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Jackson, Mississippi Agricultural Event: Update

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MEMO FOR: WFM, GAF

FROM: ISSUES STAFF

SUBJECT: JACKSON, MISSISSIPPI AGRICULTURAL EVENT -- UPDATE
August 1, 1984

You are scheduled to participate in an agricultural issues roundtable discussion with six to seven persons from the Jackson, Mississippi (Madison County) area. The roundtable, which will last about 30 minutes, will take place at the soybean and cotton farm of Bowmar Virden. Other participants in the discussion may include: Mississippi State Agriculture Commissioner Jim Buck Ross; Dr. Sam Cox, a veterinarian and critic of Reagan; and Joy Hostedler, a cattle farmer.

The attached memorandum summarizes agricultural issues of importance to both Mississippi and the nation.
MEMO FOR: WFM, GAF
FROM: ISSUES STAFF
SUBJECT: JACKSON, MISSISSIPPI AGRICULTURE EVENT
         AUGUST 1, 1984

You are scheduled to participate in a agriculture issues roundtable discussion with seven to eight farmers from the Jackson, Mississippi area. The roundtable, which will last approximately 30 minutes, will take place at the farm of Farmers at the roundtable grow soybeans, pecans and cotton, and raise cattle.

Agriculture in Mississippi employs only 8% of the state's workforce, but contributes more than $2 billion to the state's economy. Much of this is in cotton, which supplies the raw material for the garment industry, the state's largest employer. Cotton and soybeans account for 45% of total farm cash receipts.

Last year, despite a disastrous growing season, the state managed to rank 3rd in the nation in cotton production (900,000 bales), 5th in rice (6.4 million cw), 5th in broiler production and first in catfish (accounting for 75% of U.S. commercial production). Mississippi also ranks in the top ten nationally in pecans (6th), sweet potatoes (7th), grain sorghum (7th), and soybeans (10th).

Due to bad weather last year, 32 of the state's 82 counties were declared disaster areas and made eligible for federal disaster assistance. This year's growing season is expected to be much more favorable—less record heat and more rain.

### Commodity Prices

<table>
<thead>
<tr>
<th>Commodity</th>
<th>6/84</th>
<th>6/83</th>
<th>6/82</th>
<th>6/81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>70.5/lb</td>
<td>58.5/lb</td>
<td>64/lb</td>
<td>73/lb</td>
</tr>
<tr>
<td>Rice</td>
<td>$7.98 hwt</td>
<td>7.98 hwt</td>
<td>8.25 hwt</td>
<td>NA</td>
</tr>
<tr>
<td>Soybeans</td>
<td>7.76 bu</td>
<td>6.13 bu</td>
<td>6.29 bu</td>
<td>7.04 bu</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>5.50 hwt</td>
<td>5.30 hwt</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Broilers</td>
<td>.34/lb</td>
<td>.28/lb</td>
<td>.30/lb</td>
<td>.31/lb</td>
</tr>
<tr>
<td>Catfish</td>
<td>1.66/lb</td>
<td>1.50/lb</td>
<td>1.60/lb</td>
<td>NA</td>
</tr>
<tr>
<td>Cattle</td>
<td>52.50 hwt</td>
<td>59.20 hwt</td>
<td>59.60 hwt</td>
<td>60.50 hwt</td>
</tr>
<tr>
<td>Hogs</td>
<td>50.00</td>
<td>43.70</td>
<td>42.00</td>
<td>58.80</td>
</tr>
</tbody>
</table>
Estimated gross farm income for the nation has recently been revised downward by the USDA for 1984, from an initial projection of $22 billion to $16 billion, reflecting the higher than anticipated production costs and the drop in exports.

### Agriculture Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Farm Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$2,702,000</td>
</tr>
<tr>
<td>1981</td>
<td>2,847,000</td>
</tr>
<tr>
<td>1982</td>
<td>2,925,000</td>
</tr>
<tr>
<td>1983</td>
<td>2,913,000</td>
</tr>
</tbody>
</table>

### Agriculture Credit

The state's farm credit situation is described as "good" at the present time. However, over the past several years Mississippi farm foreclosures have accounted for more than 50% of all farm foreclosures in the Southern states. There have been no farm foreclosures thus far this year. The Reagan Farmers Home Administration has gone to extraordinary lengths this election year to provide adequate and timely assistance.

Farm Real Estate Debt, which includes loans from Federal land banks, the FmHA, Life Insurance Companies, and Commercial banks jumped 24% from 1981 to 1983 ($1.7 billion to $2.2 billion).

Farm Debt, including loans for equipment and to pay for production costs have jumped 27% since 1981 ($1.8 billion to $2.3 billion). One category, Commodity Credit Corporation loans to Mississippi farmers, has climbed an incredible 688% since 1981, from $26 million in 1981 to more than $205 million in 1983. The 688% increase in CCC debt is attributed primarily to higher production costs as well as the drought in 1983.

### Congressional Farm Activities

There are several farm related pieces of legislation being
considered by both the House and the Senate, including the following:

--Sodbuster Bill: The House passed a tough new piece of legislation, that would strip away all federal price supports, commodity programs and any other federal farm programs for any land farmed by a farmer who cultivates marginal, or fragile, land. The Senate version of the sodbuster bill is much weaker, and would withhold federal farm program benefits only from the marginal land put into production.

--Soil Conservation Reserve: The House has approved a measure to pay farmers, over a period of ten years, to retire land from production, along the lines of the land banks. The Reagan Administration is against the Soil Conservation Reserve on budgetary grounds. The House proposal would call for $300 million over several years, but House supporters would settle for as little as $50 million, just to get the program started.

--Credit Restructuring: Congressman Leach has introduced a plan to restructure current farm debt through the following steps: 1) allow banks to forego to 10-20% of farm indebtedness, 2) the federal government steps in to guarantee the balance of the farm loan, 3) banks would establish new, longer term debt repayment terms. The advantage for the banks would be farm loans that farmers will be able to pay back at 80 to 90% of the original value versus loans that are worthless. The value to the farmers is less farm debt and a more reasonable repayment scheme. The key problem for the Government is cost. The Leach proposal cost estimates range from $750 million to $2 billion, in the first year alone.

--Export Commission: The Reagan Administration has decided to establish a bipartisan commission to study U.S. agricultural exports, to determine why they are falling, how they can be increased

NOTE: Secretary Block will be traveling across Mississippi the day after you leave the state. He is scheduled to be in the state for a series of political/substance meetings with farmers for the Reagan-Bush reelection campaign.

You might also be interested in knowing that a couple of months ago Vice President Bush was in the Jackson area addressing one of the area's largest agricultural organizations and told the farmers that if they didn't like the current farm programs to blame the previous Democratic administration, because the Reagan-Bush team simply inherited the 1981 farm bill when they came into office.

BACKGROUND

Agriculture, America's largest, most fundamental industry has been plunged into its worst depression since Herbert Hoover presided over the farm economy's collapse half a century ago.
During President Reagan's stewardship of our nation's agriculture economy:

--Real prices paid to farmers for their commodities have plummeted by twenty-one percent;

--Real interest rates paid by farmers have increased by as much as 1,200 percent;

--Real farm income has fallen to its lowest level since 1933;

--Debt owed by U.S. farmers and ranchers has swelled to $215 billion; and

--Farm foreclosures and forced sales have tripled.

The Reagan Administration has been unwilling to take sensible, fiscally responsible action needed to halt this accelerating downward cycle in agriculture. Because of this failure of leadership, nearly 200,000 good farmers and ranchers, have gone out of business since the beginning of 1981. This is a rate of more than 1,000 farm families pushed off their land every week, the equivalent of all the farms and ranches in California and Iowa, our two largest agricultural states. Looked at another way, four times the total number of farms in the state of Mississippi have been lost since Reagan took office. (The state of Mississippi has lost more than 5,000 farms since 1981 due to bankruptcies. Hundreds of thousands of the remaining family farms are on the brink of bankruptcy and cannot survive another four years of this Administration's agricultural mismanagement.

This collapse is happening despite the fact that Reagan has squandered taxpayers' money on his farm policies, spending $31 billion on his programs last year alone. That is six times more than any other President in history has spent on farm programs.

Many farmers, especially the small and middle sized farmers, believe that what is at stake in the 1984 election is the survival of the family farm. Under President Reagan's policies of high costs and low prices, these family farmers cannot survive. They will continue to go out of business at a historic pace, to be replaced by an industrialized structure of agriculture that is dominated by conglomerates, giant farm combinations, and tax loss ventures. Already, under Reagan, 65 percent of net farm income has been concentrated in the hands of the largest 1 percent of farms, up from 42 percent just three years ago.

Mondale-Ferraro Farm Plan

--a comprehensive long term food and fiber policy which recognizes fair prices for farm production and that stable farm prices benefit the consumer as well as the family farm.

--an effective supply management program with mechanisms to match production with actual market demand plus reserve and food aid
requirements.

--commitment to stable, sustainable farm programs and policies targeted to the needs of family farms, allowing farm operators to make long term decisions with confidence.

--a fair and immediate moratorium on farm foreclosures and forced liquidations on good farmers who, through no fault of their own, have been caught in the credit crunch of the Reagan economic policies. This moratorium would stay in place until an effective farm bill is put in place and the Farm Credit System is thoroughly reformed.

--aggressive promotion of farm exports through improved marketing and the negotiation of fair international trade agreements among agricultural exporting nations.

--long term soil and water conservation programs targeted to the areas of greatest need.

--refrain from all agricultural embargoes except in the case of a declared war.

--expand an effectively managed Food for Peace program to fulfill our responsibility to use America's agricultural production not only to help feed the world's hungry but also to assist developing nations in attaining agricultural self sufficiency.

Our goal is to restore the faith of family farmers that their hard work, ingenuity, efficiency, and good stewardship will be rewarded with profit, rather than debt. We seek a program that is focused specifically on the true family farm, that encourages long-term financial planning, that is tied to locally approved soil conservation programs, and that reduces federal budget costs for farm programs.

We will target federal assistance toward true family-sized and beginning farmers' operations. We will stop good, efficient farmers from being thrown off their farms, while structuring incentives so as to achieve maximum participation in farm commodity programs. We will bring farm credit interest rates down and set supports at levels that at least enable farmers to recover actual production costs. We will use the full range of programs to reduce excess production when necessary to assure fair prices to farmers. As the overall economy improves, we will gradually adjust price supports toward a firm goal of parity of income. We will give new emphasis to producer-controlled marketing arrangements. We will revitalize the farmer-owned commodity reserve system. We will put in place tax policies that are fair to farmers, while removing unproductive incentives for investors seeking to avoid taxes. We must protect family farmers from land speculators and we must protect both farmers and consumers from income losses resulting from exorbitant pricing of middlemen. We will renew our country's historic commitment to agricultural science and education, to rural services such as...
cooperative electrification and telephones. We oppose Reagan Administration proposals that would more than double interest rates to rural cooperatives, and sharply reduce rural electric loan levels.

The Democratic Party reaffirms its commitment to soil and water conservation. We will actively promote the production of ethanol and other biomass sources to renewable energy and encourage conversion to energy self-sufficient farming operations.

Finally, we must reverse the annual decrease in the value and volume of U.S. farm exports which has occurred each year of Ronald Reagan's term. Our farm exports are vital to the nation's prosperity and provide a major part of total farm income. We must restore the ability of U.S. farm products to compete in world markets, and increase world-wide demand for American agricultural products. To do this, we must make major changes in Ronald Reagan's economic policies, and correct his grossly distorted currency exchange rates, which have caused American competitiveness in international trade to decline. We must also resist efforts to lower commodity price supports; such action would only lower farm income without addressing the economic policies which are the root cause of declining competitiveness of U.S. farm products in world markets.

Critical to the recovery of farm income and exports will be the pursuit of economic policies that contribute to worldwide economic recovery. Flexible export credit programs and assurances of long-term availability of U.S. farm products will also be necessary to restore America's preeminence as an agricultural exporter and end the destruction of the family farm brought on by Ronald Reagan.
ATTACHMENT B

MONDALE MANIFESTO:
A COMMITMENT TO SAVE AMERICA'S FAMILY FARMS

"Hundreds of thousands of good, efficient, productive family farmers are going broke through no fault of their own. Although they have raised their production efficiency to record highs, although they are competitive and innovative, our family farmers are being forced out of business at a faster rate than at any time since the Great Depression.

As a nation, we cannot afford to let this continue, and as president I flatly will not let it continue.

The Reagan Administration has been totally irresponsible, unwilling to take sensible, fiscally-sound action needed to halt this nose-dive in the agricultural economy. As a result, President Reagan has hung a "For Sale" sign on America's independent, family-based system of agricultural production. Because of his failure of leadership, nearly 200,000 good farmers and ranchers have gone out of business since this Administration took office in 1981. Net farm income has been cut in half, falling in real terms to its lowest level since the worst years of the Depression. Hundreds of thousands of the remaining enterprises teeter on the brink of bankruptcy and cannot survive another four years of this Administration's mismanagement. It is a national crisis.

Because the damage already done is so great, and because so many more are already caught in the web of this crisis, immediate action must be taken to reclaim and preserve the economic potential of our family farm system.

I PROPOSE 'TEN STEPS TO PROSPERITY' FOR AMERICA'S FAMILY FARMERS:

FIRST, I will call for a fair and immediate moratorium on farm debt and foreclosure by federal credit agencies of family farm borrowers being forced out of business through no fault of their own, until a long-term program addressing the farm credit crisis, including debt restructuring and forgiveness, can be put into place.

SECOND, Because the product of a farmer's labor should achieve parity with other sectors of the economy, I will offer and support a cost-effective new farm program that starts with the farmers' price setting loan-rate supports at levels that at least enable farmers to recover actual production costs.

THIRD, The new farm bill must make a long-term commitment to consistent policies and programs that are targeted specifically to the needs of true family farms, allowing them to make long-term decisions with confidence.

FOURTH, I will include long-term, locally-approved soil and water conservation programs as an integral part of the farm bill,
ensuring that all federal farm programs work together to protect the precious natural resources that make our farms the most productive in the world.

FIFTH, In order to assure fair prices to our farmers, I will include mechanisms in the farm program to target production to actual market demand.

SIXTH, I will aggressively seek new markets for U.S. agricultural production, using long-term trade agreements and international market development programs to promote profitable exports, and I will support fair multilateral and bilateral trade agreements to help stabilize world prices at a profitable level.

SEVENTH, I will oppose any agricultural trade embargoes, short of a declaration of war.

EIGHT, I will support a revitalized, effectively managed Food for Peace program to fulfill our responsibility to use America's agricultural prowess not only to help feed the world's hungry, but also to aid developing nations in attaining agricultural self-sufficiency.

NINTH, To expand the market for U.S. agricultural products and to help the U.S. attain energy self-sufficiency, I will actively support increased production of energy from renewable biomass sources.

TENTH, I will strengthen rural economies by supporting farmer-owned cooperative ventures into value-added processing and marketing, by supporting a young farmers credit program, and by maintaining the Democratic Party's historic commitment to rural development.

Not since 1932 has an election been so critical for American agriculture. The lines are drawn sharply. At stake is the very survival of our family farm system—maybe your farm. If the Republicans win, their squeeze play of low farm prices and high farm costs will continue. Hundreds of thousands of you good farmers will be forced out of business, to be replaced by industrialized, conglomerate-controlled producers.

We must choose. I choose to take actions like those above that will rebuild a prosperous, profitable system of family farms. "PLEASE JOIN ME IN THIS HISTORIC EFFORT: THE FARM YOU SAVE MAY BE YOUR OWN."

Walter F. "Fritz" Mondale
Democrat for President
## Mississippi:

### Net Farm Income:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$239 mil.</td>
</tr>
<tr>
<td>1981</td>
<td>$257 mil.</td>
</tr>
<tr>
<td>1982</td>
<td>$316 mil.</td>
</tr>
</tbody>
</table>

### Farm Real Estate Debt:

<table>
<thead>
<tr>
<th>Source</th>
<th>Jan. 81</th>
<th>Jan. 82</th>
<th>Jan. 83</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Land Banks</td>
<td>654,211</td>
<td>860,059</td>
<td>945,187</td>
</tr>
<tr>
<td>FmHA</td>
<td>210,769</td>
<td>223,537</td>
<td>243,537</td>
</tr>
<tr>
<td>Life Insurance Co's</td>
<td>376,900</td>
<td>376,500</td>
<td>338,465</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>223,724</td>
<td>208,875</td>
<td>228,900</td>
</tr>
<tr>
<td>Individual loans</td>
<td>286,065</td>
<td>301,136</td>
<td>303,316</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,742,669</td>
<td>1,970,107</td>
<td>2,159,405</td>
</tr>
</tbody>
</table>

### Farm Non-Real Estate Debt:

<table>
<thead>
<tr>
<th>Source</th>
<th>Jan. 81</th>
<th>Jan. 82</th>
<th>Jan. 83</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>323,460</td>
<td>330,770</td>
<td>368,200</td>
</tr>
<tr>
<td>Production Credit Banks</td>
<td>311,456</td>
<td>340,613</td>
<td>289,135</td>
</tr>
<tr>
<td>Federal Intermediate Credit Banks</td>
<td>57,793</td>
<td>63,099</td>
<td>42,429</td>
</tr>
<tr>
<td>FmHA</td>
<td>764,256</td>
<td>1,046,107</td>
<td>1,045,432</td>
</tr>
<tr>
<td>Individual loans</td>
<td>268,913</td>
<td>304,857</td>
<td>305,382</td>
</tr>
<tr>
<td>Commodity Credit Corp.</td>
<td>26,145</td>
<td>95,358</td>
<td>205,441</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,772,023</td>
<td>2,180,305</td>
<td>2,256,018</td>
</tr>
</tbody>
</table>

### Foreclosures:

<table>
<thead>
<tr>
<th>Source</th>
<th>Nationwide (FY 1984 to Date)</th>
<th>Mississippi, (Same)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>253</td>
<td>5</td>
</tr>
</tbody>
</table>

(This includes those foreclosures in which FmHA has been involved because of complications through commercial banks. FmHA has been under court order since last fall preventing it from conducting foreclosures on its own loans, effective nationwide. That's why there have been none to date in Mississippi in 84.)

Bank credit has been better this year than in previous years. Also, because this year promises to bring good crops, FmHA has been encouraging farmers in Mississippi to presell a portion of their crop, as a hedge against falling commodity prices in the fall.

The 688% increase in CCC debt is attributed primarily to higher production costs as well as the drought.