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I am writing this, my first submission to the *Journal*, as a new administration and a narrowly divided 107<sup>th</sup> Congress are taking shape in Washington. I am also nearing the end of my first year with the ABA. Prior to this, I practiced law in South Dakota, concentrating on agriculture and banking. Then I served as legislative counsel to Rep. John Thune (R-SD), focusing on agriculture and banking, among other issues.

I want to review briefly the activity of the 106<sup>th</sup> Congress with respect to agriculture, and to look ahead to the issues that will likely be considered by the 107<sup>th</sup> Congress.

Politically speaking, the 106<sup>th</sup> Congress was one of the most dramatic in U.S. history. In an environment of high-level resignations and the impeachment of the president, it is a wonder anything of importance to agriculture was achieved. However, there were a few highlights: crop insurance reform; reauthorization and reform of the Commodity Exchange Act; level funding of USDA loan guarantees; and significant infusions of supplemental financial assistance.

Fundamental reform of the

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*Robert Foubert is Senior Counsel for ABA's Center for Agricultural and Rural Banking. He can be reached at 202-663-5436.*

nation's bankruptcy laws, including a permanent extension of Chapter 12, was also passed by Congress but was pocket-vetoed by the president. Inasmuch as a separate measure to reauthorize Chapter 12 was not enacted prior to adjournment of the 106<sup>th</sup> Congress, this matter will be left to the 107<sup>th</sup>.

The Agricultural Risk Protection Act of 2000 (ARPA) was signed into law on June 20, 2000. Most significantly, ARPA provides for increased premium subsidies to producers, especially at higher levels of coverage, and adjusts Actual Production History calculation to better protect producers in areas experiencing multiple years' disease- and weather-related disasters.

At virtually the last minute, Congress, the Administration, and industry representatives arrived at a compromise to overhaul the Commodities Exchange Act. The Commodity Futures Modernization Act of 2000 provides legal certainty to parties that use complex derivatives transactions to manage risk that those transactions would not be subject to regulation by the Commodity Futures Trading Commission; fundamentally reforms the regulatory arena in which U.S. futures exchanges operate; and provides the trading of futures on single issues of stock.



Regarding FSA loan guarantees, together with expected carryovers from fiscal year 2000, fiscal year 2001 appropriations will about equal the original appropriation for 2000. There was also a provision tucked into the ARPA to suspend, through Dec. 31, 2002, the 15-year term limit of eligibility for FSA loan guarantees.

Much needed financial assistance shored up the viability of farmers and ranchers. Congress provided supplemental assistance of \$9.1 billion in 1999 and \$10.6 billion in 2000. Together with all other direct federal payments to agriculture, this made up roughly half of net farm income during that time. It is clear that without the substantial financial presence of the federal government, the already dismal economic outlook in the agricultural sector would be even worse.

### **Outlook on the 107<sup>th</sup> Congress**

The Federal Agriculture Improvement and Reform Act of 1996 ("Freedom to Farm") will dominate the discussion in both the House and Senate Agriculture Committees. At the heart of the discussions will be how Freedom to Farm should be modified, if at all, to address continuing low prices in production agriculture, a narrowing balance of trade, and the delivery of credit and other financial assistance. While Freedom to Farm, as well as most earlier farm bills, is heavily geared to the "major" crops such as corn, wheat and soybeans, there will likely be considerable attention paid to the variety of "minor," or "specialty," crops such as fruits and vegetables and newer varieties of small grains. Conservation programs will also receive a lot of attention as they are seen as both environmentally and wildlife-friendly, as well as a means of transferring financial resources to producers.

John Blanchfield and I will be conducting listening sessions with agricultural and rural bankers throughout the United States during the first few months of 2001 to hear what you have to say about farm policy in the United States. Look for a schedule at [www.agricultural-lending.com](http://www.agricultural-lending.com) or give John a call at (202) 663-5100.