonable rationale for this divergent treatment of such payments. The underlying principle should remain the same -- that is, that expenses paid from excluded income should not be counted as deductible shelter expenses. To remedy this situation, the committee has taken the step of providing that both direct and indirect payments for energy assistance may not be included by the household in determining permissible shelter expenses.

I think I should emphasize that the committee bill does not restrict the States' ability to use standard utility allowances. The only provision in this regard is that standard utility allowances -- which reflect average utility expenses instead of using each recipient's actual utility bills -- must reflect only "out-of-pocket" expenses, not any Federal energy assistance payments received by the household. It is also important to note that under current law -- unchanged by the committee -- recipients may deduct actual expenses for energy costs rather than using the standard utility allowance.

The amendment would eliminate \$65 million in annual savings resulting from the Agriculture Committee's provision and potentially add another \$57 million annually -- if the eighth circuit court ruling were to be applied nationally. Indeed, it should be stressed that the adoption of the amendment would throw the Agriculture Committee out of compliance with its budget reconciliation instructions.

I should also emphasize that some figures which have been circulated greatly exaggerate the impact of the committee's provision. One such listing purported to demonstrate the State-by-State impact of the committee's action. However, a careful analysis of the figures indicates that the cumulative impact adds up to almost five times the total impact estimated by the Congressional Budget Office.

Some of the overstatements seem to result from miscalculations or misunderstandings of the existing Food Stamp Program deduction procedures. Opponents of the committee's provision neglect the fact that an estimated one-half of all energy assistance is provided in vendor payments directly to the energy company; the committee's provision merely reinforces current regulatory requirements. These analyses also miss the fact that because some States have significantly high energy costs and standard utility allowances, the committee's provision would have less impact in those States. Indeed, one of the States cited as an example, Vermont, likely would have little or no impact from the provision. Among other shortcomings, opponents neglect to calculate that not all shelter costs are deductible now, a factor which is not changed by the committee provision.

The committee's provision addresses a complicated issue. However, the committee arrived at what was universally regarded as a fair and reasonable solution which I would urge the Senate to uphold.

#### POSSIBLE AMENDMENT ON FOOD STAMP OVERPAYMENTS

Mr. President, it is my understanding that an amendment may be offered to the food stamp portion of either the farm bill, S. 1714, or the reconciliation bill, S. 1730, which would seriously undermine the effectiveness of the error rate sanction system in the Food Stamp Program.

Inasmuch at the amount of debate remaining on the reconciliation bill is greatly restricted, I thought it best that I take this opportunity to alert my colleagues to some of the shortcomings of the amendment. While I have been unable to see the precise language of the amendment, I understand that the amendment would:

First. Eliminate the committee's improved error rate sanction provision which was added to strengthen the program's administration and reduce overissuances.

Second. Establish a study of the error rate sanction system.

Third. Suspend for 2 years the collection of sanctions imposed on States that have an unacceptably high percentage of benefits misspent.

#### BACKGROUND

Error rates are determined periodically through a quality control system in which a valid sample of the program's participant caseload in each State is reviewed thoroughly by State and Federal officials to verify the accuracy of the participants' eligibility and the amount of food stamp benefits provided to them. Overpayments to eligible recipients and payments to totally ineligible individuals amount to about \$900 million annually, and have been a serious problem in the Food Stamp Program for many years.

In 1982, the Congress adopted a tightened error rate system, sponsored by Senator Dole, that included a sanction aspect whereby States are required to reimburse the Federal Government for a portion of overpayment errors above a specified target. That program now requires that States pay a portion of overissuances above 5 percent based on the amount of administrative costs being paid to the State by the Federal Government.

Under current law, States that fail to meet this error rate target of 5 percent will incur a penalty based on a reduction of the percentage of the Federal reimbursement for administrative costs for the program. The Federal Government pays for all benefit costs of the program and, generally, for 50 percent of administrative costs.

Under the present system, the Federal share of administrative costs is reduced by 5 percent for each 1 percentage point, or fraction thereof, by which the State's overpayment rate exceeds the 5-percent target. If the State's overpayment rate exceeds the target by more than 3 percentage points, it would lose an additional 5 percent -- for a total of 10 percent -- of its Federal administrative funding for each percentage point or fraction thereof exceeding the 3-percentage point difference.

To illustrate, overpayment rates above the target by 1, 2, and 3 percent now result in sanctions equal to a reduction of 5, 10, and 15 percent of administrative costs, respectively; overpayment rates above the target by 4, 5, and 6 percent result in sanctions of 25, 35, and 45 percent, respectively.

#### COMMITTEE PROVISION

While error rates have improved somewhat, apparently in response to the initial error rate system established in 1982, overissuances remain unacceptably high, and are projected to remain so. In response to this situation, the committee has adopted a provision to tighten further the error rate sanction system in the Food Stamp Program.

Specifically, the bill provides that States will reimburse the Federal Government for the full benefit cost of all errors which exceed 7 percent. For error rates between 5 to 7 percent, the States would reimburse the Federal Government for 75 percent of the value of the benefits issued in error.

Thus, a State with an error rate of 6.5 percent would be liable for an amount equal to 75 percent of 1.5 percent of the benefits issued in the State. A State with an error rate of 8.0 percent would be sanctioned an amount equal to 75 percent of 2 percent of the benefits issued in the State and 100 percent of 1 percent of the benefits issued in the State.

The new sanction formula established by the committee is more equitable in that it bases liability strictly on losses to the Federal Government without regard to the level of administrative spending.

It should be emphasized that neither the system now in effect, nor that proposed in the committee bill, provides for full reimbursement of the benefit amounts erroneously issued. Rather, the error rate sanction system establishes thresholds for erroneous payments and imposes financial sanctions for a portion of the errors that exceed such thresholds. I should emphasize that the portion represented by the actual sanction is a mere fraction of the \$900million annually which is misspent through overissuances in the Food Stamp Program. Indeed, what we are talking about is that States have been held financially liable for under 10 percent of the costs of all overissuances, with the Federal Government absorbing 90 percent.

Frankly, it has long been my view that we should require greater State responsibility for overissuances. Indeed, that was the recommendation of the President's Task Force on Food Assistance as reported in January 1984.

I should emphasize, as the committee has emphasized, that the sanction system does not affect the benefits of legitimate recipients. Obviously, the sanction system does not affect recipient benefits at all.

It is the committee's expectation that States will respond to the new incentives of the committee's bill -- just as they have responded to the initial Dole error rate sanction system. In all probability, not all States would be subjected to actual fiscal sanctions under the error rate sanction system recommended by the committee. Rather, it is hoped that States would respond to this new incentive by improving their administration of the Food Stamp Program. Federal taxpayers would be advantaged by the reduction in otherwise anticipated error rates and the consequent reduction in misspent Federal funds these error rates represent.

#### SUSPENSION OF SANCTIONS FOR OVERPAYMENTS

Frankly, the desire for a moratorium comes as something of a surprise to me. Prior to the amendment, there has been no legislation introduced in the Senate addressing any alleged shortcomings in the food stamp quality control system, nor recommending any sort of moratorium on collection for past overpayments made by the States that administer the program. Neither this provision, nor the alleged problems, have been the subject of hearings or other Agriculture Committee deliberations.

A suspension on the collection of sanctions would seriously undermine the efforts being undertaken to improve the administration of the Food Stamp Program at the very time we are finally beginning to see some results from the States in terms of lowering their overissuances.

If a moratorium were imposed, there is no longer any guarantee that the Federal Government would ever collect the sanctions owed. Indeed, the moratorium may be the first step toward that result.

Proponents of a moratorium point out that such a moratorium is already included in the reconciliation bill for the AFDC and Medicaid Programs. However, it should be noted that the Office of Management and Budget has already cited that moratorium as one cause for a possible Presidential veto and there may be attempts to make the bill more acceptable by striking that moratorium from the Senate bill. There are also significant differences between the AFDC/Medicaid Programs and the Food Stamp Program. A moratorium weakening the Food Stamp Program error rate

sanction system would only weight down the reconciliation bill, further imperilling its ultimate enactment.

The majority leader, who also serves as the chairman of the Nutrition Subcommittee of the Committee on Agriculture, Nutrition, and Forestry, and Senator Domenici, the chairman of the Budget Committee, have outlined in a recent "Dear Colleague" letter some of the rationale for maintaining the committee's error rate provision. Additionally, Secretary of Agriculture John Block has also outlined the administration's support for the committee provision in a recent letter to the majority leader.

I ask unanimous consent that these letters be printed at the conclusion of my remarks.

Mr. President, I hope this information will prove useful to my colleagues in understanding the importance of an effective error rate sanction system in the Food Stamp Program. The error rate sanction system is the only method the Federal Government has to ensure that the States will maintain an interest in good program administration and reduce the \$900 million in annual losses caused by food stamp overpayments.

There being no objection, the letters were ordered to be printed in the Record, as follows:

U.S. Senate,  
Washington, DC, October 10, 1985.

Dear Colleague: We are very concerned about the possibility that an amendment may be offered to the food stamp title of the Budget Reconciliation Bill (S. 1730), or the 1985 Farm Bill (S. 1714), which would effectively undermine the effectiveness of the error rate sanction system in the Food Stmp Program.

Since 1982, States have been required to reduce their overissuance errors or face sanctions reflecting the partial value of their overissuance errors. This system, originally proposed by Senator Dole, phased in a 5 percent error rate target over a period of three years. States are now responsible for a portion of the overissuances which exceed this 5 percent target, and must pay sanctions through an administrative funding mechanism.

When this system was originally developed, it was desinged to meet the legitimate concerns of the Governors, state program administrators, U.S. Department of Agriculture, Congressional Budget Office, bipartisan members of the Senate Committee on Agriculture, Nutrition and Forestry, and certain advocacy groups -- all of whom were represented and actively involved in the process. The final outcome (current law) represents a careful balancing of all of these interests. Therefore, we strongly oppose any effort to undermine this error rate sanction system now that it is having results.

Much progress has been made in reducing State overissuance error rates since the implementation of the Dole sanction system. This year's reconciliation bill contains a further strengthening of this system to provide slightly higher sanctions for States that continue to have unacceptably high error rates.

Although States are responsible for the administration of the Food Stamp Program, they have been reluctant to apply their own resources to improve program administration. Apparently, a contributing factor in the States' inaction is that food stamp benefits are totally federally funded. Therefore, for years prior to the sanction system, States had little incentive to strengthen their administrative procedures in the Food Stamp Program, because no loss of State funds was involved.

Suspension of the error rate sanction system in the Food Stamp Program would send a misleading signal to the States. Such a suspension would seem to indicate Congressional waivering with respect to the commitment to require greater accountability in the determination of food stamp eligibility and benefit levels.

Any proposal to weaken the error rate sanction system would be a serious blow against good program management, and we strongly feel that the Senate should reject this type of amendment. The error rate sanction issues as they relate to

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the Food Stamp Program differ from the AFDC and Medicaid programs and should be dealt with in their own context.

We are also concerned about the exaggeration that some States and their governors have engaged in to demonstrate support for a suspension. The contention has been made that States will have to pay significant sanctions; many Governors complain that their States cannot afford the sanctions. It is not the goal of the error rate sanction system to require heavy-handed payments to the Federal government. Rather, it was the intent that States invest in better management practices to achieve greater accountability in their administration of the Food Stamp Program. Only if certain States fail to take such corrective action will sanctions actually be levied by the Federal government. Based on the comparative financial conditions of the States (many of which have significant budget surpluses) and the Federal government (which has continuing massive deficits), it seems clear to us that the States can afford to invest in improved administrative techniques, or pay for part of the costs of overissuances. Currently, the Federal government absorbs the cost of over-issuances which consistently total about \$900 million annually, only a portion of which is recovered through the error rate sanction system.

For these reasons, we hope that you will oppose any effort to weaken or suspend the effectiveness of the error rate sanction system in the Food Stamp Program.

Sincerely,  
Pete Domenici,  
Chairman, Budget Committee.  
Bob Dole,  
Chairman, Subcommittee on Nutrition.

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Department of Agriculture,

Office of the Secretary,  
Washington, DC, October 18, 1985.

Hon. Robert Dole,  
Majority Leader, U.S. Senate, Washington, DC.

Dear Senator Bob Dole: An amendment may be offered to the Consolidated Omnibus Budget Reconciliation Act of 1985 that would seriously undermine progress in reducing Food Stamp Program error rates. The amendment would declare a two-year moratorium on the collection of sanctions levied against states with high food stamp error rates. In the interim, a study would be done. Also, the Senate Agriculture Committee's improvements in the accountability of that system would be stricken.

The food stamp quality control system is not perfect, but it does work. It reduces error in the program by establishing a modest fiscal incentive for states to tighten administration of the program. The system does this by holding states responsible for a small percentage of the costs of errors they make.

So far, over \$200 million has been saved through food stamp error reduction because of the quality control system. It has proven that it works. This quality control system assists low-income persons in need of food assistance by preventing waste and abuse. By reducing misexpenditures, more funds are available to aid those most in need, and fewer needy people are denied benefits because of sloppy administration.

This amendment must be defeated. It would signal to the states a lack of federal commitment to program accountability. The quality control system, initially proposed by President Carter, is required due to the nature of the Food Stamp Program. Food stamp benefits are funded by the Federal government without state contribution. States pay less than 450 percent of the program administrative costs. In light of this funding structure, the food stamp quality

control system stands as the sole fiscal incentive for responsible program management.

In our view, states should pay the entire cost of errors they make in excess of the 5 percent error rate that the federal government underwrites completely. The Senate Committee on Agriculture, Nutrition and Forestry moderated our suggestion by requiring states to pay only 75 percent of their errors in excess of 5 percent unless they have error rates above the 7 percent level. Though we would have preferred a more aggressive approach, the Senate Agriculture Committee has wisely moved to strengthen food stamp accountability. This is a reasonable initiative. It would be a grave error to strike this initiative and undermine the progress we have already made, particularly in light of the House Bill.

We appreciate your support of sound management and your opposition to this amendment.

Sincerely,  
John R. Block,  
Secretary.

**ROLL:**

[Rollcall Vote No. 256 Leg.]

YEAS -- 86

Abdnor	Andrews	Baucus
Biden	Bingaman	Boren
Boschwitz	Bradley	Bumpers
Burdick	Byrd	Chafee
Cochran	Cohen	D'Amato
Danforth	DeConcini	Dixon
Dodd	Dole	Domenici
Durenberger	Eagleton	East
Evans	Exon	Ford
Garn	Glenn	Gore
Gorton	Gramm	Grassley
Harkin	Hart	Hatch
Hawkins	Hecht	Heflin
Heinz	Helms	Hollings
Humphrey	Inouye	Johnston
Kassebaum	Kasten	Kerry
Lautenberg	Laxalt	Leahy
Levin	Long	Lugar
Matsunaga	Mattingly	McClure
McConnell	Melcher	Metzenbaum
Mitchell	Moynihan	Murkowski

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Nickles	Nunn	Pell
Pressler	Proxmire	Pryor
Quayle	Riegle	Roth
Rudman	Sarbanes	Sasser
Simon	Simpson	Specter
Stafford	Stennis	Symms
Thurmond	Trible	Warner
Weicker	Zorinsky	

## NOT VOTING -- 14

Armstrong	Bentsen	Chiles
Cranston	Denton	Goldwater
Hatfield	Kennedy	Mathias
Packwood	Rockefeller	Stevens
Wallop	Wilson	

[Rollcall Vote No. 257 Leg.]

## YEAS -- 83

Abdnor	Andrews	Baucus
Bingaman	Boren	Boschwitz
Bumpers	Burdick	Byrd
Chafee	Cochran	Cohen
D'Amato	Danforth	DeConcini
Denton	Dixon	Dodd
Dole	Domenici	Durenberger
Eagleton	East	Evans
Exon	Ford	Garn
Glenn	Gore	Gorton
Gramm	Grassley	Harkin
Hart	Hatch	Hawkins
Hecht	Heflin	Helms
Hollings	Humphrey	Inouye
Johnston	Kassebaum	Kasten
Kerry	Laxalt	Leahy
Levin	Long	Lugar
Matsunaga	Mattingly	McClure

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McConnell	Melcher	Metzenbaum
Mitchell	Moynihan	Murkowski
Nickles	Nunn	Pell
Pressler	Proxmire	Pryor
Quayle	Riegle	Roth
Rudman	Sarbanes	Sasser
Simon	Simpson	Specter
Stafford	Stennis	Symms
Thurmond	Trible	Warner
Weicker	Zorinsky	

NAYS -- 4

Biden	Bradley	Heinz
Lautenberg		

NOT VOTING -- 13

Armstrong	Bentsen	Chiles
Cranston	Goldwater	Hatfield
Kennedy	Mathias	Packwood
Rockefeller	Stevens	Wallop
Wilson		

[Rollcall Vote No. 258 Leg.]

YEAS -- 65

Abdnor	Andrews	Baucus
Biden	Bingaman	Boren
Boschwitz	Bumpers	Burdick
Byrd	Cohen	D'Amato
DeConcini	Denton	Dixon
Dole	Domenici	Durenberger
East	Exon	Ford
Garn	Glenn	Gorton
Gramm	Grassley	Harkin
Hatch	Hawkins	Hecht
Heflin	Heinz	Helms

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Hollings	Humphrey	Inouye
Johnston	Kassebaum	Kasten
Kerry	Levin	Matsunaga
Mattingly	McClure	McConnell
Melcher	Metzenbaum	Mitchell
Murkowski	Nickles	Nunn
Proxmire	Pryor	Quayle
Riegle	Roth	Sasser
Simpson	Specter	Stafford
Symms	Thurmond	Trible
Warner	Zorinsky	

NAYS -- 13

Bradley	Chafee	Danforth
Dodd	Eagleton	Evans
Gore	Hart	Lugar
Moynihan	Pell	Sarbanes
Simon		

NOT VOTING -- 22

Armstrong	Bentsen	Chiles
Cochran	Cranston	Goldwater
Hatfield	Kennedy	Lautenberg
Laxalt	Leahy	Long
Mathias	Packwood	Pressler
Rockefeller	Rudman	Stennis
Stevens	Wallop	Weicker
Wilson		

**SUBJECT:** AGRICULTURAL PRICES (79%); AGRICULTURAL MARKETING (79%); COMMODITIES TRADING (79%); LIVESTOCK FEED (59%); AGRICULTURAL BIOTECHNOLOGY (59%); EXPORT PRICES (59%); LOBBYING (59%); LEGISLATIVE BODIES (59%); GRAIN FARMING (59%); FOOD STAMPS (59%); AGRICULTURE (59%); LEGISLATION (59%); DAIRY FARMING (59%); AGRICULTURAL COMMODITY REGULATION (59%); AGRICULTURAL LAW (59%); COTTON FARMING (59%); EXPORT TRADE (59%); FOOD CHARITIES (59%); WHEAT FARMING (59%); COTTON & COTTONSEED (59%); PEANUT FARMING (59%);