

6/5/80 [1]

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2 weeks

THE WHITE HOUSE
WASHINGTON

June 4
lunch

May 20, 1980

ym

MR. PRESIDENT:

One of the first tasks to be completed for your re-election to be successful is to educate the State Democratic Parties to the new role they can assume in raising and spending funds in direct benefit of CMPC.

Hamilton would like to arrange three lunches around you with 5-7 key State Chairs at each lunch in order to educate and motivate them on the new laws and your re-election. Appropriate CMPC staff would be present to brief on the new laws.

May I begin scheduling these lunches?

 Yes No

Have 21
at one luncheon -
1st floor dining
room

PHIL

J

June 5, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI 

SUBJECT: Ratification of the International Rubber Agreement, 1979

Attached for your signature at Tab A is the instrument of ratification, in duplicate, of the International Rubber Agreement, 1979, which was signed on behalf of the US on January 8, 1980. The Senate gave its advice and consent to ratification on May 22, 1980, by a vote of 90-1.

The agreement is a significant achievement in the North/South dialogue and the first accord to emerge from UNCTAD's Integrated Commodities program. It seeks to stabilize prices without disturbing long-term trends and to ensure expanded future supplies at reasonable prices. The primary instrument for price stabilization will be an international buffer stock of 550,000 metric tons of natural rubber.

Recommendation

That you sign the instrument of ratification, in duplicate, at Tab A.



DEPARTMENT OF STATE

3388

Washington, D.C. 20520

May 30, 1980

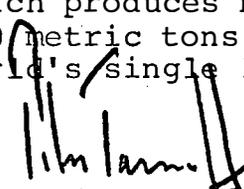
MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI
THE WHITE HOUSE

Subject: Ratification of the International
Natural Rubber Agreement, 1979

Attached for signature by the President is the instrument of ratification, in duplicate, of the International Natural Rubber Agreement, 1979, together with three annexes relating thereto, signed on behalf of the United States of America on January 8, 1980.

The Senate gave its advice and consent on May 22, 1980.

The Agreement seeks to stabilize natural rubber prices without disturbing long-term market trends and to foster increased natural rubber supplies at reasonable prices by providing for the establishment of an international buffer stock of 550,000 metric tons of natural rubber. This is especially important to the United States which produces no natural rubber but imports some 770,000 metric tons of the commodity annually, and is the world's single largest consumer.


Peter Tarnoff

Executive Secretary

Attachment:

Instrument of
ratification,
in duplicate

JIMMY CARTER

President of the United States of America

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

CONSIDERING THAT:

The International Natural Rubber Agreement, 1979, together with three annexes relating thereto, was done at Geneva on October 6, 1979 and signed on behalf of the United States of America on January 8, 1980; and

The Senate of the United States of America by its resolution of May 22, 1980, two-thirds of the Senators present concurring therein, gave its advice and consent to ratification of the Agreement, with annexes;

NOW, THEREFORE, I, Jimmy Carter, President of the United States of America, ratify and confirm the Agreement, with annexes.

IN TESTIMONY WHEREOF, I have signed this instrument of ratification and caused the seal of the United States of America to be affixed.

DONE at the city of Washington

our Lord one thousand
nine hundred eighty
and of the Independence
of the United States of
America the two hundred
fourth.

By the President:

Secretary of State

JIMMY CARTER

President of the United States of America

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

CONSIDERING THAT:

The International Natural Rubber Agreement, 1979, together with three annexes relating thereto, was done at Geneva on October 6, 1979 and signed on behalf of the United States of America on January 8, 1980; and

The Senate of the United States of America by its resolution of May 22, 1980, two-thirds of the Senators present concurring therein, gave its advice and consent to ratification of the Agreement, with annexes;

NOW, THEREFORE, I, Jimmy Carter, President of the United States of America, ratify and confirm the Agreement, with annexes.

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DONE at the city of Washington

our Lord one thousand
nine hundred eighty
and of the Independence
of the United States of
America the two hundred
fourth.

By the President:

Secretary of State

THE INTERNATIONAL NATURAL RUBBER
AGREEMENT, 1979

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE INTERNATIONAL NATURAL RUBBER AGREEMENT, 1979,
ADOPTED AT GENEVA ON OCTOBER 5, 1979, BY A CONFERENCE
CONVENED BY THE UNITED NATIONS CONFERENCE ON TRADE
AND DEVELOPMENT (UNCTAD), AND SIGNED ON BEHALF OF
THE UNITED STATES ON JANUARY 8, 1980



APRIL 2, 1980.—Treaty was read the first time and, together with the
accompanying papers, referred to the Committee on Foreign Relations
and ordered to be printed for the use of the Senate

U.S. GOVERNMENT PRINTING OFFICE

59-118 O

WASHINGTON : 1980

STATE DEMO CHAIRS 6/5/80

6/5/80 TOM COX - MO

ALEX DEBRECZENI - PA

DICK O'NEILL - CA

PAUL TIPPS - OHIO

JACK TOWNY - ILL

CHARLES WHITEHEAD - FL

JOHN, PETER, LESS, BILL

Private Lunch/State Party Chairmen

Electrostatic Copy Made
for Preservation Purposes

MACHINERY IND

COOP - INFL - PROGRESS

6/5/80 HARDCORE RATE

CONST 17/10 ELEC 21/9 OIL 21/12

REVERSE TRENDS -

AZ/CU/FE

Machinery Industry Leaders

THE WHITE HOUSE

WASHINGTON

6/5/80

Jack Watson
Lloyd Cutler

The attached was returned in the President's
outbox today and is forwarded to you for
your information.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
LLOYD CUTLER *Lnc*

SUBJECT: Attached Presidential Directive to the
Secretary of Defense

We believe that the situation at Fort Chaffee and the other military installations at which Cubans are being detained is stabilized and under control. Under strong pressure from us, the strongly felt differences between DOD and Justice about the proper role of the military in policing civilians have now been resolved and are reflected in the attached Memorandum of Understanding between DOD, Justice and FEMA. The Memorandum outlines the division of responsibility for law enforcement and peace-keeping among them.

The Base Commanders at each affected military installation have been ordered to assume increased policing and security functions. However, the responsibility for police patrols within the detainee enclaves will be performed at several bases by federal civilian law enforcement agencies. U.S. Park Police, U.S. Marshals and Federal Protective Service will have responsibility for law enforcement within three detainee enclaves on June 8th. But the Memorandum also provides that at least until the number of refugees on the bases is reduced and until fewer bases are being used, there is no alternative to the use of military units to ensure appropriate law enforcement and peace-keeping at the bases. In any event, responsibility for providing a response force in case of riot or other such large scale disorder will remain with the military.

We believe that the attached Memorandum of Understanding reflects the proper division of responsibility between DOD and the other affected agencies. We recommend that you sign the attached Directive to the Secretary of Defense to ensure that DOD complies with the Memorandum, and to provide DOD with the legal assurances it needs that the functions it is undertaking are lawful.

THE WHITE HOUSE

WASHINGTON

June 5, 1980

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Memorandum of Understanding Concerning Law
Enforcement and Peace-Keeping Responsibilities
for Detainees at Military Installations

I have reviewed the Memorandum of Understanding executed by the Department of Defense, the Federal Emergency Management Agency and the Department of Justice, dated June 4, 1980, which establishes responsibility for law enforcement and peace-keeping for Cuban detainees at military installations.

I approve of the division of responsibilities between the Department of Defense, the Department of Justice and the Federal Emergency Management Agency, as specified in the Memorandum of Understanding. I hereby direct you to ensure that the Department of Defense fulfills the responsibilities assigned to it. By copies of this memorandum, I am also directing the Attorney General and the Director of the Federal Emergency Management Agency to fulfill the respective responsibilities assigned to them.

The Attorney General has advised me that the Department of Defense may lawfully perform the responsibilities it assumes under the Memorandum of Understanding. A copy of the Attorney General's advice to this effect is attached.

I have directed Jack Watson to act for me in coordinating the performance of the respective responsibilities assumed by the three agencies, and I request that you advise him promptly of any problems that may arise.

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

cc: The Attorney General
Director, Federal Emergency
Management Agency



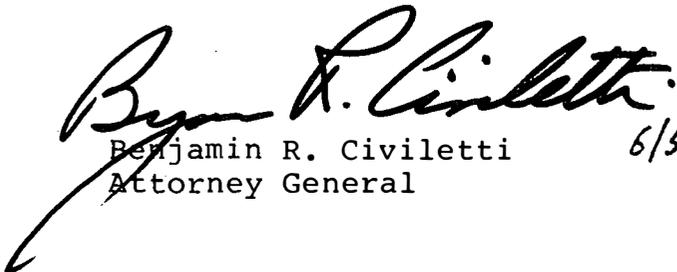
Office of the Attorney General
Washington, D. C. 20530

MEMORANDUM FOR THE PRESIDENT

Re: Use of Military Personnel to Maintain Order
Among Cuban Detainees on Military Bases

The Department of Defense, the Federal Emergency Management Agency and my Department have entered into a Memorandum of Understanding, dated June 4, 1980, providing for the use of military personnel in the performance of certain peace-keeping, law enforcement, and related responsibilities concerning Cuban detainees located on military bases. Generally, military personnel are to be used for securing the perimeter of enclaves established within military bases to contain the detainees, for the conduct of preventive patrols within these enclaves, and for responding to any large scale disturbances that may occur at any place on the bases.

I have reviewed the Memorandum of Understanding and have concluded, based upon the legal analysis set forth in the attached opinion of the Office of Legal Counsel to me of May 29, 1980, with which I concur, that military personnel are not prohibited by the Posse Comitatus Act, 18 U.S.C. § 1385, from performing any of the functions contemplated in that Memorandum of Understanding. Specifically, I conclude that military personnel may lawfully conduct preventive patrols within the enclaves established on military installations to contain the Cuban detainees, secure the perimeters of those enclaves through the use of reasonable force to prevent unauthorized departure, and control any large scale disturbances that may occur on the military bases.


Benjamin R. Civiletti
Attorney General

6/5/80

Attachment

MEMORANDUM OF UNDERSTANDING
CONCERNING LAW ENFORCEMENT AND PEACEKEEPING RESPONSIBILITIES
FOR DETAINEES AT MILITARY INSTALLATIONS

The Department of Defense (DOD), the Federal Emergency Management Agency (FEMA) and the Department of Justice (DOJ) have reached the following agreement. Those agencies intend hereby to delineate and clarify respective responsibilities of all involved agencies for peacekeeping, law enforcement and related activities concerning the Cuban detainees* at military installations. Consistent with this agreement, the responsible military commander and the FEMA Officer-in-Charge, or other proper on-scene authorities, may establish and implement additional security procedures as necessary.

The primary responsibility for peacekeeping, law enforcement, and related activities concerning the Cuban detainees rests with civilian law enforcement authorities. When civilian law enforcement officers are not available in adequate numbers to carry out this responsibility at a military installation, the military commander will exercise his authority to maintain order on the military installation and take reasonable steps to provide for the safety of persons and facilities thereon.

Such temporary emergency measures by the military, however, do not constitute an exercise of the law enforcement authority of the Immigration and Naturalization Service or any other Federal agencies regarding laws for which they have been assigned jurisdiction by statute or otherwise.

I

Because of the present unavailability at certain locations of sufficient civilian law enforcement officers of the Federal Government, the following duties will be performed at those locations by personnel responsible to the Department of Defense, through its executive agent, the Department of Army, and the responsible military commander at each location. Current efforts

*Persons entering United States territory without visas or other authority who have not been admitted by the Immigration and Naturalization Service (INS) are subject to detention under the Immigration and Naturalization Act, pending completion of inspection and processing to determine eligibility for admission.

to provide civilian law enforcement officers at the earliest possible time shall be continued. As sufficient police officers become available from a federal civilian law enforcement agency, that agency, with DOJ and FEMA concurrence, will deploy its force and assume responsibility from military police at a base designated by FEMA and DOJ for preventive patrols as described in (1) below and related law enforcement efforts. This responsibility should be assumed as soon as feasible and at as many of the bases as possible. If the number of bases should be reduced enough for the civilian law enforcement agency performing preventive patrol at a base to also maintain the perimeter as set forth in (2) a. below, it shall do so. Otherwise, maintenance of the perimeter will remain a military responsibility. In any event, responsibility for providing a response force in case of riot or other such large scale disorder will be with the military. In all cases, however, nothing contained herein shall affect the authority and responsibility of the military commander to assure the orderly functioning of the military base under his control.

(1) Preventive Patrols

Adequate police presence and visual surveillance shall be maintained at all times in the area in which the detainees are located (detainee enclave) on the installation through such patrols and stationary posts as may be necessary. The purpose of such patrols shall be to deter, detect and prevent disorder, criminal offenses, and any serious harm from any cause to the Cuban detainee(s), as well as to protect other personnel, buildings, and equipment.

(2) Securing the Perimeter

a. A perimeter shall be established around the detainee enclave on the installation. This perimeter shall be clearly marked and posted with signs in English and Spanish prohibiting Cuban detainees from unauthorized departure from the detainee enclave. Military personnel shall maintain this perimeter and shall be stationed along this perimeter and at any gates or openings to deter, detect and make reasonable efforts to prevent unauthorized departures. They shall take reasonable action to prevent unauthorized passage outside the perimeter, using oral warnings and, if those fail, reasonable, but wholly non-lethal measures to deter detainees from attempting to cross the perimeter. Use of physical barriers is also permissible at the option of the military commander. Military personnel shall not leave the installation to pursue or apprehend detainees.

b. Detainee(s) found on the installation outside the detainee enclave shall be returned under escort to the enclave and their unauthorized departure shall be reported to FEMA, the United States Marshals, and the representative from the Immigration and Naturalization Service. Similarly, any detainee(s) returned to the installation by civilian authorities or otherwise shall be escorted back to their enclave and similarly reported.

(3) Response Force

A reserve force of military or security (air) police shall be maintained at all times with sufficient capacity to respond promptly (1) should large scale disturbances occur on the installation which are beyond the capacity of the responsible law enforcement agencies, (2) in the event that federal officers become unable to perform their law enforcement functions on the installation, or (3) in the event the safety of federal officers on the installation becomes threatened by detainees.

II

In every case, and without regard to whether law enforcement functions at a particular installation are being discharged primarily by military or by civilian officials, the responsibilities of FEMA and civilian law enforcement agencies shall include the following:

(1) Immediate Response for Arrests

A lead civilian law enforcement agency shall be designated by FEMA and DOJ at each installation. That agency shall be prepared to react immediately to calls from military personnel or civilian law enforcement personnel in connection with circumstances requiring detainee(s) to be arrested, searches to be conducted, investigations to be undertaken or other similar law enforcement activities to be conducted. The lead agency may be assisted in any or all of the above activities by other agencies, although nothing stated herein shall alter normal division of jurisdiction for enforcement of specific statutes by various agencies. Accordingly, the lead agency shall transfer responsibility for further response to the particular Federal agency with jurisdiction for the statutory violation or circumstance.

(2) Advice

The lead agency shall also provide advice to FEMA representatives and military authorities with respect to law enforcement matters. In addition, the lead agency shall regularly assess the need for police presence within the enclave. The FEMA Officer-in-Charge, the responsible military commander, and the Officer-in-Charge of the lead law enforcement agency at each installation shall confer with regard to the type and level of law enforcement presence appropriate for the circumstances which obtain at that installation at the particular time in question. However, the final decision on the deployment of military personnel, both on the perimeter and within the enclosed area, must rest solely with the military commander or his designee.

(3) Custody of Persons Detained or Arrested

The United States Marshals Service (USMS) shall be responsible for custody of all arrested persons and their safe and secure transport to stockade, segregated detention, or jail facilities.

(4) Guarding Persons in Punitive Detention

In consultation with FEMA, one of the civilian law enforcement agencies shall be assigned responsibility for guarding detainees at the stockade or segregated detention facility.

Whenever appropriate, the senior INS official present and the base commander may issue regulations which may expressly prohibit Cuban detainee(s) from departing from the detainee enclave without authority. The regulations shall be issued in both Spanish and English and posted conspicuously at reasonable intervals along the perimeter. The regulations may contain a section providing sanctions and advising that violators may be subject to segregation and removal to a separate detention facility and to delay in completion of the inspection and processing procedure until such procedures have been completed for all other detainee(s) at the camp.

John W. Macy, Jr.

John W. Macy, Jr.
Director
Federal Emergency Management Agency
June 4, 1980

W. Graham Claytor, Jr.

W. Graham Claytor, Jr.
Deputy Secretary of Defense
4 June 1980

Charles B. Rogers

Deputy Attorney General
U. S. Department of Justice
June 4, 1980



United States Department of Justice
Washington, D.C. 20530

ASSISTANT ATTORNEY GENERAL
OFFICE OF LEGAL COUNSEL

MAY 29 1980

MEMORANDUM FOR THE ATTORNEY GENERAL

Re: Use of Military Personnel to Maintain
Order Among Cuban Parolees on Military
Bases

This responds to your request for our opinion whether, consistent with the Posse Comitatus Act, 18 U.S.C. § 1385, military personnel may be used to maintain law and order among the Cubans paroled into the United States and housed at various United States military bases, awaiting processing under the Immigration and Nationality Act and the Refugee Act of 1980. The answer to your question turns on general principles which this Department and the courts have considered over the years. Based upon this prior consideration, as set forth below, I conclude that the Posse Comitatus Act does not prohibit military commanders from directing the use of military personnel to maintain order among the Cuban parolees while on military bases.

Arrangements have been made for the Cuban parolees to be temporarily housed on three military bases: Fort Chaffee in Arkansas, Fort Indiantown Gap in Pennsylvania, and Eglin Air Force Base in Florida. 1/ While the physical arrangements which have been made at each base differ in detail, certain features are common to all three. In each case, an area within the military reservation has been set aside for the parolees, and certain base facilities and supplies have been made available for their use while there. The area set aside has been cordoned off 2/ and the parolees are not authorized to enter

1/ The use of military facilities has been arranged by the Federal Emergency Management Agency (FEMA), under authority of Section 302(a) of the Disaster Relief Act Amendments of 1974, Pub. L. 93-288, 93d Cong. 2d Sess., 88 Stat. 143.

2/ At Eglin AFB a fence has been erected to surround the area in which the Cubans are being housed; at Fort Chaffee and at Indiantown Gap, the boundaries of the reserved area are marked only by saw horses and ropes.

other areas of the base except as the commanding officer may direct. At Fort Chaffee and at Indiantown Gap, the parolees are being housed in military barracks; at Eglin temporary shelters have been specially constructed of wood and canvas.

At all three bases military personnel have been sharing responsibility for the welfare of the parolees with state and federal civilian law enforcement and disaster relief personnel. Questions have been raised, however, as to the nature and extent of participation which may properly be expected of the military in this connection.

Historically, the commander of the military installation has had both the responsibility and the authority to maintain law and order in his command. This authority derives generally from the President's constitutional power as Commander-in-Chief, 3/ as well as from statutes, 4/ and more particularly from regulations applicable to the respective military services. 5/ Congress has implicitly recognized the existence

3/ We believe it beyond question that inherent in the President's power as Commander-in-Chief is the authority to see that order and discipline are maintained in the armed forces. In the chain of command, base commanders perform this function on behalf of the President, on their respective bases.

4/ Congress has provided that the Secretaries of the Army and Air Force "[are] responsible for and [have] the authority necessary to conduct all affairs" of their respective Departments, 10 U.S.C. §§ 3012(b) and 8012(b). As part of this authority, the Secretaries have been given the power to issue regulations for "the custody, use, and preservation of [the Department's property]." 5 U.S.C. § 301. See also 10 U.S.C. §§ 4832 and 9832. The Supreme Court has held that "Army regulations, when sanctioned by the President, have the force of law . . ." United States v. Eliason, 16 Pet. 291, 301-02 (1842).

5/ Footnote 5 on page 3.

of this authority in two criminal statutes. See 18 U.S.C. § 1382, which makes it unlawful to enter a military base for an unlawful purpose, or to reenter a base after having been removed therefrom; and 50 U.S.C. § 797, which makes unlawful the violation of any "regulation or order" issued by "any military commander designated by the Secretary of Defense" for "the protection or security of" property and places subject to his jurisdiction, including "the ingress thereto or egress or removal of persons therefrom"

The military's power to preserve order among civilians on its own reservations has been recognized and affirmed by the Supreme Court, see, e.g., Cafeteria Workers Union v. McElroy, 367 U.S. 886 (1961), and by your predecessors. The first explicit formulation of the power of military officers to maintain order among civilians on a military reservation is apparently that given by Attorney General Butler in 1837, 3 Op. Atty. Gen. 268. In the course of affirming the power of the commandant of West Point to exclude civilians from that enclave, the Attorney General said that the commandant "has a general authority to prevent any person within [the base] limits from interrupting its discipline, or obstructing in any way the performance of the duties assigned" to military personnel there stationed. Id. at 272. Even with respect to civilians owning property within a military enclave, "there can be no doubt of [the commandant's] authority to exclude such person . . . from access to any part of the post not essential to the use of the building he may occupy, and to his ingress and egress from it."

Attorney General Butler's views of the broad discretionary power of the base commander were reiterated by Attorney General Hoyt in 1906: "The power of a military commandant over a reservation is necessarily extensive and practically exclusive, forbidding entrance and controlling residence as the public interest may demand." 26 Op. Atty. Gen. 91, 92.

5/ [Footnote from p. 2]

Regulations promulgated by the Secretary of the Army state that a base commander is "responsible for the efficient and economical operation, administration, service, and supply of all individuals, units and activities assigned to or under the jurisdiction of the installation . . ." 32 CFR § 552.18. In the Air Force, base commanders are "responsible for protecting personnel and property under their jurisdictions and for maintaining order on installations, to insure the uninterrupted and successful accomplishment of the Air Force Mission." 32 CFR § 809a.1(a).

Numerous statements of the Army Judge Advocate General's Office reconfirm the long-standing power of commanding officers to control civilian access to and behavior on military bases:

It is well settled that a post commander can, under the authority conferred on him by statutes and regulations, in his discretion, exclude private persons and property, therefrom, or admit them under such restrictions as he may prescribe in the interest of good order and military discipline.

JAG 680.44, October 6, 1925. See also JAGA 1956/8970, December 27, 1956.

The commander of a military base has broad responsibility for the maintenance of order on the base under his command, and a commensurate degree of authority follows that responsibility. In the recent case of Relford v. Commandant, 401 U.S. 355, 367 (1971), the Supreme Court stressed "[t]he essential and obvious interest of the military in the security of persons and of property on the military enclave." A military base need not be segregated, and, indeed, generally cannot rationally be segregated into military and non-military areas for law enforcement purposes. Thus, a base commander may exercise his authority to maintain order base-wide, even in areas utilized for putatively non-military purposes. In Relford, the Court emphasized:

[t]he impact and adverse effect that a crime committed against a person or property on a military base, thus violating the base's very security, has upon morale, discipline, reputation and integrity of the base itself, upon its personnel and upon the military operation and the military mission.

401 U.S. at 367. See also Greer v. Spock, 424 U.S. 828, 838 (1976) in which the Court again noted "the historically unquestioned power" of a commanding officer to prevent civilian disruption of the functioning of a military base.

It is necessary to reconcile this broad and accepted authority of military base commanders with the Posse Comitatus Act, 18 U.S.C. § 1385. That statute, enacted during Reconstruction, provides:

Whoever, except in cases and under circumstances expressly authorized by the Constitution or Act of Congress, wilfully uses any part of the Army or the Air Force as a posse comitatus or otherwise to execute the laws shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

The Posse Comitatus Act was passed as a partisan reaction to the equally partisan use of troops for law enforcement purposes in the civilian community after the Civil War. 6/ The Act was not intended, and has never been interpreted, to restrict military authorities' ability to maintain the security of a military installation.

In interpreting the applicability of the prohibition of the Posse Comitatus Act to the use of military personnel, the Department of Justice and the Department of Defense generally have been careful to distinguish between the use of such personnel on military bases, on the one hand, and off military bases on the other. 7/ And at least one court has specifically held that the Posse Comitatus Act was not intended to prohibit military personnel from arresting civilians on military bases who, by committing crimes, are a threat to military or other federal property or to the good order and discipline of the base. In United States v. Banks, 539 F.2d 14 (9th Cir. 1976), cert. denied, 429 U.S. 1024 (1977), the United States Court of Appeals for the Ninth Circuit squarely rejected a civilian's claim that his arrest by military police on a military base for violation of federal narcotics law violated the Posse Comitatus Act. The court held that the Act "does not prohibit military personnel from acting upon on-base violations committed by civilians." 539 F.2d at 16.

6/ The practice of using troops in a Marshal's posse appears to have begun about 1854 during the bitter political struggle over the Fugitive Slave Act in the North, and was explicitly approved by Attorney General Cushing. See 6 Op. Atty. Gen. 466, 473 (1854). Following the Civil War, wide use was made of the military posse for law enforcement activities under the control of federal marshals, federal officers, and sheriffs. See 7 Cong. Rec. 3581 (1878) (remarks of Rep. Kimmel). During the congressional debates over the Act, a number of specific practices were cited as abuses: the use of troops by federal officials as guards during the 1876 presidential election, id. at 3850, 4185, and 4240 (1878) (remarks of Sens. Southard, Merrimon and Kernan); the widespread use of troops to assist revenue officers in destroying illegal stills, id. at 4248 (remarks of Sen. Hill); and the use of troops, without presidential authorization, to assist in the suppression of a labor dispute, id. at 3581 (remarks of Rep. Kimmel). The deleterious effect of the practice on the command structure of the Army, and criticism of the general practice by military leaders were also cited, id. at 3581 and 4241 (remarks of Rep. Kimmel and Sen. Sargent).

7/ Footnote 7 on page 6.

Applying this learning and experience to present circumstances, I conclude that the Posse Comitatus Act does not restrict the broad authority of military commanders in their use of military personnel to protect the "morale, discipline, reputation and integrity" of the base while the Cuban parolees are housed there. To this end, military personnel may take any steps deemed by the base commander to be reasonably necessary to ensure that the Cuban parolees do not breach the peace of the base, even where disturbances are confined to the area to which the parolees are restricted. Military personnel may apprehend and restrain parolees for on-base violations of federal and state law which in the base commander's view threaten the security and good order of the base. 8/

The military has primary authority for the care of the Cuban parolees while they are housed on the bases, and it can use military personnel to protect the delivery of that care against any disruption. Military personnel may use necessary force against civilian conduct threatening military equipment or facilities provided for the use of the parolees, and may patrol within the reserved area for this purpose.

Finally, a military commander may lawfully restrict the parolees' access to areas of the base not specifically designated for their use, and may use military personnel to enforce this restriction. Specifically, military personnel may be used to contain the parolees within the area to which they have been assigned. However, a claim by a parolee of a legal right to depart a base should be evaluated by nonmilitary law enforcement personnel.

[Footnote 7/ from page 5]

7/ For example, since 1942 an agreement has existed between the Departments of Defense and Justice permitting military lawyers to prosecute petty offenses committed on military reservations by civilian employees or visitors to the base. See paragraphs 6 and 7 of the Department of the Army Regulation 27-40. In 1962, after this arrangement had been in effect for over twenty years, both the Office of Legal Counsel of this Department and the Judge Advocate General of the Army reaffirmed that this practice does not violate the Posse Comitatus Act.

8/ If a Cuban parolee is arrested, he should be turned over as soon as practicable to civilian authorities. See 32 CFR § 501.1(c).

It should not go unremarked that all or most of these measures seem to be well within the authority given the base commander in the regulations of both the Army and the Air Force. 9/

John M. Harmon
Assistant Attorney General
Office of Legal Counsel

9/ See, e.g., 32 CFR § 552.18(f) (Army commandant may establish rules governing entry into and exit from the installation, and the search of civilians when entering, during their stay, or when leaving); 32 CFR § 851.13 (Air Force regulations on resource protection and visitor "control and surveillance" in controlled areas of the base). See also 32 CFR § 503.1 (Army personnel have "the ordinary right and duty of citizens to assist in the maintenance of the peace," and may apprehend and restrain persons committing a felony or breach of the peace in their presence).

THE WHITE HOUSE
WASHINGTON

NAB

6-5-80

PRES VINCE WASILEWSKI
CHMN TOM BOLGER

WELCOME - WARM - ~~TEXT~~ HOW HOT
UNIQUE - PROBS - ABS MON AUTH SOLVE - PURE DEM
INTERRELATED - MILLER, MUSKIE - DUNCAN
ECON SUMMIT

INFLATION - INT - BUDGET

ENERGY - SPACE/MARSH/HWY = (BROADCAST)
IMBD

FOR - ECON/POL SOLIDARITY

RELATE → { 3rd WORLD
3000,000

Eq. Af
PRG. NSEA

PEACE

MILITARY

ARMS CONTROL

TRAIN/ED/AG/EXPORT/MONETARY/

Δ - TESTS - NEVER FAILED

HISTORY OF CHALLENGES

PRINCIPLES, IDEALS - REFUGEES - 3 MIL

1:45

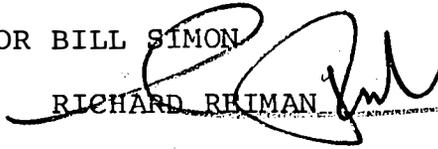
THE WHITE HOUSE

WASHINGTON

4 June 1980

MEMORANDUM FOR BILL SIMON

FROM:

RICHARD RHIMAN 

SUBJECT:

SALUTATIONS FOR THE PRESIDENT - NAB BRIEFING,
JUNE 5, 1980

The President should recognize the following two persons:

Vince Wasilewski (pronounced as spelled), President, NAB
(Chief staff officer)

Tom Bolger, Chairman of Joint Board and President, WMTV,
Madison, Wisconsin (Chief elected officer)

These are the only two people of the stature that the President should recognize. There are no members of Congress or other elected officials scheduled to be in attendance.

cc: Tom Teal

TALKING POINTS
(5 pages)

145

[Salutations will be updated
by Rich Reiman x2845 no later
than 11 AM Thur.]

Gordon Stewart
A-1; 6/3/80
Scheduled Delivery:
Thur, June 5, 3 PM
East Room

Talking Points for National Association of Broadcasters

1. WELCOME TO THE WHITE HOUSE. IT MAY SEEM A LITTLE WARM FOR YOU THIS AFTERNOON. BUT YOU REALLY HAVE TO LIVE HERE FOR A WHILE TO KNOW JUST HOW HOT IT CAN GET. SOONER OR LATER ALL PRESIDENTS REALIZE OUR GREAT COUNTRY HAS EVOLVED A TRULY UNIQUE FORM OF GOVERNMENT: WHEN IT COMES TO PINPOINTING PROBLEMS, WE ARE AN ABSOLUTE MONARCHY -- BUT WHEN IT COMES TO SUGGESTING SOLUTIONS, WE ARE A PURE DEMOCRACY.

2. PERHAPS YOU ALMOST HAVE TO LIVE AND WORK HERE TO FULLY APPRECIATE ANOTHER -- AND VERY SERIOUS -- FACT OF LIFE IN THIS WORLD TODAY: ABSOLUTELY EVERY KIND OF PROBLEM AND SOLUTION IS COMPLETELY INTERRELATED WITH EVERY OTHER, AND WITH EVERY RESOURCE, ASPIRATION, AND EVENT ON THIS PLANET.

3. THINK ABOUT THAT FOR A MOMENT. I CAN ASSURE YOU THAT SECRETARY MUSKIE AND SECRETARY MILLER DO ALL THE TIME, ESPECIALLY AS WE PREPARE NOW FOR THE ECONOMIC SUMMIT -- BECAUSE THERE IS NOT ONE IMPORTANT RECOMMENDATION THAT EITHER ONE MAKES THAT DOES NOT AFFECT THE GOALS OF THE OTHER. IN A VERY REAL SENSE THERE IS NO LONGER A CLEAR DISTINCTION BETWEEN FOREIGN AND DOMESTIC POLICY -- OR FOR THAT MATTER BETWEEN THE DOMESTIC POLITICS OF ANY ONE NATION AND THE INTERNATIONAL RELATIONS AMONG ALL COUNTRIES. EVEN IF AMERICA WERE A MONARCHY THERE WOULD BE NO SIMPLE SHORT SOLUTIONS TO ANY SINGLE PROBLEM WE FACE, LET ALONE ALL OF THEM TOGETHER.

4. THIS IS ONE REASON WHY I HAVE WORKED FOR THREE AND ONE HALF YEARS TOWARD BALANCING OUR NATION'S BUDGET. NOT SIMPLY FOR ITS DIRECT AND INDIRECT IMPACT ON INFLATION, BUT TO HELP OUR DIVERSE DEMOCRACY COME TOGETHER TO MAKE TOUGH CHOICES, AND TO FACE UP TO THE IMPACT OF ONE CHOICE UPON ANOTHER. IT SHOULD MAKE PUBLIC DISCUSSION EASIER AND PREVENT TEMPORARY STAMPEDES OF OPINION FROM CAUSING LONG-TERM INCONSISTENCY. FOR EXAMPLE, IN BALANCING DEFENSE EXPENDITURES WITH DOMESTIC NEEDS, I HAVE NOT CUT OUR DEFENSE BUDGET, I HAVE BEEN TRYING TO BLOCK UNNECESSARY ADDITIONS.

5. I AM PLEASED TO SAY WE ARE AT LAST WITHIN SIGHT OF OUR GOAL -- A BALANCED BUDGET AMERICA CAN BOTH LIVE WITH AND LIVE WITHIN. BUDGET CONTROVERSY SHOWS THAT SOME ASPECTS OF BEING AN EXPERIENCED PRESIDENT ARE LIKE FINE-TUNING A STEREO -- WHEN THE NOISE IS COMING EQUALLY FROM ALL SIDES YOU KNOW YOU ARE RIGHT ON TRACK.

6. OTHER DECISIONS REQUIRE A PRESIDENT TO TUNE OUT ALL THE STATIC AND KEEP FOLLOWING THE SIGNAL HE BELIEVES IS RIGHT. FACING UP TO THE REALISTIC WORLD-WIDE COST OF ENERGY IS ONE EXAMPLE. UNTIL WE DID I KNEW AMERICA WOULD NEVER HAVE THE INCENTIVES TO PRODUCE MORE AND SAVE MORE, AND THE MEANS TO PAY FOR THE GREATEST PEACETIME PROJECT IN OUR HISTORY THAT WE ARE NOW -- AFTER THREE AND ONE HALF LONG YEARS OF HARD WORK -- PUTTING INTO PLACE SO THAT OUR NATION WILL AT LAST HAVE ENERGY FREEDOM AND SECURITY. WE ARE ALREADY MAKING PROGRESS. WE ARE IMPORTING OVER A MILLION BARRELS OF OIL LESS THAN AT THIS TIME LAST YEAR.

7. THIS SAME KIND OF PATIENT, DAY-IN, DAY-OUT STRUGGLE IS THE ONLY WAY WE CAN FINALLY ACHIEVE THE BASIC GOALS OF OUR FOREIGN

POLICY THAT I HAVE ENUNCIATED AGAIN AND AGAIN:

FIRST, TO ENHANCE NOT ONLY ECONOMIC BUT ALSO POLITICAL SOLIDARITY AMONG THE INDUSTRIAL DEMOCRACIES.

SECOND, TO ESTABLISH A GENUINELY COOPERATIVE RELATIONSHIP WITH THE THIRD WORLD.

THIRD, TO PERSEVERE IN OUR EFFORTS TO BRING PEACE TO THE MIDDLE EAST AND OTHER TROUBLED AREAS OF THE WORLD.

FOURTH, TO STRENGTHEN OUR MILITARY CAPACITY AND DEFEND OUR STRATEGIC INTERESTS, ESPECIALLY THOSE NOW THREATENED IN SOUTHWEST ASIA.

FIFTH, TO ADVANCE ARMS CONTROL, ESPECIALLY THROUGH AGREED STRATEGIC ARMS LIMITATIONS WITH THE SOVIET UNION, AND TO MAINTAIN A FIRM AND BALANCED RELATIONSHIP WITH THE SOVIET UNION.

8. WE ARE A WORLD LEADER. OTHER NATIONS LOOK TO US TO SET AN EXAMPLE. EVERY TIME IN OUR HISTORY WE HAVE EVER BEEN FACED WITH RAPID CHANGE THAT SHOOK THE ECONOMIC OR POLITICAL FOUNDATIONS OF THE WORLD, AMERICA'S IDEALS OF FREEDOM, OF DEMOCRACY, AND OF DECENCY HAVE PREVAILED -- AND I AM DETERMINED WE SHALL CONTINUE TO PREVAIL IN THE 1980s.

9. A MAJOR REASON THIS NATION IS STRONG IS BECAUSE WE HAVE THE GREATEST AND FREEST BROADCASTING SYSTEM IN THE WORLD. IT IS BOTH COMPETITIVE AND CAPABLE OF GREAT PUBLIC RESPONSIBILITY. LAST YEAR THE NAB PASSED A RESOLUTION CALLING FOR INDIVIDUAL PUBLIC

SERVICE EFFORTS TO ENCOURAGE CONSERVATION, AS DID MANY ORGANIZATIONS THROUGHOUT THE COUNTRY. AMERICA HAS MADE REAL GAINS. SO FAR THIS YEAR WE ARE USING 8.6 PERCENT LESS GASOLINE. WE MUST DO MORE. AS PART OF THAT COMPREHENSIVE CONSERVATION CAMPAIGN WE BEGAN LAST MONTH, THE ADVERTISING COUNCIL HAS PREPARED MATERIALS WHICH YOU HAVE AND WHICH I URGE YOU TO USE.

10. THE STRENGTH OF OUR COUNTRY IS DERIVED NOT SIMPLY FROM THE GOVERNMENT, BUT FROM THE PEOPLE WHO ARE THE BASIC RESOURCE OF OUR NATION. THAT IS WHY IT IS SO IMPORTANT FOR YOU TO BE FULLY AND CAREFULLY INFORMED IN FIELDS SUCH AS ENERGY AND ECONOMICS, AND TO SEE HOW THEY FIT TOGETHER WITH THE OTHER DECISIONS THAT HAVE TO BE MADE ON NATIONAL DEFENSE, ON FOREIGN POLICY, ON TRAINING, ON EDUCATION, ON JOBS, ON CITIES, ON TRANSPORTATION, ON AGRICULTURE, ON EXPORTS AND IMPORTS, ON MONETARY POLICY -- THEY ARE ALL CLOSELY AND INTIMATELY RELATED.

11. JUST AS ALL OF US HAVE AN OBLIGATION TO EXPRESS OUR OPINIONS, WE ALSO HAVE A DUTY TO FACE THE FACTS OF LIFE, THE COMPLEXITIES OF LIFE, AND THE UNVARNISHED REALITIES OF LIFE. THIS IS A TIME OF CHANGE. IT IS A TIME OF TESTING. WE ARE A NATION IN TRANSITION -- BUT WE ARE NOT A NATION IN TROUBLE.

12. LOOK BACK IN HISTORY OVER THE GENERATIONS. OUR COUNTRY HAS FACED MANY CHALLENGES THAT WERE AT LEAST AS DIFFICULT AS THOSE WE CONFRONT NOW. WE HAVE MET ALL OF THEM -- AND NOT IN A PASSIVE WAY, NOT JUST BY BREAKING EVEN. BUT EVERY TIME WE HAVE MET ONE OF THOSE CHALLENGES AND PREVAILED, WE HAVE COME OUT STRONGER.

13. THROUGHOUT SOUTH AMERICA THE 100,000 CUBANS WHO HAVE COME TO OUR COUNTRY ARE SEEN AS A DEFEAT FOR SOVIET COMMUNISM. OF COURSE IT WILL TAKE TIME FOR THEM TO JOIN OUR SOCIETY. BUT WE SHOULD WELCOME THEM. THEY ARE PROOF OF AMERICA'S STRENGTH AND OF OUR ULTIMATE VICTORY. THEY DO NOT REPRESENT DEFEAT. IN FACT IF WE LOOK AROUND THE WORLD AT ALMOST 3 MILLION REFUGEES, ALL TRYING TO ESCAPE SOVIET-INSPIRED DOMINATION, WE SEE THAT THE ACTIONS OF HUMANITY SPEAK FAR LOUDER THAN THE VOICES OF SOVIET PROPAGANDA.

14. I AM PROUD THAT THIS COUNTRY STANDS FOR THE THINGS THE WHOLE WORLD BELIEVES IN. AMERICA HAS SUCH APPEAL FOR PEOPLE ALL OVER THE WORLD BECAUSE THIS COUNTRY PROVIDES NOT ONLY FOR FREEDOM BUT FOR HONESTY, FOR STRENGTH, AND FOR THE ACCOMMODATION OF CHANGE. YOU AND I BELONG TO THE GREATEST NATION ON EARTH. THAT IN ITSELF IS THE GREATEST OF RESPONSIBILITIES. TOGETHER, WE MUST WORK TO MAKE THIS NATION EVEN GREATER IN THE FUTURE -- AND TOGETHER WE WILL.

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3000/

1:45 PM

THE WHITE HOUSE

WASHINGTON

June 4, 1980

DROP-BY AT BRIEFING FOR BOARD OF DIRECTORS OF THE NATIONAL
ASSOCIATION OF BROADCASTERS

Thursday, June 5, 1980

1:45 p.m.

The East Room

FROM: ANNE WEXLER *Anne*

I. PURPOSE

Greeting and remarks to members of the Board of Directors and staff of the National Association of Broadcasters.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: The National Association of Broadcasters (NAB) was formed in 1922, to promote customs and practices to strengthen and maintain the broadcasting industry to the end that it may best serve the public. Currently, the NAB serves a membership of over 4,635 radio and 655 television stations including all the major networks.

Members of the Association set policy and make decisions on industry-wide matters through the Board of Directors. The Board of Directors is composed of the Board Chairman, NAB's President, and representative radio and television broadcasters who are elected by their fellow members.

The full NAB Board meets 3 times yearly (in Washington in June and September, and at a rotating location in January) to establish policy. This Administration briefing is unusual since the NAB Board meetings are generally working meetings with no speakers invited. Therefore, this is a special event which the broadcasters are looking forward to attending.

In 1975, President Ford hosted a reception for the NAB Board at the Blair House; this is the first Board meeting with participation by the President since then. You spoke to the NAB Convention in Las Vegas in April 1978. Many of the Board Members in attendance today were at that Convention where your speech focused on de-regulation.

Participants: See attached list.

Press Plan: White House photographer, and five members of the press who cover the media.

**Electrostatic Copy Made
for Preservation Purposes**

III. AGENDA

At the conclusion of your remarks, I will reenforce your request for NAB participation in the Ad Council's Energy Conservation Program. Secretary Miller will speak on the economy and take questions. He will be followed by Secretary Muskie who will speak and take questions. The group will adjourn to the State Dining Room for a reception following Secretary Muskie's remarks.

IV. TALKING POINTS

Have been furnished by the Speechwriters.

WHITE HOUSE RECEPTION

June 5, 1980

OFFICE ADDRESSES

NATIONAL ASSOCIATION OF BROADCASTERS - 1771 N Street, N.W.
Washington, DC 20036

Staff Attendance:

BARTLETT, George - Senior Vice President for Engineering
BRISSETT, Belva - Director, Government Relations Congressional Liaison
CARLISLE, William - Vice President for Government Relations Broadcast Liaison
CORNILS, Wayne - Vice President for Radio (Carolyn)
COURSON, LaRue - Vice President for Administrative Services (Lois)
ELLIS, Dwight - Vice President for Minority and Special Services (Joyce)
EWING, Samuel - Executive Director of Minority Broadcast Investment Fund
GRAY, George - Director, Government Relations Special Projects
HARWOOD, Michael - Secretary-Treasurer (Adele)
HULBERT, James - Senior Vice President for Broadcasting (Joan)
KRASNOW, Erwin - Senior Vice President and General Counsel (Judith)
MARKEY, David - Vice President for Government Relations Congressional Liaison
NIVEN, Harold F., Jr. - Vice President for Planning and Development (Rosemary)
PATRICK, W. Lawrence - Vice President for Research
POPHAM, James - Deputy General Counsel (Mara)
SCHANZER, Kenneth - Senior Vice President for Government Relations
SHEEHAN, Shaun - Senior Vice President for Public Affairs (Barbara)
SUMMERS, John - Executive Vice President & General Manager
TIERNEY, Larry - Vice President for Membership (Patricia-) (Sandi)
WASILEWSKI, Vincent T. - President (Pat)
WYCKOFF, Richard - Director for Government Relations Broadcast Liaison

NAB CODE AUTHORITY - NEW YORK OFFICE: 477 Madison Avenue, Room 1405, New York, NY 10022

Staff Attendance:

LANSNER, Jerome - Senior Vice President and General Manager

TELEVISION INFORMATION OFFICE: 745 Fifth Avenue, New York, NY 10022

Staff Attendance:

DANISH, Roy - Director

TURNLEY, Marcia - (Fiance of Larry Patrick.)
US General Accounting Office, 441 G Street, Washington, DC

PETERS, PATRICIA ANN - (Guest of Thom E. Smith)
Radio Station WDEN AM/FM, Elliott Broadcasting Company,
Box 46, Macon, GA 31202

WHITE HOUSE RECEPTION

June 5, 1980

NEWS MEDIA
OFFICE ADDRESSES

HALL, Jonathan - Washington Bureau Chief
Radio and Records - 1101 Connecticut Avenue, N.W.,
Washington, DC 20036

NAIL, Dawson - Associate Editor
Television Digest - 1836 Jefferson Place, N.W.
Washington, DC 20036

PAUL, Sol J. - Editor and Publisher
Television/Radio Age - 1270 Avenue of the Americas
New York, NY 10020

RAY, William B. - Washington Editor
Television/Radio Age - 1725 Eye Street, N.W.
Washington, DC

TAISHOFF, Sol - Editor
Broadcasting - 1735 DeSales Street, N.W.
Washington, DC 20036



NATIONAL ASSOCIATION OF BROADCASTERS

1771 N STREET, N.W. • WASHINGTON, D.C. 20036 • 293-3500

NAB BOARD OF DIRECTORS

(Office Addresses & Telephone Numbers)

CHAIRMAN:

Mr. Thomas E. Bolger
 President
 TV Station WMTV
 Forward Communications Corporation
 615 Forward Drive
 Madison, WI 53711

 (608) 274-1515

IMMEDIATE PAST CHAIRMAN:

Mr. Donald A. Thurston
 President
 Berkshire Broadcasting Co.
 P. O. Box 107
 North Adams, MA 01247

 (415) 663-6567

NOT ATTENDING

MEMBERS OF THE RADIO BOARD:

BARKER, Mr. Harry E.
 President & General Manager
 Radio Station KQMS
 Barker Broadcasting, Inc.
 Box 1400
 Redding, CA 96099

 (916) 221-1400

BECK, Mr. Martin F. (Lorraine)
 President
 Beck-Ross Communications Inc.
 100 Merrick Road
 Suite 526-W
 Rockville Centre, NY 11570

 (212) 343-1234

CONGER, Mr. Fred L.
 President-General Manager
 Radio Station KWBW/KHUT-FM
 Nation's Center Broadcasting Co.
 Box 1036
 Hutchinson, KS 67501

 (316) 662-4486

COOPER, Mr. Charles B. "Chuck"
 President-General Manager
 Radio Station WKOR AM/FM
 Charisma Broadcasting Co.
 Box 980
 Starkville, MS 39759

 (601) 323-4980

DILLE, John F., Jr. (Jayne)
 President
 Federated Media
 P. O. Box 2500
 Elkhart, IN 46515

 (219) 295-2500

FRITTS, Mr. Edward O. (Spouse-Martha Dale
President &
Fritts Broadcasting, Inc. Daughter-
Box 667 Kimberly Dale)
Indianola, MS 38751
(601) 887-1380

GILL, Mr. Cliff
Chairman of the Board
FM Station KWVE
El Camino Broadcasting Corp.
13856 Bora Bora Way
211 Coronada
Marina del Rey, CA 90291
(215) 306-3252

GRIMES, Mr. J. William (Barbara)
Senior Vice President
CBS Radio Division
CBS Inc.
51 West 52nd Street - Room 1818
New York, NY 10019
(212) 975-5808

HENSEL, Mr. Len (Patricia)
Vice President-General Manager
Radio Station WSM
WSM Inc.
Box 100
Nashville, TN 37202
(615) 749-2267

HILKER, Mr. Robert R. (Juanita)
President-General Manager
Radio Station WCGC
Central Broadcasting Co.
Box 888
Belmont, NC 28012
(704) 825-8224

HOBERMAN, Mr. Ben
President, ABC
American Broadcasting Company
1550 Avenue of the Americas
New York, NY 10019
(212) 887-7925

JACKSON, Mr. Eugene D.
President
National Black Network
1350 Avenue of the Americas
New York, NY 10019
(212) 586-0610

JOHNSON, Mr. Bruce F. (Linda)
President
Shamrock Broadcasting Company, Inc.
6464 Sunset Boulevard
Hollywood, CA 90028
(213) 462-7711

LAREAU, Mr. Michael O.
Executive Vice President/Gen'l. Mgr.
Radio Station WOOD AM/FM
WOOD Broadcasting, Inc.
College Park Plaza
180 North Division
Grand Rapids, MI 49503
(616) 459-1919

LEE, Mr. Jerry (Carol)
President
FM Station WDVR
WDVR, Inc.
10 Presidential Boulevard
Bala Cynwyd, PA 19004
(215) 667-8400, 01, 02, 03 & 04

LEMME, Mr. John H.
President & General Manager
Radio Station KLTF
Little Falls Broadcasting Company
70 Northeast First Avenue
Little Falls, MN 56345
(612) 632-5414

LERNER, Mr. Arnold S. (Maureen)
Chairman
Radio Station WLLH/WSSH
WLLH Inc.
Box 1400
Lowell, MA 01853
(617) 458-8486

MAPEL, Mr. Roy A.
 General Manager/Secty.-Treasurer
 Radio Station KIML
 Gillette Broadcasting Company
 Box 1009
 Gillette, WY 82716
 (307) 682-4747

McKENZIE, Mr. Stanley W.
 President & General Manager
 Radio Station KWED
 Seguin Broadcasting Company, Inc.
 Box 989
 Seguin, TX 78155
 (512) 379-2234

McKINNEY, Mr. Thomas E. (Frances)
 President
 Sheridan Broadcasting Corporation
 1811 Boulevard of the Allies
 Pittsburgh, PA 15219
 (412) 281-6747

MONDERER, Howard (Claire A.)
 Vice President, Law
 National Broadcasting Co.
 1800 K Street, N.W., Suite 610
 Washington, DC 20006
 (202) 833-3600

PRICER, Mr. Robert H. (Dorothy)
 President
 Radio Station WCLT
 WCLT Radio Inc.
 Box 880
 Newark, OH 43055
 (614) 345-4004

RUBENS, Mr. Walter L.
 Radio Station KOBE/KOPE
 Sun Country Broadcasting
 Drawer X
 Las Cruces, NM 88001
 (505) 526-2496

RUBENSTEIN, Mr. Martin (Cora)
 President & Chief Executive Officer
 Mutual Broadcasting System, Inc.
 1755 Jefferson Davis Highway
 Arlington, VA 22202
 (703) 685-2006

SMITH, Mr. Ted A.
 President & General Manager
 Radio Station KUMA AM/FM
 Pendleton Broadcasting Company
 Box 278
 Pendleton, OR 97801
 (503) 276-1511

SMITH, Mr. Thom E. (Guest-Patricia
 Ann Peters)
 General Manager
 Radio Station WDEN AM/FM
 Elliott Broadcasting Company
 Box 46
 Macon, GA 31202
 (912) 745-3383

STAKELIN, Mr. William L.
 Executive Vice President
 Bluegrass Broadcasting Co. Inc.
 6107 Tarawood
 Orlando, FL 32811
 (305) 295-3990

STEPHENSON, Miss Marion
 Vice President-Radio & Industry
 Relations
 National Broadcasting Company
 50 Rockefeller Plaza, Room 807
 New York, NY 10020
 (212) 664-4934

TARLETON, Mr. Cullie M. (Sylvia)
 General Manager
 Radio Station WBT/WBCY
 Vice President, Radio
 Jefferson Pilot Broadcasting Co.
 One Julian Price Place
 Charlotte, NC 28208
 (704) 374-3652

THOMAS, Mr. Robert E. "Bob"
 Manager/Vice President
 Radio Station WJAG/KEXL
 WJAG Incorporated
 Box 789
 Norfolk, NE 68701
 (402) 371-0780

WHITLOCK, Mr. J. T. (Colleen D.)
 President-General Manager
 Radio Station WLBN/WLSK
 Lebanon-Springfield Broadcasting Co.
 Box 680
 Lebanon, KY 40033
 (502) 692-3126

WRIGHT, Mr. Charles E.
 President & General Manager
 Radio Station WBYS AM/FM
 Fulton County Broadcasting Company
 Box 600
 Canton, IL 61520
 (309) 647-1560

MEMBERS OF THE TELEVISION BOARD:

ARRIES, Mr. Leslie G.
 President
 TV Station WIVB-TV
 Buffalo Broadcasting Co., Inc.
 2077 Elmwood Avenue
 Buffalo, NY 14207
 (716) 874-4410

BOHI, Mr. Eugene (Mary Ann)
 President & General Manager
 TV Station WGHP-TV
 WGHP TV, Inc.
 Box 2688
 High Point, NC 27261
 (919) 885-7151

BRAZZIL, Mr. William
 Vice President & General Manager
 TV Station
 Wometco Enterprises Inc.
 306 N. Miami Avenue
 Miami, FL 33128
 (305) 377-8241

NDT PENDING

BROMAN, Mrs. Kathryn F.
 President
 Springfield Television Corporation
 Box 2210
 Springfield, MA 01101
 (413) 786-2200

.....continued.....

CHAPMAN, Mr. Reid G. (Mary)
Vice President
TV Station WANE-TV
Indiana Broadcasting Corp.
2915 West State Boulevard
Fort Wayne, IN 46808

(219) 424-1515

COWEN, Mr. Eugene S. (Phyllis)
Vice President, Washington
American Broadcasting Companies, Inc.
1150 17th Street, N.W.
Washington, DC 20036

(202) 393-7700

CURRAN, Mr. Don
President
Field Communications
Three Embarcadero Center - #1880
San Francisco, CA 94111

(415) 885-3860

DILDAY, Mr. William H., Jr.
General Manager
TV Station WLBT
Communications Improvement Inc.
715 South Jefferson Street
Jackson, MS 39205

(601) 948-3333

HARDEN, Mr. W. Frank (Betty M.)
President
State Telecasting Company, Inc.
Box 1333
Columbia, SC 29202

(803) 771-8323

KENNEY, Mr. Peter B. (Geraldine)
Vice President, Washington
National Broadcasting Company
1800 K Street, N.W.
Suite 610
Washington, DC 20006

(202) 853-3600

KING, Mr. Robert K. (A/K/A RAMON K.
Senior Vice President KROHN)
Capital Cities Communications
4100 City Line Avenue
Philadelphia, PA 19131

(215) 878-9700

LILLEY, Mr. William, III (Eve)
Vice President, Washington
CBS Inc.
1800 M Street, N.W.-Suite 300 No.
Washington, DC 20036

(202) 457-4501

SCHMIDT, Mr. Gert H. W. (Christine)
Chairman of the Board
TV Station WTLV
Harte-Hanks Communications
Box TV-12
Jacksonville, FL 32231

(904) 354-1212

SMITH, Mr. Mark
Vice President & General Manager
Landmark Broadcasting Company
TV Station KLAS-TV
Box 15047
Las Vegas, NV 89114

(702) 733-8850

WINDSOR, Mr. Walter M.
General Manager
TV Station WFTV
Channel 9 of Orlando
Box 999
Orlando, FL 32802

(305) 841-9000

THE WHITE HOUSE
WASHINGTON

6/5/80 9:50am

Arnie Miller just called
his secretary to say that
at 5:19 am this morning
Michael Aaron McKenna Miller
weighed in at 9 lbs, 6 ozs...
after 29 hours (of labor)!

Mother is sleeping.
Baby is fine.
Father is exhausted!

(First two at Sibley hospital;
latter home sleeping!)

--ssc

THE WHITE HOUSE

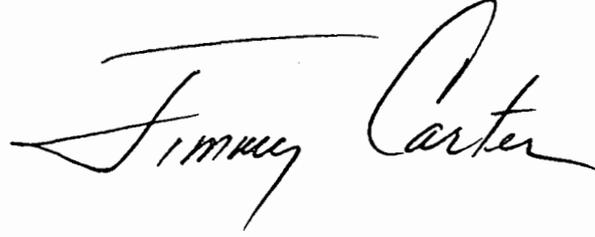
WASHINGTON

June 5, 1980

To Michael Aaron McKenna Miller .

Welcome to a wonderful family, and
a great nation!

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

THE WHITE HOUSE
WASHINGTON

06 June 80

Stu Eizenstat

The attached was returned in
the President's outbox today
and is forwarded to you for
your information.

Rick Hutcheson



**National
Farmers Union**

*Stu
info
J*

June 4, 1980

Honorable Jimmy Carter
President of the United States
The White House
Washington, D. C. 20500

Dear President Carter:

National Farmers Union will present its agricultural recommendations to the Democratic Platform Committee on June 14, submitting the same basic statement offered to the Republican platform unit last month. It is important that the Democratic platform contain an agricultural plank which gives some hope for improvement to the Nation's farmers. Along with the Farmers Union platform statement, we also attach my recent testimony to the House Agriculture Committee at the hearing relating to what Chairman Foley described as the "deepening crisis in American agriculture."

Farmers Union was well represented at Secretary Bergland's "Structure of American Agriculture" hearings looking towards the development of comprehensive new farm legislation in 1981. My statement at the May 1 concluding hearing is attached along with excerpts from the 1980 NFU Policy Statement.

We hope that you will seriously look at these recommendations because the price and income prospects are not good for farmers this year. Prices of grain and livestock have been weak since January, due only in part to the embargo on shipment of grain to the USSR. The lack of a set-aside for 1980 and the prospects of increasing plantings and output virtually guarantee that farmers will be less and less able to keep pace with escalating production costs.

The most constructive single action which could be taken by your Administration would be a significant increase in CCC crop loan levels. This would provide the most meaningful and direct help to farmers, it would strongly expand our farm export earnings, and it would entail the least federal budget exposure. At the moment, the target price on wheat is \$3.63 a bushel and the loan rate is \$2.50; the target on corn is \$2.35 and the loan rate is \$2.10. That means a maximum budget exposure of \$1.13 a bushel on wheat and 25¢ on corn. The Treasury costs will be high even if the spread between the target price and the five-month average price is only half the above maximum.

Further, raising the loan rates would be the most direct and effective method of minimizing federal losses on the grain contracts assumed as a result of the grain embargo.

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for Preservation Purposes**

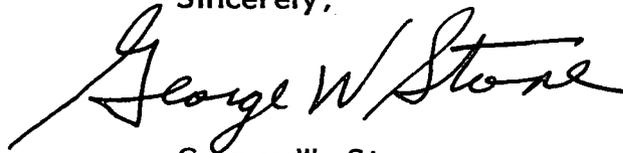
Honorable Jimmy Carter
Washington, D. C. 20500

Page Two

We in the Farmers Union have always sought to maintain a constructive working relationship with the Executive Branch and the Congress. We want to be helpful and want to improve our rapport with your Administration. This is a two-way process, however, and we cannot be very effective unless there are significant actions by USDA and the Executive Branch to lift farm prices and income to needed levels. Our recommendations to the House Agriculture Committee indicate the bare minimum price objectives.

Several additional areas of major concern to our members are spelled out in the accompanying addendum. Thanks for your consideration. Please advise us of any way in which we can be helpful.

Sincerely,

A handwritten signature in cursive script that reads "George W. Stone". The signature is written in black ink and is positioned above the typed name and title.

George W. Stone
President

GWS:bg
Attachments

**ACTIONS WHICH WOULD BE IMPORTANT TO FARMERS AND
OTHER RESIDENTS OF RURAL AMERICA**

- **Release of all loan funds provided by the Congress in extending the Economic Emergency Loan program, with particular consideration for states sustaining severe agricultural damage as a result of the eruption of the volcano at Mount St. Helens.**
- **A strong statement indicating an intention to veto reclamation law reform legislation, specifically S. 14 and H. R. 6520, unless they are substantially amended to retain the family farm objectives of reclamation law.**
- **A directive to the Department of Energy to proceed with all due haste with the implementation of the proposed rule which it has initiated to correct the situation in which independent refiners, including farm cooperatives, are suffering a severe competitive disadvantage due to faults inherent in the entitlements program. An example of this is the treatment of Alaskan North Slope (ANS) crude oil. Refiners holding ANS crude contracts are assured of a competitive advantage over independent refiners, like CENEX, of up to 16¢ per gallon.**
- **A directive to the Department of Agriculture to reject the petition for a hearing on the USDA federal milk order policy on reconstituted and filled milk.**
- **A positive statement directed to Congress opposing weakening of the United States Grain Inspection Act, specifically aimed at defeating H. R. 5546 now before the House Agriculture Committee for consideration.**

STATEMENT OF
REUBEN L. JOHNSON
DIRECTOR OF LEGISLATIVE SERVICES
NATIONAL FARMERS UNION
TO THE
PLATFORM COMMITTEE OF THE DEMOCRATIC PARTY
WASHINGTON, D. C.

June 14, 1980

I am Reuben L. Johnson, Director of Legislative Services for the National Farmers Union.

We are, as you know, an organization which exists for and is wholly committed to the family farm system of agriculture.

Recently, in appearances before the committees of the Congress, our new President, George W. Stone, called for a re-direction of farm policy, warning that a food disaster is ahead unless there is such a change.

But, President Stone also declared, even a new farm act in 1981 may be too late for many farmers who will not survive unless some meaningful emergency steps are taken this year.

The Agricultural Acts of 1970, 1973, and 1977, for which bi-partisan blame should be shared, departed from earlier workable and effective farm stabilization programs. It shifted economic risks more heavily to farmers. It increased our reliance on unstable international markets, without taking any steps towards order and stability in those markets.

The Agricultural Acts of the last decade have laid a heavy economic burden both on farm producers and on consumers.

In proposing a "Farm and Food Security Act of 1981," President Stone said that American consumers should not have to put up with uncertainty in food supplies and wild fluctuations in prices.

But they will have to do so until there is a new farm program which provides some stability and predictability for farm producers.

Farmers Union recognizes that the economic distress in agriculture today and the ominous prospect for the years immediately ahead results only partially from internal causes in agriculture.

Our ability to function profitably as farmers is affected by inflation, by unemployment and by rising costs chiefly attributable to high interest rates and escalating energy costs.

The doubling of interest rates and the doubling of energy prices has driven down the prices and net income of farmers at the same time they have driven up food costs for American families.

Looking towards the development of a new comprehensive farm and food policy next year, three things should be understood:

1. The crisis in agriculture is general and across the board. It is not a problem of just a few marginal, over-extended, or beginning farmers.
2. The economic difficulties are much more basic and fundamental than mere distortions caused by the grain embargo of January 4, which has simply worsened conditions which were already becoming desperate.
3. Low farm prices and income, which aggravate the high risk in agriculture, are an underlying cause of the shortage of loan funds available to farm operators. A genuine improvement in the credit situation, therefore, must be preceded by an improvement in farm prices and income.

Extremely low farm price support levels, currently at about half the full cost of production, are at the base of our problems.

As is shown in the accompanying STATISTICAL SUPPLEMENT, Table I, wheat prices in April were 40 cents a bushel lower than last December, corn prices are 7 cents a bushel lower, and soybean prices 77 cents a bushel lower.

In Table II, we show the U. S. parity ratio, which dropped to 60 percent on April 15, a 45-year low.

In Table III, the growth in farm debt is shown, with an increase of \$25 billion anticipated by the end of the year. This is an increase of 16 percent at a time when interest rates have tripled within a span of three years.

In Table IV, we show the trends in farm interest outlays, projecting that for 1980, interest expense of farmers will reach \$14 billion, which will be about 12 percent of total farm outlays.

During the past year, the Department of Agriculture has engaged in a national dialogue on the future structure of American agriculture.

In its testimony at the series of regional hearings, the National Farmers Union stressed that the historic commitment of the Congress to the family farm system needs not only to be reaffirmed, as it was in the Agricultural Act of 1977, but must be made more than a paper commitment.

Summarizing the views of the National Farmers Union, President Stone, on May 1, spelled out the objectives of the proposed "Farm and Food Security Act of 1981." A copy of his statement is attached.

Finally, the appropriate recommendations of the 1980 convention of National Farmers Union, adopted in March in Denver, Colorado, on farm, conservation, trade, and economic policy are reproduced for your consideration.

STATISTICAL SUPPLEMENT

TABLE I

COMPARATIVE PRICES AND PERCENTAGES OF PARITY

Selected Crops, December 1979 Average, and April 15 Figures

	<u>Average Price Received by Producers</u>		<u>Farm Price as a Percent of Parity</u>	
	<u>December Average</u>	<u>April 15 Price</u>	<u>December 1979</u>	<u>April 15 1980</u>
WHEAT, bu.	\$3.80	\$3.40	62%	53%
CORN, bu.	2.38	2.31	55%	52%
SOYBEANS, bu.	6.27	5.50	60%	49%

TABLE II

RATIO OF PRICES RECEIVED TO PRICE PAID (PARITY RATIO)

<u>MONTH</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
January	66%	73%	65%
February	67%	74%	65%
March	69%	74%	63%
April	70%	73%	60%
May	72%	73%	
June	72%	72%	
July	71%	71%	
August	70%	69%	
September	72%	70%	
October	71%	68%	
November	71%	68%	
December	72%	67%	
Annual	70%	71%	

TABLE III

TOTAL OUTSTANDING FARM DEBT, JANUARY 1, 1970-80, 1981 PROJECTION

<u>Year</u>	<u>Real Estate Debt</u>	<u>Non-Real Estate Debt Excluding CCC Loans</u>	<u>Price Support and Storage Loans Made or Guaranteed by CCC</u>	<u>TOTAL Including CCC Loans</u>
(Million Dollars)				
1970	\$ 29,183	\$ 21,168	\$ 2,676	\$ 53,027
1971	30,346	22,262	1,876	54,484
1972	32,208	24,644	2,262	59,114
1973	35,758	27,794	1,793	64,345
1974	41,253	32,134	750	74,137
1975	46,288	35,226	319	81,833
1976	51,069	39,406	358	90,833
1977	56,560	45,061	1,012	102,633
1978	63,642	51,142	4,489	119,273
1979	72,232	59,998	5,242	137,472
1980	83,122	70,240	4,500	157,862
1981				182,000

TABLE IV

GROSS AND NET FARM INCOME, RELATIVE GROWTH OF INTEREST EXPENSE AS A COMPONENT OF FARM PRODUCTION OUTLAYS

Selected Years and 1980 Projection

<u>Year</u>	<u>Gross Farm Income (Mils)</u>	<u>Net Farm Income (Mils)</u>	<u>Total Production Expenses (Mils)</u>	<u>Farm Interest Expense (Mils)</u>	<u>Interest Expense as % of Outlays</u>
1940	11,340	4,482	6,858	479	7.0%
1950	33,103	13,648	19,455	598	3.1%
1960	38,894	11,518	27,416	1,347	4.9%
1965	46,549	12,809	33,650	2,103	6.2%
1970	58,575	14,151	44,424	3,382	7.6%
1975	100,338	24,475	75,863	6,377	8.4%
1978	125,976	27,880	98,096	9,559	9.7%
1979	146,800	33,300	113,500	12,100	10.7%
1980		23-25,000*		14,000*	12.0%*

* Projections

AGRICULTURAL STRUCTURE

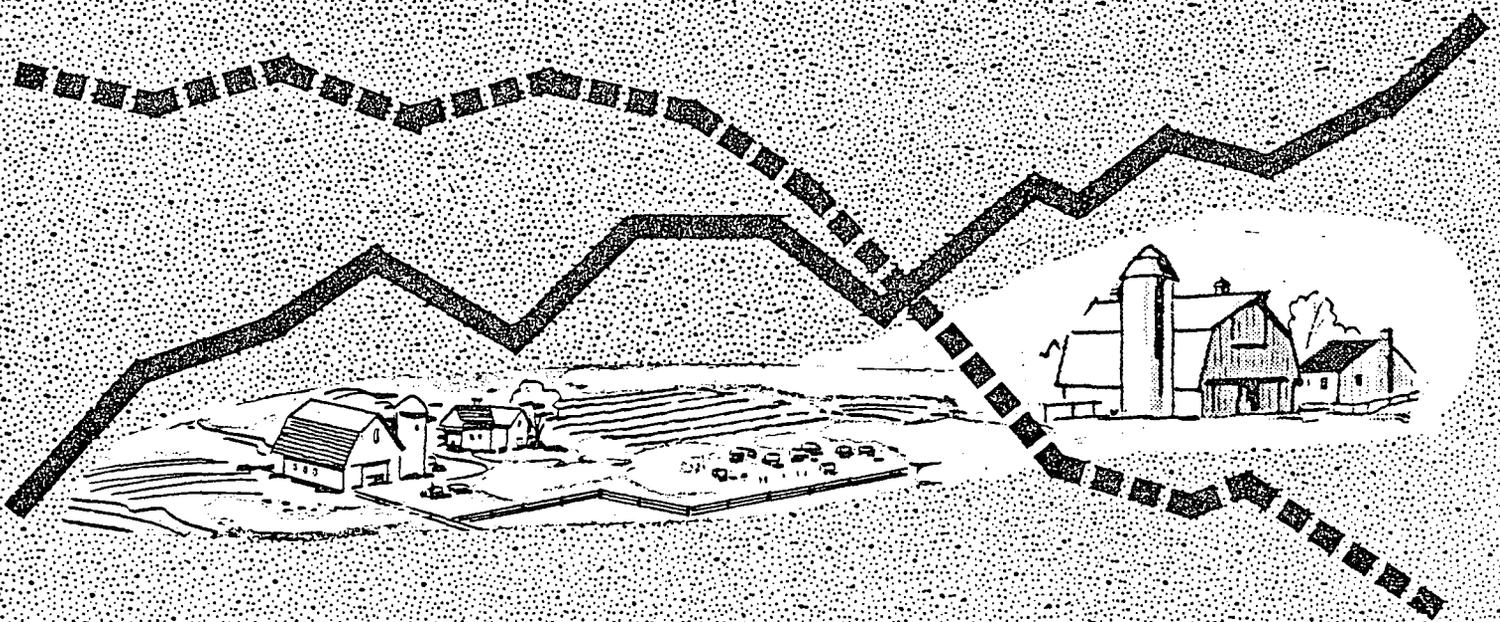
A Statement on a Proposal for a
Comprehensive Federal Farm and Food Policy
"THE FARM AND FOOD SECURITY ACT OF 1981"

Presented by

GEORGE W. STONE

President, National Farmers Union

USDA Hearing, Washington, D. C., April 29-30, 1980



**National
Farmers Union**

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Mr. Secretary, we want to say first that the American farmers and the American people deserve a more effective farm and food policy than we now have.

Repeatedly over a period of almost 200 years, the Congress has declared its commitment to the family farm system of agriculture. This commitment is spelled out in some detail in Section 102 of the Food and Agriculture Act of 1977, which opens with this declaration:

"Congress hereby specifically reaffirms the historical policy of the United States to foster and encourage the family farm system of agriculture in this country."

Therefore, rather than debate what the agricultural structure should be, we should spend our time determining whether existing farm policies are serving the family farm goal and considering what changes should be made in writing a new agricultural statute in 1981. (Our Farmers Union recommendations are attached.)

Our farmers and consumers have been at the whip end of wild supply and price swings in the past ten years because the Agricultural Acts of 1970, 1973, and 1977 have exposed farmers to greater and greater economic risks. But Americans have a choice in farm policy and they should not have to tolerate food insecurity, nor should the farming industry be consigned to a perennially weak economic position.

Insecurity and instability in the farm sector will show up eventually in insecurity in the consumer sector. A new and improved agricultural policy must be developed which will strengthen the agricultural system, at the same time serving the interests of all Americans. It must improve on the "risk-oriented" policies of the past ten years.

We suggest that the new farm law might be developed and identified as the "FARM AND FOOD SECURITY ACT OF 1981."

Such an Act should be designed:

(1) to assure a viable domestic farm economy by providing price and income stability and security to farm producers, with needed incentives for ample production;

(2) to assure a constant, wholesome, and fairly-priced supply of commodities for consumers, industry, and humanitarian needs;

(3) to provide a "safety factor" in farm and food commodity supplies, administered so as to protect and enhance farm income;

(4) to re-establish the United States as a dependable supplier of farm products in world markets, with effective deterrents to suspensions, embargoes, or export stoppages, for whatever reason;

(5) to provide for farmers more effective marketing order, marketing agreement, and farm bargaining mechanisms;

(6) to link the goals of all farm stabilization programs, marketing orders and agreements, and farm bargaining measures to the assurance of parity prices and income for farmers.

Not all of the economic problems of farmers, of course, can be dealt with alone by farm legislation. We have in mind such problems as inflation, tight money and high interest rates, energy shortages and skyrocketing prices, and the effect upon consumer food purchasing power of unemployment and recessionary conditions.

But many of the difficulties of farmers would be far less serious if farm prices and incomes were maintained at satisfactory and stable levels.

It is, after all:

- low farm prices which bar beginners from farming;
- low farm prices which create the pressure for farms to get constantly larger;
- low farm prices which make it difficult for either established or beginning farmers to bid for available farmland against off-farm investors, aliens, and non-farm corporations;
- low farm prices which tend to cause increasing separation of land ownership and farm operation;
- low farm prices which aggravate our currently negative international balance of trade.

Not only are family farmers displaced, but American consumers and our society are harmed by the acquisition of U. S. farmland by aliens and absentee investors; the invasion of corporations into food production; the growth of syndication and tax-shelter farming; the development of contract farming arrangements which leaves farmers as mere sharecroppers on their own land; and the increasing dominance of markets by packers, processors, and food chains to the detriment of both producers and consumers.

It is sometimes suggested that we should just let nature take its course and let the number of farmers be reduced, so that the "larger and more efficient producers" who remain will then be able to prosper in the free market.

But it is not just some marginal farmers who are currently in difficulty -- the distress is being felt across the board by full-time, commercial and efficient farming units.

The reduction in number of farmers has not been an approach which has improved the lot of remaining farmers. When we entered the decade of the 1960's, the Nation had 4 million farming units and the national parity ratio was 80 percent of parity.

We lost one million farming units during the 60's and farm income declined to 70 percent of parity. We have lost another 300,000 farms during the 1970's and farm parity is now at 63 percent.

Mr. Secretary, when you launched this national dialogue a little over a year ago at the National Farmers Union convention in Kansas City, you warned that "we must act now to insure the kind of American agriculture we want in the years ahead."

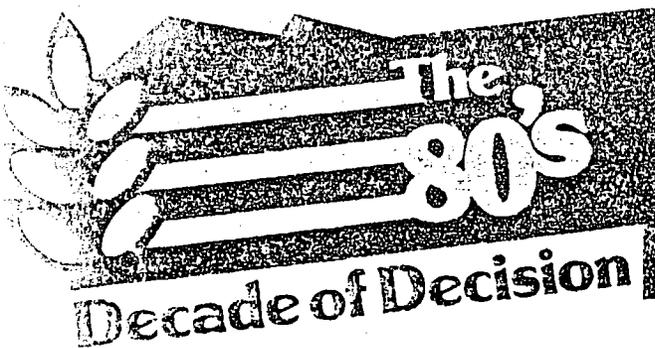
You said that you did not want to see "an America where a handful of giant operators own, manage, and control the entire food production system."

You said --- "yet that is where we are headed if we don't act now."

The situation which you spoke about one year ago has now been severely aggravated by inflation, tight credit and high interest rates, and depressed farm markets and prices.

These must be addressed now with emergency measures of real importance if widespread bankruptcies and a downturn in farm production is to be avoided.

But, at the same time, we must also start at once in the re-direction of farm policy which must be achieved in 1981.

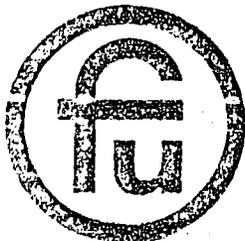


1980

POLICY

OF

NATIONAL FARMERS UNION



Adopted by Delegates to
the 78th Annual Convention

Denver, Colorado
March 2-6, 1980

PREAMBLE

The family farm is the keystone of our policy. Family agriculture is the base of a strong society.

We remain wholly dedicated to the strengthening of the family farm system and resolutely opposed to an industrialized type of corporate farming or to domination of farm ownership and operation by off-farm or alien interests.

Our American system of farming is the most viable system of food and fiber production, it is in the best long-term interest of the nation, and it provides the most widespread benefits to all in our society, yet its survival and continuance are not assured.

Over a period of almost 200 years and as recently as the Food and Agriculture Act of 1977, Congress has specifically reaffirmed the "historic policy of the United States to foster and encourage the family farm system of agriculture in this country."

This federal commitment is meaningful, however, only if policies and programs are implemented and administered so as to effectively achieve the results intended by Congress.

The recommendations set forth in this policy statement are designed to firmly re-establish the family farm structure as the primary agricultural system, to assure rural and urban stability, national prosperity, the preservation of human and natural resources, and the dignity of the individual and family.

ARTICLE I AGRICULTURAL PROGRAMS FOR THE FAMILY FARMS

A. Family Farm Definition

A "family farm" is, ideally, one which is owned and operated by a farmer and his family, with the family providing most of the labor needed for the farming operation, assuming the economic risk, making most of the management decisions, reaping the gains or losses from the operations, and depending primarily on farming for a living.

Wherever the term "family farm" appears in this policy statement, it is intended to be inclusive of the term "family ranch."

B. Family Farm Structure of Agriculture

In the year since March 2, 1979, many Americans have been participating in a national dialogue on the economic and social issues that affect the structure of

American agriculture and rural communities for the purpose of developing national policies and programs which will best promote the kind of agriculture and rural life Americans want for the future.

Throughout the nation's history, a family farm structure of agriculture has been the clear choice of the American people. On every score, the family farm continues to be the superior choice—assured abundance, efficient production, care of land and water resources, rural employment, quality of life in rural communities, and contribution to export earnings and a more favorable balance of trade.

The individual farm family stands almost alone as an example of free competition in the national economy, functioning in a mixed economy in which the free market has been modified by the corporate structure, by tariffs and import restrictions, by laws for fair trade pricing, by exclusive franchises, by restriction of entry into certain trades and professions, by an assured return on investment for public utilities, and by collective bargaining for workers.

Over the years, the Farmers Union has favored governmental policies and programs which would give agriculture a position of equality in a marketplace in which almost everyone else has some built-in protection. We believe such policies and programs should receive public support and be expanded to strengthen and to sustain our family farm structure.

C. Economic Equity for Farmers

An economic yardstick is essential both to measure the fairness of the prices and income received by farmers and to serve as the basis for establishing farm stabilization goals and support program levels.

Parity is the best and only legally recognized standard for these purposes. The Secretary of Agriculture should exercise, in good faith, the powers conferred upon him by Congress to maintain parity prices to farmers for all agricultural commodities. Levels of price support for each commodity should be expressed as a percentage of parity, with adjustment at least semiannually so that support levels will fairly reflect changes in the cost of production and family living.

We consider the parity system as realistic, justifiable, and up-to-date as the Consumer Price Index upon which more than 60 million Americans rely for adjustments in their economic returns, wages, benefits, or retirement pay as costs rise.

Actual changes in the computation of the parity formula should be published by the USDA and made

public so the agricultural community will be made aware of the fairness of the system. The reports should be included in national newspapers so the general public will also be informed.

D. National Food Policy

National Farmers Union believes there is one overriding issue on which the future of family agricultural and the future of our nation's food supply depends—the need for a national food policy which provides a fair return to farmers and abundant and stable food and fiber supplies for consumers.

Such a food policy must focus on both short-term and future needs, taking into account vagaries in weather, population increases, world demands, economic conditions, and international emergencies.

E. Farm Programs

We favor the construction of a renewed and revitalized farm program by building upon, modernizing, and improving the basic farm legislation enacted during the past forty years in order to provide a coordinated and comprehensive national agricultural commodity policy which will be fair to both farm producers and consumers and meet the needs of farmers, the American public, and our export customers.

Our goal includes the following:

1. Family Farm

A national commitment and positive measures to preserve and strengthen the family farm system as the basic pattern in American agriculture.

2. Program Recommendations

National Farmers Union supports 100 percent of parity, as defined by law, for all commodities produced by family farmers, and we insist that the Secretary of Agriculture and the President of the United States implement, to the fullest extent, the 1977 and 1978 farm acts.

We further insist that the Commodity Credit Corporation use the full powers available under its charter to increase family farm income to an adequate level.

Coordinated programs of farm price and income supports should assure 100 percent of parity to all cooperating producers of agricultural commodities through use, for each commodity, of the most suitable selection or combination of the following measures:

a. Non-recourse loans, purchases or purchase

agreements at not less than 90 percent of parity;

b. Deficiency payments to raise family farmers' receipts to a target of 100 percent parity. Such payments should be designed so as to enable family farmers to obtain net family incomes from farming to at least equal the national median family income;

c. A program conforming to the "ever-normal granary" principle to protect producers from the price-depressing effects of surpluses of storable commodities by (1) enabling farmers to extend their non-recourse price support loans from year to year; (2) permitting loan collateral commodities to be stored under the producer's control, in approved storage facilities on the farm or in cooperative or commercial warehouses; (3) providing for the government to absorb each prior year's storage and interest charges for any months during which the average prices received by farmers have not exceeded 100 percent of parity; (4) prohibiting any sales of commodities acquired by the government as loan collateral at less than 110 percent of parity; and (5) authorizing the government to take an option to buy from producers, at 110 percent of parity, a portion of any commodity pledges as collateral for extended price support loans;

d. As the most effective means for managing supplies of food and fiber, we prefer mandatory supply management programs through affirmative producer referendums, to assure consumers, both domestic and foreign, an adequate supply of food and fiber at fair and stable prices;

e. Extension of the Agricultural Marketing Agreements Act of 1937 to provide optional authority for producers of all agricultural products to use marketing agreements and orders;

f. For perishables and other commodities as needed in order to achieve the goal of 100 percent of parity, a combination of purchases of processed products for temporary storage or donation, bonus food stamps to encourage increased consumption by the needy;

g. Elimination of the present system of fixed limitations on imports of agricultural commodities and establishment of a new system of variable import duties, equal to the shortfall, if any, of the current market price in world trade from 110 percent of parity; and

h. Negotiation of international commodity agreements for grains, dairy, and other agricultural products as needed to maintain national and world prices within a range of 90 to 110 percent of parity.

In the implementation of any or all, or a combination of the above income support programs, realistic limitation on payment must be applied which gives preference and protection to the family farmer and the family farm system of agriculture.

F. Domestic Marketing Policies

Price support and supply management programs provide a basic framework of protection for agricultural producers in the marketplace by preventing the price-depressing effect of oversupply. Alone, however, they do not sufficiently fortify the weak bargaining position of producers, nor assure fair prices. Additional mechanisms are needed to improve the producer's position in the marketplace.

1. Improved Marketing Mechanisms

National Farmers Union calls upon the Congress to strengthen the Marketing Agreements Act of 1937 to extend marketing order authority to all commodities and to further amend the Act to:

a. Provide for bargaining between elected producer committees and handlers for adequate price as well as other terms of sale;

b. Direct the Secretary of Agriculture to administer market supply control programs when and where necessary, subject to approval by a majority of producers concerned; and

c. Authorize pooling of sale proceeds.

Market orders have proven their worth in milk, fruit, vegetables, and tree nuts. Placing market order authority with these improvements within reach of all producers is urgently needed to assure greater producer marketing power.

National Farmers Union also reaffirms its support for enabling legislation to establish a National Agricultural Relations Board or separate board for single or groups of closely related commodities, with authority to bring farmers and farm cooperatives together with processors for the purpose of bargaining over prices received by agricultural producers. Farmers need and are entitled to a firm legal procedure which will enable them to manage the production and marketing of their products. Such legislation should preserve, unimpaired, the long-standing rights of farmers to participate in bargaining associations and cooperatives without being subject to antitrust action.

We favor amendment of the Agricultural Fair Practices Act to require the buyers of agricultural products to bargain in good faith with associations of producers.

ARTICLE II INTERNATIONAL COOPERATION AND THE FAMILY FARM

American farmers today live and work in a global food and agricultural economy. The prices they receive are dependent primarily upon what their commodities will bring in world trade. This in turn depends upon cooperative efforts among the nations to maintain prices for raw commodities at fair levels and provide for orderly conduct of commerce.

A. International Trade

We favor the negotiation of agreements with other nations to achieve expansion of international trade. The primary goal of such measures should be to create increased opportunities for the impoverished people of the world to sell their goods in the markets of the developed countries to earn foreign exchange so they can buy essential imports, including food, to promote economic development, expansion of employment, and higher living standards.

Expansion of U.S. agricultural exports is one of the primary purposes of Public Law 480, the "Agricultural Trade Development and Assistance Act" (Food for Peace). But this function has been seriously neglected in recent years. The development of two-way trade, as a means of enabling poor and hungry people to get jobs and earn money to buy food both from their own farmers and exporting countries, is consistent with the humanitarian purposes of the Act.

Particular emphasis should be directed in 1980 and 1981 to development and expansion of markets in countries with which we are likely to be able to maintain trade without political interruption. There is a great potential to develop markets in the developing nations by this process, as we did a generation ago in Japan, Europe, Korea, and others. This market development should be pressed with great urgency because the markets lost by the January, 1980, grain embargo are not likely to be recovered soon, if at all, and likely will remain subject to similar interruption again.

The present requirement that 70 percent of P.L. 480 exports must be restricted to a limited number of the very poorest countries interferes with effective market development and should be repealed. Food aid should be directed to people who are hungry, regardless of the country in which they live, and should be administered primarily so as to contribute to the improvement of their nutrition and economic situation.

Therefore, we recommend that the Act be amended to provide:

1. That positive measures be required in P.L. 480 agreements to assure increased employment or by other means to assure that the consumption of food in the importing countries will be expanded in balance with the resulting increase in the supply.

2. That P.L. 480 agreements be designed to foster expanded markets for U.S. farm commodities through the development of long-range, two-way trade between the United States and countries receiving P.L. 480 imports.

Our P.L. 480 efforts should stress both donations and concessional sales. Title I (concessional sales) provisions should be liberalized to provide for the sale of local currencies received from the sale of commodities to contractors on the condition that they be used in public works projects in the importing country for payment of wages to workers who would otherwise remain unemployed.

B. International Commodity Agreements

Negotiations for a new international grains agreement should be resumed promptly. Farmers Union recommends that a new grains agreement should provide for:

1. All trade in grains be conducted within a price range approximating 90 to 110 percent of parity.

2. World reserves of grains to be maintained as a responsibility of both exporting and importing countries.

3. An improved "Food Aid Convention" to be supported by both importing and exporting countries, with the aim of providing for emergencies, promoting economic and market development, and generating employment for the world's hungry.

4. Equitable sharing among both exporting and importing countries of the responsibility for and the cost of reserve stocks, and food aid, and adjusting market supplies so as to maintain prices within the desired range.

We recommend that international commodity agreements be considered for other agricultural products which are widely traded in international commerce and that the central purpose be to assure prices that are remunerative to raw materials producers and fair to consumers.

D. Access to World Markets

Farmers need and deserve to be assured that they will have the right to sell their products in world markets if they are to maintain their productive capacity to serve the world market. Farmers are concerned that there have been six stoppages of United States farm exports by government action during the past fifteen years, and that the power to restrict exports is institutionalized in the Export Administration Act and the five-year US/USSR grain agreement.

Section 1002 of the Food and Agriculture Act of 1977 provides for an automatic increase in price levels to 90 percent of parity when there is a suspension of exports due to shortness of domestic supply. This is a good provision, but it does not apply to circumstances in which the stoppage is for political or national security reasons. We, therefore, recommend that Section 1002 be amended to make it immediately operable when limits are placed on exports of farm commodities for whatever cause.

We recommend amendment of the Commodity Credit Corporation (CCC) charter to provide for establishment of a grain marketing board elected by grain producers to negotiate and transact export sales of grain produced in the United States.

This national agency shall be the exclusive contracting agency for the sales and pricing of all agricultural commodities that are imported or exported, and shall give preference to farmers' cooperatives in selecting agents of the board for handling export sales.

ARTICLE IV LAND AND THE FAMILY FARM

A. Objectives of a Comprehensive Land Policy of the Farmers Union

1. We must maintain family agriculture, a viable rural America, and the capacity to produce abundant food and fiber.

2. We must assure the conservation of our land, water, and air.

3. Millions of acres of high-quality farmlands are being diverted to non-farm uses each year. Despite the fact that in oversupply situations the temporary removal of farmland from production may be necessary, irreplaceable farmland must be preserved for food and fiber production.

G. Administration of Farm Programs

1. Programs to Balance Supply with Demand

Acreage and/or other production adjustments should be consistent with the objective of strengthening the family farm structure of agriculture, with adequate minimum floors established for individual farms.

No entity engaged in farming should be allowed to break out native grassland or wooded land and receive immediate benefits of crop-base history, price supports, or pay base acres on crops raised on such land.

Any farm participating in any payment or loan-

producing programs should also participate in ASCS-recommended soil conserving practices for that farm, developed and implemented by local ASCS committees.

Silage corn should be considered in computing feed grains program benefits.

Protection should be afforded individual farm units from encroachment by larger factory-type operations. Administration of farm programs should prohibit vertically integrated production, processing, and marketing units.

Production goals should be expressed in terms of commodity units, such as bushels and pounds, where approved by producers.

2. Set Aside

If a set-aside program is in effect, acres set aside should be comparable in yield to the land that is farmed, whether dry or irrigated. The program should be simple, have a strong cash incentive, and be paid on production of land in set aside.

In the absence of a cash incentive program, the 6-month grazing and haying period on wheat (October 1-May 1) should be extended to an 8-month period (October 1 through July 1).

We oppose the bidding system to put land into a reserve as proposed by the USDA.

ASCS county committees should be granted authority to adjust the normal crop acreage (NCA) and the crop acreage history on an individual farm basis, keeping in mind program objectives and equity between producers within the county and state.

3. Farmer-Elected Committees

We strongly support the integrity and independence of ASCS farmer-elected committees and support their continuance in every agricultural county.

Appointed state ASCS committees, which administer farm programs, should have previous county ASCS experience and be bona fide farmers.

We oppose program-restricting consolidations of USDA agencies within county offices or otherwise that would destroy the unhampered pursuit of their specific Congressional mandate.

We ask that agriculture committees of the Congress maintain vigilance over USDA activities to assure that there is no decrease in the services now provided.

4. Storage of Commodities

We favor expanding the lending operations of the

ASCS to build on-farm commodity storage, drying, and handling facilities on family farms, and to offer loans on the same terms to farmers who choose to invest in cooperatively owned storage facilities located nearby. Loans should be provided to cover full costs of all component parts needed to complete such facilities and be repayable at low rates over a period up to seven full crop years.

H. Comprehensive Drouth and Other Natural Disaster Programs

We favor continuation and improvement of the present disaster programs.

1. Disaster Feed Program

We support a program to make feed grains and forage available at federally subsidized prices to livestock producers stricken by drouth or other natural disaster to enable them to preserve basic herds, with safeguards to assure that program benefits go to bona fide family farmers and ranchers. The disaster feed program should not be charged against the disaster loan program.

2. Disaster Payments

The disaster provision of existing law should be amended to provide that:

a. When a farmer is prevented by natural disaster from planting all or a portion of his crop, he should be eligible for payments on the full acreage on which planting was prevented, up to the level of acreage planted in the preceding year, with provision for adjustment where disaster occurred in the base year;

b. A farmer who is prevented by natural disaster from harvesting less than his projected yield should be eligible on the full planted acreage for a payment in the amount of the difference between the projected yield and actual yield;

c. In computing grain yields, the payment should be based on grain rather than silage, forage, or "graze-out" value;

d. Annual cotton disaster payment yields should provide for adequate adjustments for natural disasters;

e. Payments on other forage crops should be based on their replacement value as forage; and

f. Adjusters employed to inspect crop damage should be under the direction of local and county ASCS committees and disputes over the extent of crop damage should be reconciled by ASCS county committees.

I. All-Risk Crop Insurance Protection

The impact of natural disasters on the economic interest of producers must be minimized. To this goal, a comprehensive All-Risk Crop Insurance Program should be legislated immediately which would provide for adequate insurance protection covering all costs against all natural disasters at a cost relative to normal risk. To protect producers fully, we urge that well-defined provision be made for federal funds to supplement the income derived from premiums established at reasonable rates to the extent required, if natural disasters should threaten actuarial soundness of the program or denial of insurance to producers in subsequent years.

We support legislative action which would provide for delivery of all-risk crop insurance through private agents or agencies.

The Federal Crop Insurance Corporation (FCIC) program should be extended to all counties and to all principal crops within each area.

We further support the utilization of federal funds from the Treasury to offset costs incurred in administering the FCIC program. All subsidies should inure to the benefit of all producers participating in the program, whether delivered by the FCIC or other insurance industry participants.

We urge that the present Disaster Payment Program be extended through 1981 or until such time as new legislation designed to improve and expand the federal All-Risk Crop Insurance Program is implemented and operational as outlined above and proven to be workable.

ARTICLE IV

ECONOMIC POLICY AND THE FAMILY FARM

A. National Economic Policy

Farmers cannot isolate themselves from what is happening in the rest of the national economy. The demand for our farm products is severely reduced by economic stagnation and high unemployment. The costs which farmers must pay to produce and live are inflated by energy prices, inflation, and low productivity in industry.

The severe depression in our agricultural economy is a special problem requiring urgent attention to avert a worldwide food crisis as dangerous to world stability as the energy crisis. Current prices received by American farmers are the lowest of any country in the world, and the lowest in purchasing power of any time in history except the years 1931 and 1932. Positive measures to raise farm prices into balance with returns in other sectors on labor, investment, management, and risk must be initiated at once.

Our government must take vigorous steps to reach full employment, to dampen inflation rates, and to encourage higher productivity. This is basic to the attainment of a balanced federal budget, the strengthening of the dollar, and to a healthy national economic recovery.

Because current monetary and fiscal policies are neither curbing inflation nor spurring sufficient employment growth, better strategies must be developed and implemented. Tough decisions and hard choices must be made. We recommend a brief freeze on prices, wages, interest, and profits, with provision for adjustments to enable farmers and others whose returns are currently below those prevailing generally in the economy to "catch up," followed by selective price and wage controls where needed.

The provisions of the Federal Reserve Act of 1913 are the root cause of the inflation, both in our national economy and in international influence such as the escalating oil, silver, and gold prices.

We, therefore, call upon Farmers Union leadership to become informed as to the provisions of the Federal Reserve Act and the workings of the Federal Reserve System, the Federal Reserve Board, and the Open Market Committee, with the intent to offer leadership to Congress to lead the way out of our economic dilemma.

provision of the Tax Reform Act of 1976, in effect returning to the stepped-up basis of property valuation at death, as it existed under prior law.

We urge the Congress to continue and further strengthen those provisions of the Tax Reform Act of 1976 that were favorable to family farmers, specifically, (1) the federal farm-use valuation provision embodied in Section 2032 A of the Internal Revenue Code (IRC) and (2) the 15-year installment payment provision for estate taxes found in Section 6166 (IRC).

In regard to these sections, we believe that the special lien and tax recapture features of these provisions cause great uncertainties by potentially keeping estates open for a long period of time with undue burdens and costs in estate administration, and by causing other potential liability problems for heirs when the estate is not so prolonged. Congress should amend these sections to avoid such problems.

Congress should increase the maximum unified tax credit to the equivalent of a \$300,000 exemption, and increase the annual gift tax exclusion to \$6,000.

A husband and wife should be considered equal owners of a farm or small business if they so designate, so that it should not be necessary for the spouse to prove contribution to jointly owned property. Joint tenancies should be recognized as being owned half by each.

E. Federal Tax Policy

Congress should continue the revision begun in the Tax Reform Act by further steps to close income tax loopholes, to assure that taxpayers with substantial income do not largely escape taxation, and to achieve a system more accurately reflecting ability to pay. Improvements should include:

1. Replacing personal income tax exemptions with tax credits.
2. Closing the opportunity for non-farm interests to change ordinary income into capital gains by investing in agriculture.
3. Preventing foundations, trusts, and churches from escaping taxation when engaged in commercial profit-making activities.
4. Require accrual accounting for tax purposes on farming operations of publicly owned corporations (excepting Sub Chapter S corporations) and other larger-than-family farming operations, to remove this pressure which encourages farms to ever-larger units.

Capital Gains. Profit and loss from the sale of real estate should be calculated on a graduated basis according to the length of time the asset is held, and 100 percent of the income should be taxed on property held less than one year, graduating to 50 percent taxable at the end of ten years; except that (a) if such gains are reinvested by the seller in other residential or income-producing real property within eighteen months, they would be exempt from all income tax; and (b) each individual should be granted a one-time exemption from income tax on up to \$100,000 of gain from the sale of real property used for residential, farming, or small business, or a combination of such purposes.

Investment Tax Credit. We favor continuation of the 10 percent investment tax credit on qualified capital purchases up to \$50,000. The investment tax credit should be available in cash transfers of property or equipment between lineal descendants on a one-time basis. The investment tax credit should be allowed on machine storage and multi-purpose storage buildings.

Taxation of Multinational Companies. We oppose legislation which would prohibit states from using the "unitary apportionment method" of determining the taxable income of multinational corporations doing business within the state. Such legislation would legalize tax breaks rejected by the United States Senate in defeating Article 9(4) of the United Kingdom Tax Treaty in 1978.

F. Consumption Taxes

We oppose enactment of the proposed federal "Value-Added Tax" (VAT) which is essentially a hidden sales tax. It would place an undue burden on people with the least ability to pay. For farmers, the VAT would be even more unfavorable than a retail sales tax since there would be no exemption for farmers from the tax on the production inputs which they purchase.

G. Anti-Monopoly Policies

Antitrust statutes should be strengthened and vigorously enforced because the concentration of ownership of the nation's resources and wealth, both vertically and horizontally, threatens family agriculture, small business and, ultimately, all consumers.

No restrictions should be placed upon the Federal Trade Commission or the Antitrust Division of the Department of Justice which would have the effect of giving free rein to monopolists.

The nation's resources are protected best by families who own and control their land. In addition, family farmers must have protection of government policy which provides for government programs to assist in conservation and maintenance of an ecological balance, regulation of surface mining to prevent destruction of land and water, disposal of waste, and use of inorganic chemicals.

A new national land and food policy oriented to family agriculture is now needed. Family farmers, the historic custodians of Mother Earth, must take part in this crusade to save the human species from extinction. We call upon ecologists, scientists, ministers and their followers, teachers and their students, and all people of good will, to join with rural America in preserving family agriculture, which is basic to the ecology. We must act in unison to preserve the food supply and the environment.

B. Corporation, Real Estate Trusts, and Foreign Ownership of Agricultural Lands

The Farmers Union urges passage of state and federal laws to prohibit entry into the business of farming or the ownership of agricultural lands to be used in farming by all parties, except:

1. Natural persons and estates of such persons.
2. Trustees of trusts for the benefit of natural persons.
3. Owner-operator, family farm corporations;
4. Family owned-and-operated cooperative farm corporations.
5. Partnerships, provided that each partner shall be a person or entity enumerated in items 1, 2, 3, or 4 outlined above.

Foreign interests (except families or individuals seeking United States citizenship) shall be prohibited from acquiring agricultural lands.

We respect the right of other nations to put similar limitations on American and other foreign interests owning agricultural lands in their nations.

C. Land Transfer

We call on Congress to enact the "Farm Entry Assistance Act" which will provide federal guarantees for loans, leases, and sales of land to individuals who are qualified to enter farming but who do not have or cannot acquire the financial assets to do so.

We endorse the concept contained in the bill of a joint federal-state cooperative effort to assist beginning farmers to acquire an economically viable family

farm enterprise.

Special reductions in capital gains should be provided to retiring farmers who make land available to beginning farmers through the land transfer agency.

Beginning farmers should be able to set up a retirement plan based on the KEOGH concept. Income taxes on principal payments should be deferred until the farm is paid for.

D. Reclamation Lands Family Farm Policy

Our advocacy of family-owned, family-operated farms must of necessity also apply to reclamation lands where the federal government has made a huge public investment to provide irrigation water at low cost.

Farmers Union has long supported the central goal of the Reclamation Act of 1902 to have resident family farm operators on the land receiving the federal project water. We have decried the lax enforcement of this statute, which has permitted vast acreages of project lands to come under the control of conglomerate corporations, land speculators, and investor syndicates, most notably in California.

The 1975 Federal Court decision mandating the enforcement of the 160-acre limitation of the 1902 Act and the subsequent issuance by the Department of Interior of regulations relating to "excess lands," have provided a belated opportunity to restore the family farm objective of the reclamation lands projects.

Both legislative and administrative actions will be needed to evolve a realistic and satisfactory on-going policy:

1. The residency requirement for receiving project water should be one of the following: (a) Residency on the land; (b) residency in the nearest incorporated town; (c) residency within 75 miles; (d) residency within no greater distance between the irrigated land and the nearest dry land; and (e) a person that has owned eligible land for ten years or more but retires from farming for age or health reasons, be considered a qualified family farmer for life.

2. An absolute limit of 320 acres per individual should be set on the acreage for which project water may be obtained by a farming entity. Water for 640 acres of Class I land, owned or leased, appears to be ample for a viable family farm homestead unit.

3. A Class I equivalency formula should be enacted which would allow water for larger acreages of land of lesser productivity. We would find

acceptable a formula allowing project water for 500 acres of Class II land; 1,062 acres of Class III land; or 1,280 acres of Class IV land. The Class I equivalency formula should take into consideration cropping limitations imposed by latitude and climate, farm production costs, correlated with physical factors such as soil, topography, drainage, and quality of water.

4. Purchasers of excess lands should be selected from among qualified applicants intending to be resident farm owner-operators (homesteaders) engaging in farming as their principal livelihood.

The above policy would cause hardship to few, if any, family-scale farmers while, on the other hand, it would open up the possibility for hundreds of beginning farm families to get access to excess lands now held by banks, railroads, oil companies, insurance firms, and syndicates, illegally.

In the West, vast acreages of arid land are potentially irrigable when, and if, the federal government builds major irrigation projects. But, we fear, few projects will be built if they are to result in bonanzas to corporate giants with scarcely any families on the land, as in the Westlands Water Districts in California.

STATEMENT OF
GEORGE W. STONE
PRESIDENT
NATIONAL FARMERS UNION

PRESENTED TO
COMMITTEE ON AGRICULTURE
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

Relative to the Deepening Economic Crisis
In American Agriculture

April 29, 1980

Mr. Chairman, we commend the Committee for conducting this reassessment of the condition of agriculture.

The economic distress in agriculture today results only partially from internal causes in agriculture. Our ability to function profitably as farmers is affected by inflation, by unemployment, by rising costs chiefly associated with high interest rates and escalating energy costs.

The doubling of interest rates and the doubling of energy costs has driven down the prices and net income of farmers at the same time it has driven up food prices for American families.

The existing farm stabilization programs, as administered, have not been effective in helping farmers keep pace with the rising costs caused by these external factors.

We want to clarify three things before we make our recommendations here today:

1. The crisis in agriculture is general and across the board -- it is not a problem of a few marginal, over-extended or beginning farmers.

2. The economic difficulties are much more basic and fundamental than just the economic distortions caused by the grain embargo of January 4, which has worsened conditions which were already becoming very serious and troubling.

3. Low farm prices and income and the resulting high risk in agriculture are the underlying cause of the dearth of loanable funds available to farmers. Any major improvement in the credit situation therefore requires an improvement in farm prices and income.

The National Farmers Union Board of Directors recently urged a review of the effectiveness of the embargo relief measures taken by the Administration. As you have pointed out, Mr. Chairman, some helpful actions have been taken, but they have not done enough. In Table I, we show the March 15 prices received by farmers as compared with the December 1979 average. Table II shows the decline in the parity ratio over the past 15 months.

But, after having made such an assessment of the measures taken so far by USDA and the White House, we urge you to focus on what must be done to sustain agriculture in a desired level of production, not just to restore conditions which prevailed prior to the embargo.

Unless we address the basic economic problems of agriculture, the Nation and its consumers face the possibility of a disastrous breakdown in food and agricultural production.

As members of this Committee, we are sure you are aware of the magnitude of the credit crisis in rural America. In some areas, it is a matter of scarcity of loanable funds. In all areas, it is a problem of interest rates far beyond tolerable levels.

Tables III and IV indicate the recent growth in farm debt and total farm interest outlays as a component in farm production expenses.

This Committee and the Congress took an important step a month ago in extending the Economic Emergency Loan program to meet some of the most desperate needs. But the \$2 billion in additional loan authority which the legislation provided was small in relation to the obvious needs. Even so, USDA has been slow to make the full amount available immediately.

The Federal Reserve Bank, in its temporary seasonal credit program, took what could have been an important action in making loan funds available from the discount window to small banks to serve priority borrowers such as farmers and small businessmen. These emergency loans at 13 percent -- three percentage points below the usual level -- could have been a great help; but the Federal Reserve then largely nullified the program by placing a severe limit upon the amount of such temporary seasonal loan funds which could be provided to participating banks. As announced, no bank could draw an amount greater than 5 percent of its currently outstanding loans. No bank with more than \$100 million in deposits could participate. Thus, a bank with \$100 million in deposits and a 100 percent loan to deposit ratio, could only draw \$5 million in the seasonal loan funds and this would have to take care of both small business and farm borrowers.

Thus the two credit relief programs are only token programs -- mere band-aids on a massive hemorrhage.

The other devastating problem, which I mentioned earlier, is the rise in energy costs. Fuel costs have risen 60 percent since a year ago and have doubled since early 1977.

Over and above the increases which have taken place in the market, we face another increase on May 15 when the effects of the crude oil import fee are to be reflected in a 10 cents a gallon increase in gasoline prices.

Since farmers are projected to be using 3.5 billion gallons of gasoline in their 1980 farming operations, this will add another \$350 million a year to farming costs. Farmers cannot respond to higher energy costs by conserving fuel -- they can only do so by reducing production, something which the Administration obviously does not want, since it refuses to implement a set-aside or acreage diversion program for 1980. Farmers this year will be using 10 percent less gasoline than in 1972, although they are farming 40 million more acres.

Although the legislation to bar the implementation of the crude oil import fee or, alternatively, to provide for a rebate or tax credit for farmers to offset the 10 cents a gallon price increase does not come before this Committee, we emphasize it here because if it is not handled in that fashion, it simply places additional burden on the farm programs to help farmers keep pace with their costs.

The same, of course, is true with the high interest rates. If they are not modified or rolled back, they simply add to the problems which must be dealt with in the farm programs -- and increase the risk of farm bankruptcies.

In making our recommendations here today, we are aware that several proposals are before the Committee and could be acted upon as you see the needs.

In the Farmers Union, we are not unsympathetic to the effort to balance the federal budget for fiscal 1981. We are therefore proposing here today a series of measures which would give farmers a much better degree of price protection, without any additional, eventual net cost to the Treasury.

These measures should include:

- A voluntary, unpaid 15 percent acreage diversion program for 1980 on feed grains, and, if desired, on other commodities.
- The offering of advances to farmers participating in the voluntary acreage diversion program of an amount equal to one-half of their CCC commodity loans for 1980, at planting time or, in any event, not later than May 15, 1980.
- An increase in the CCC loan rates for farmers participating in the voluntary acreage diversion program to the currently announced target price levels for 1980, that is, \$3.63 on wheat, \$2.35 on corn, \$2.50 on grain sorghum, \$2.55 on barley, \$9.49 on rice, and 54.8¢ a pound on cotton. (Loan levels for farmers not voluntarily diverting acreage would remain at already announced levels.) For soybeans, the 1980 loan level should be set at \$7.75 a bushel.

The effect of these actions would be to eliminate the budget exposure of target payments for 1980 for the participating producers. The budget exposure is \$1.13 a bushel on wheat and 25¢ a bushel on corn. In our opinion, the net cost of the higher CCC loan levels which we are proposing would be substantially less than the budget exposure if USDA proceeds with currently announced crop loan and target price levels.

The provision of the advances on crop loans for 1980 would meaningfully help farmers over their immediate cash-flow crisis.

In effect, it would be borrowing money from next fall to finance immediate production outlays.

The increases in crop loan rates are vital, however, not only to offset rising costs, but to provide the additional income next fall. Without the action to increase crop values for next fall, we merely postpone disaster from spring to fall.

These measures are needed, therefore, as a package.

We note, in concluding, that this entire program can be implemented under existing program authorities.

These recommendations, of course, are stop-gap in nature. Farmers Union, as time goes on, will be looking ahead to the development of an Agricultural Act of 1981. We must have a stronger and more effective farm stabilization policy. We will be transmitting the long-range recommendations of our 1980 convention to the Department of Agriculture and to the appropriate committees of the Congress.

TABLE I

COMPARATIVE PRICES AND PERCENTAGES OF PARITY

Selected Crops, December 1979 Average, and March 15 Figures

	Average Price Received by Producers		Farm Price as a Percent of Parity	
	December Average	March 15 Price	December 1979	March 15 1980
WHEAT, bu.	\$ 3.80	\$ 3.62	62%	56%
CORN, bu.	2.38	2.31	55%	52%
SOYBEANS, bu.	6.27	5.92	60%	53%

TABLE II

RATIO OF PRICES RECEIVED TO PRICE PAID (PARITY RATIO)

<u>MONTH</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
January	66%	73%	65%
February	67%	74%	65%
March	69%	74%	63%
April	70%	73%	
May	72%	73%	
June	72%	72%	
July	71%	71%	
August	70%	69%	
September	72%	70%	
October	71%	68%	
November	71%	68%	
December	72%	67%	
Annual	70%	71%	

TABLE III

TOTAL OUTSTANDING FARM DEBT, JANUARY 1, 1970-80, 1981 PROJECTION

Year	Real Estate Debt	Non-real Estate Debt Excluding CCC Loans	Price Support & Storage Loans made or guaranteed by CCC	TOTAL Including CCC Loans
<i>Million Dollars</i>				
1970	\$ 29,183	\$ 21,168	\$ 2,676	\$ 53,027
1971	30,346	22,262	1,876	54,484
1972	32,208	24,644	2,262	59,114
1973	35,758	27,794	1,793	64,345
1974	41,253	32,134	750	74,137
1975	46,288	35,226	319	81,833
1976	51,069	39,406	358	90,833
1977	56,560	45,061	1,012	102,633
1978	63,642	51,142	4,489	119,273
1979	72,232	59,998	5,242	137,472
1980	83,122	70,240	4,500	157,862
1981				182,000

TABLE IV

GROSS AND NET FARM INCOME, RELATIVE GROWTH OF INTEREST EXPENSE AS A COMPONENT OF FARM PRODUCTION OUTLAYS

Selected Years and 1980 Projection

Year	Gross Farm Income (Mils)	Net Farm Income (Mils)	Total Production Expenses (Mils)	Farm Int. Expense (Mils)	Interest Expense As % of Outlays
1940	11,340	4,482	6,858	479	7.0%
1950	33,103	13,648	19,455	598	3.1%
1960	38,894	11,518	27,416	1,347	4.9%
1965	46,549	12,809	33,650	2,103	6.2%
1970	58,575	14,151	44,424	3,382	7.6%
1975	100,338	24,475	75,863	6,377	8.4%
1978	125,976	27,880	98,096	9,559	9.7%
1979	146,800	33,300	113,500	12,100	10.7%
1980		23-25,000*		14,000*	12.0%*

* Projections

HIGHLIGHTS OF 1980 NATIONAL FARMERS UNION CONVENTION
RECOMMENDATIONS ON FARM POLICY

AGRICULTURAL PROGRAMS FOR THE FAMILY FARMS

Family Farm Definition

A "family farm" is, ideally, one which is owned and operated by a farmer and his family, with the family providing most of the labor needed for the farming operation, assuming the economic risk, making most of the management decisions, reaping the gains or losses from the operations, and depending primarily on farming for a living.

Wherever the term "family farm" appears in this policy statement, it is intended to be inclusive of the term "family ranch."

Family Farm Structure of Agriculture

In the year since March 12, 1979, many Americans have been participating in a national dialogue on the economic and social issues that affect the structure of American agriculture and rural communities for the purpose of developing national policies and programs which will best promote the kind of agriculture and rural life Americans want for the future.

Throughout the nation's history, a family farm structure of agriculture has been the clear choice of the American people. On every score, the family farm continues to be the superior choice -- assured abundance, efficient production, care of land and water resources, rural employment, quality of life in rural communities, and contribution to export earnings and a more favorable balance of trade.

The individual farm family stands almost alone as an example of free competition in the national economy, functioning in a mixed economy in which the free market has been modified by the corporate structure, by tariffs and import restrictions, by laws for fair trade pricing, by exclusive franchises, by restriction of entry into certain trades and professions, by an assured return on investment for public utilities, and by collective bargaining for workers.

Over the years, the Farmers Union has favored governmental policies and programs which would give agriculture a position of equality in a marketplace in which almost everyone else has some built-in protection. We believe such policies and programs should receive public support and be expanded to strengthen and to sustain our family farm structure.

Economic Equity for Farmers

An economic yardstick is essential both to measure the fairness of the prices and income received by farmers and to serve as the basis for establishing farm stabilization goals and support program levels.

Parity is the best and only legally recognized standard for these purposes. The Secretary of Agriculture should exercise, in good faith, the powers conferred upon him by Congress to maintain parity prices to farmers for all agricultural commodities. Levels of price support for each commodity should be expressed as a percentage of parity, with adjustment at least semi-annually so that support levels will fairly reflect changes in the cost of production and family living.

We consider the parity system as realistic, justifiable, and up to date as the Consumer Price Index upon which more than 60 million Americans rely for adjustments in their economic returns, wages, benefits, or retirement pay as costs rise.

Actual changes in the computation of the parity formula should be published by the USDA and made public so the agricultural community will be made aware of the fairness of the system. The reports should be included in national newspapers so the general public will also be informed.

National Food Policy

National Farmers Union believes there is one overriding issue on which the future of family agriculture and the future of our nation's food supply depends -- the need for a national food policy which provides a fair return to farmers and abundant and stable food and fiber supplies for consumers.

Such a food policy must focus on both short-term and future needs, taking into account vagaries in weather, population increases, world demands, economic conditions, and international emergencies.

Farm Programs

We favor the construction of a renewed and revitalized farm program by building upon, modernizing, and improving the basic farm legislation enacted during the past forty years in order to provide a coordinated and comprehensive national agricultural commodity policy which will be fair to both farm producers and consumers and meet the needs of farmers, the American public, and our export customers.

Our goal includes the following:

Family Farm

A national commitment and positive measures to preserve and strengthen the family-farm system as the basic pattern in American agriculture.

Program Recommendations

National Farmers Union supports 100 percent of parity, as defined by law, for all commodities produced by family farmers, and we insist that the Secretary of Agriculture and the President of the United States implement, to the fullest extent, the 1977 and 1978 farm acts.

We further insist that the Commodity Credit Corporation use the full powers available under its charter to increase family farm income to an adequate level.

Coordinated programs of farm price and income supports should assure 100 percent parity to all cooperating producers of agricultural commodities through use, for each commodity, of the most suitable selection or combination of the following measures:

Non-recourse loans, purchases or purchase agreements at not less than 90 percent of parity;

Deficiency payments to raise family farmers' receipts to a target of 100 percent of parity. Such payments should be designed so as to enable family farmers to obtain net family incomes from farming to at least equal the national median family income;

A program conforming to the "ever-normal granary" principle to protect producers from the price-depressing effects of surpluses of storable commodities by (1) enabling farmers to extend their non-recourse price support loans from year to year; (2) permitting loan collateral commodities to be stored, under the producer's control, in approved storage facilities on the farm or in cooperative or commercial warehouses; (3) providing for the government to absorb each prior year's storage and interest charges for any months during which the average prices received by farmers have not exceeded 100 percent of parity; (4) prohibiting any sales of commodities acquired by the government as loan collateral at less than 110 percent of parity; and (5) authorizing the government to take an option to buy from producers, at 110 percent of parity, a portion of any commodity pledges as collateral for extended price support loans;

As the most effective means for managing supplies of food and fiber, we prefer mandatory supply management programs, through affirmative producer

referendums, to assure consumers, both domestic and foreign, an adequate supply of food and fiber at fair and stable prices;

Extension of the Agricultural Marketing Agreements Act of 1937 to provide optional authority for producers of all agricultural products to use marketing agreements and orders;

For perishables and other commodities as needed in order to achieve the goal of 100 percent of parity, a combination of purchases of processed products for temporary storage or donation, bonus food stamps to encourage increased consumption by the needy;

Elimination of the present system of fixed limitations on imports of agricultural commodities and establishment of a new system of variable import duties, equal to the shortfall, if any, of the current market price in world trade from 110 percent of parity; and

Negotiation of international commodity agreements for grains, dairy, and other agricultural products as needed to maintain national and world prices within a range of 90 to 110 percent of parity.

In the implementation of any or all, or a combination of the above income support programs, realistic limitation on payment must be applied which gives preference and protection to the family farmer and the family-farm system of agriculture.

Domestic Marketing Policies

Price support and supply management programs provide a basic framework of protection for agricultural producers in the marketplace by preventing the price-depressing effect of oversupply. Alone, however, they do not sufficiently fortify the weak bargaining position of producers, nor assure fair prices. Additional mechanisms are needed to improve the producer's position in the marketplace.

Improved Marketing Mechanisms

National Farmers Union calls upon the Congress to strengthen the Marketing Agreements Act of 1937 to extend marketing order authority to all commodities.

National Farmers Union also reaffirms its support for enabling legislation to establish a National Agricultural Relations Board or separate board for single or groups of closely related commodities, with authority to bring farmers and farm cooperatives together with processors for the purpose of bargaining over prices received by agricultural producers. Farmers need and are entitled to a firm legal procedure which will enable them to manage the production and marketing of their products. Such legislation should preserve, unimpaired, the long-standing rights of farmers to participate in bargaining associations and cooperatives without being subject to anti-trust action.

We favor amendment of the Agricultural Fair Practices Act to require the buyers of agricultural products to bargain in good faith with associations of producers.

Access to World Markets

Farmers need and deserve to be assured that they will have the right to sell their products in world markets if they are to maintain their productive capacity to serve the world market. Farmers are concerned that there have been six stoppages of United States farm exports by government action during the past fifteen years, and that the power to restrict exports is institutionalized in the Export Administration Act and the five-year US/USSR grain agreement.

Section 1002 of the Food and Agriculture Act of 1977 provides for an automatic increase in price support levels to 90 percent of parity when there is a suspension of exports due to shortness of domestic supply. This is a good provision, but it does not apply to circumstances in which the stoppage is for political or national security reasons. We, therefore, recommend that Section 1002 be amended to make it immediately operable when limits are placed on exports of farm commodities for whatever cause.

A COMMENTARY ON THE "CENTRAL CONCERNS"
RAISED BY WITNESSES AT THE REGIONAL HEARINGS
IN CONNECTION WITH
THE NATIONAL DIALOGUE ON THE STRUCTURE OF AMERICAN AGRICULTURE

In the accompanying extracts from the 1980 Policy Statement of the National Farmers Union, our organization addresses itself to most of the principal subject areas touched upon by those appearing at the regional hearings.

The Farmers Union exists for and has a total commitment to the family farm structure of agriculture. To us, the family farm is not debatable. What is debatable is whether existing policies and statutes are effectively achieving what was intended by the Congress in its repeated affirmations of national policy to foster and encourage the family farm system in this Nation.

In their contributions at the regional hearings, Farmers Union witnesses sought to keep the central focus on the need for adequate farm prices and income. Other factors, of course, have an impact on the structure of agriculture, but they are secondary to the effects of adequate or inadequate farm prices and income.

Many of the more than 100 questions raised in the USDA "Central Concerns" paper have been dealt with in Farmers Union's testimony. Additional views are submitted here on some specific points.

What do you view as the objectives of the present commodity programs? Do you think they may be contributing to problems in the sector?

Commodity program support levels would have to be substantially higher than recently to have a major impact on the problem of low economic returns in agriculture. Used in connection with realistic limitations on government payments to farmers, commodity programs would not contribute to problems in the sector.

What effect have the commodity programs had on the rapidly rising land prices of recent years?

Farmland prices have not risen appreciably above the rate of increases in prices of other land, nor above the general inflation rate. But commodity support programs have had little or no effect on the rise which has taken place.

What would be the economic effects of setting price support loans or target prices at 90 or 100% of parity?

Excellent. During the periods in our history when farm prices have averaged at parity or above, we have had a stable agriculture, it has provided assured abundance for the Nation and contributed importantly to full employment in the national economy.

What measures do you suggest be used for valid comparisons between the income, prices, and returns of the agricultural sector with other sectors of the economy?

Parity is clearly the best standard. It is the only legally recognized standard. But any other standard, if honestly designed and applied, would yield the same measurements as parity. Thus a fair rate of return might be devised as in some regulated industries. Unfortunately, the motivation behind some discussions of an alternative standard has been to devise a cheaper standard for agriculture -- so to speak, a two-foot yardstick.

Do you think that off-farm investors and part-time farmers should get the same consideration in farm policy as the person who farms the land full-time as their main source of income?

There is no reason why off-farm investors should get any consideration. As for part-time farmers, measures should be available to help them move towards a farming unit which would fully employ them.

What is your view of the proper role of government with respect to farm product price and income supports?

Ideally, the federal government should provide self-help economic tools to farm producers and create a climate in which farmers can use these tools to assure themselves a remunerative return for their work. But, if producers cannot effectively use such mechanisms, they should have recourse to government stabilization programs to assure fair prices and income. Whether or not there should be a government program for a particular commodity should depend on the desires of the farmers.

Do you favor indexation of farm product prices and income supports?

Of course. Indexation makes eminent economic sense.

Who do you believe should be the major beneficiary of the government programs for agriculture?

Society should be the major beneficiary. Programs should be fair to both farmers and consumers. As between the farm operator and the landlord, the farm operator should be the major beneficiary, with the owner of the land being assured his equitable share through the rental or lease arrangement.

What effect are rising energy costs and uncertain availabilities likely to have on farm structure?

The effects are likely to be equally damaging to most farmers, although some corporate or conglomerate farming units may have special arrangements which spare them some of the hardship.

Is it essential or desirable that a substantial portion of the producers of our food be farm owner-operators?

Yes, it is. The separation of the functions of land ownership and farm operation is a generally undesirable trend and should be discouraged. Programs should exist to help farmers who begin as renters to acquire ownership or an equity in their units.

Should foreign ownership of U. S. farmland be restricted?

It should not only be restricted, but land now held by alien interests should be divested within a short period of years.

Should the federal government take a more active role in encouraging conservation on farms?

Yes. But mandatory regulations should not be necessary. Compulsion would not be needed if conservation cost-sharing were on something better than a penny-ante basis.

What is the legitimate role of farm cooperatives?

It is spelled out in the Capper-Volstead Act, the Cooperative Marketing Act, the Agricultural Marketing Agreement Act of 1937, and other statutes. The legitimate role is to do for farmers through mutual efforts what they cannot effectively do as individuals to provide themselves some countervailing power in the marketplace. Cooperatives are very different from large corporations, they have few of the predatory tendencies of giant corporations.

Are the special tax provisions given agriculture justified and should they be continued?

The special tax provisions can be useful and should be continued, but limits should be placed upon the benefits so that they do not provide incentives for farms to become larger than family farms. The special tax provisions for agriculture should be limited to persons who make their principal livelihood in farming.

What is the impact of current inheritance taxes on the average-size family farm -- and should estate taxes on agricultural assets be further eased or eliminated?

As a result of the adoption of the Tax Reform Act of 1976, with its provision for the valuation of farmland for estate tax purposes according to its value for farming, and with the 1980 repeal of the carry-over basis of the 1976 Act, we find the situation generally satisfactory for family-size farms. We would see no point to the elimination of the estate tax since it now applies only to a very small percentage of farm estates.

Should the government try to discourage tax shelters in agriculture by non-farmers?

Yes, by all means.

Should individual income tax provisions be modified so as to alter the benefits accruing to large and very large operators?

Yes, a line should be drawn so as to avoid providing subsidies to enlargement beyond family farm size.

Should tax benefits for non-resident alien owners of U. S. farmland be limited or removed?

Alien interests should have no tax advantage over domestic owners.

What is the appropriate role of government in sharing risks with farmers?

As a result of the Agricultural Acts of 1970, 1973, and 1977, federal risk-sharing on commodity prices and income is very minimal. The government ought to support commodities at 90% of parity or higher. As to production hazards, the Federal Crop Insurance program covers only a minute percent of crop and livestock value. Protection against natural hazards has been helpful, but this is about to be phased out.

What has been the effect of government credit policies on agriculture?

Over the years these programs have been helpful, but have not been funded on a sufficient scale. The programs have been weakened by the trend away from direct loans and by the recent trend away from subsidized interest rates.

What is the federal role relative to the private sector in farm lending?

The federal government has been trying gradually to minimize its role in farm lending and to perform only a supplementary function in serving only those applicants who cannot get credit elsewhere. This is a mistake. The federal government should provide whatever loan funds are needed by family-size farming operators who cannot get capital at a nominal cost -- 5% interest rates under normal conditions.

Should there be limits on government loans to larger farmers or to those who are not full owner-operators?

Loan programs should be limited to family-sized farm operations. Loans to tenants are proper if they are part of an overall strategy to become owner of the farm.

Do government policies, specifically commodity policies, have an impact on the availability of and need for credit for entering farmers?

High-level commodity support programs are a definite plus for the entering farmer and his ability to get financing. Needed capital for beginning farm couples would be much easier to obtain if commodity support levels were at 90% of parity.

How significantly does inflation influence factors such as farm size, tenancy and the commodities produced?

Inflation is probably severely damaging to all kinds and sizes of farms, although conceivably a corporate farm with access to internal capital of the corporation might shield itself better than other farms. Inflation is devastating for the family trying to make a livelihood on the farm, thus it is imperative to have a parity or escalator provision to keep pace with costs.

Do price support programs have an effect on inflation?

They could begin to have such an effect if they were able to sustain farm prices at well above 100% of parity on a continuing basis. There is certainly no inflationary impact discernible with supports at their current sub-basement levels.

What are some possible remedies for inflation to which agriculture can contribute?

It could make demands for more moderate energy costs and interest rates, but even if this were achieved perhaps not all of the benefits would filter through to the consumers of food.

How much should we rely on foreign markets, given the inherent instability of such markets?

World markets would not have to be unstable. The U. S. government is contributing to that instability by refusing to negotiate and implement international commodity agreements with fair pricing provisions.

Should we continue indefinitely the goal of maximizing exports?

Only if the price is right.

Do USDA commodity policies positively or negatively affect retail food prices?

Currently, USDA commodity policies do little to "positively affect" prices in favor of producers. The low levels of support are sometimes said to be a "cheap food policy" in favor of consumers. The long-range wellbeing of both farmers and consumers would be served by a farm policy which would consistently keep farm prices and income near parity, thereby assuring the economic viability of farming and providing consumers with assured abundant supplies at stable and reasonable prices.

Farm Belt Trouble Brewing for Carter

By Robert J. Samuelson

There's trouble brewing for the Carter White House in the Farm Belt. Farmer income is now headed toward its lowest levels since the late 1960s, and, if farmers vote their pocketbooks, many of the key agricultural states probably will end up in the Republican column in November.

That's where most of them were in 1976, and that's where the conventional political wisdom says they belong. Farmers are cautious and conservative, and so they vote Republican. But the conventional wisdom forgets the substantial populist sentiment among farmers—particularly in the South and upper Midwest—and the increasing urbanization that has torn many traditional farm states from their Republican roots.

What's also forgotten is just how close the 1976 election was. Jimmy Carter won only 50.1 percent of the popular vote, and the victory of

According to the Agriculture Department's latest estimates, farmer net income in 1980 could drop by between one-fifth and one-third from 1979's total of \$33 billion. Translated into 1967 "constant" dollars, the department estimate would mean lower income than in the unhappy years of 1976 and 1977, which brought the tractorcade to Washington, and lower than in the late 1960s. The comparison with the 1960s is misleading because the number of farms has dropped, but the dip since 1977 has been slight.

To say that these states vote only on the basis of farm issues is, of course, preposterous. Even in South Dakota, the farm population is only about one-fourth of the total; nationally, it's less than 5 percent. But the economic and political impact of farmers is greater than the numbers suggest. In major grain states such as Kansas and Iowa, farmers' prosperity affects the rest of the local economy, creating de-

ECONOMIC FOCUS

margin in many states amounted only to 2 percent of 3 percent of the vote. Consider the following list of key Midwest farm states, showing the winner's percentage of the vote:

Illinois, 50.1% (R); Indiana, 53.3 (R); Iowa, 49.5 (R); Kansas, 52.5 (R); Michigan, 51.3 (R); Minnesota, 54.9; Missouri, 51.1 (D); Nebraska, 59.2 (R); North Dakota, 51.6 (R); Ohio, 43.9 (D); South Dakota, 50.4 (R); and Wisconsin, 49.4 (D).

On this evidence, virtually all these states—with the possible exception of Nebraska—ought to be up for grabs this fall. But the prospective drop in farm income could make any real contest illusory.

Samuelson writes regularly on economic affairs for National Journal, from which this article is reprinted.

mand for farm equipment sales and consumer goods. In industrial states, the farm vote can prove decisive.

What is distinctive about the current slump is that it seems to have hit virtually all sectors of farming. Usually, trends in farm prices tend to favor one farm group over another. A decline in grain prices, for example, tends to help meat producers because grain is one of their major operating costs. This year, both groups appear to be hurting.

Traditional Democratic states may be hardest hit. Minnesota farmers feel especially aggrieved, according to Luther Pickrel, a professor at the University of Minnesota's extension school.

Last summer, a strike of grain handlers at Duluth crippled ship-

ments. Now, these same farmers—relatively distant from markets—feel that high transportation costs cut into their grain prices and add to the costs of their suppliers, says Pickrel. And, he adds, they're blaming the administration's partial embargo of grain shipments to the Soviet Union for their plight.

This may not be fair. The administration went to extraordinary lengths to insulate farmers by buying grain on the open market and by taking extra amounts into long-term storage under government loan. In addition, there's almost certainly been a game of musical chairs among importers and exporters. As the Soviets attempt to buy from other exporters, some demand from Third World countries has shifted to the United States. Corn and wheat prices are still at last year's levels; and, despite the embargo, the Agriculture Department projects record food exports of \$38 billion, up by nearly one-fifth from 1979.

Whether exports and prices would have been still higher without the embargo is anyone's guess. But farmers certainly are entitled to think so—and probably will.

Their basic problems lie elsewhere and aren't entirely of the administration's making. Grain farmers have suffered from stiff rises in fuel and fertilizer costs, both reflecting higher oil prices, and a simultaneous jump in interest rates. Costlier money also has hurt meat producers, who need large amounts for feed and the purchase of young livestock. Together, these factors account for more than half of the \$10 billion to \$16 billion increase in farm operating costs expected by the Agriculture Department this year.

At the same time, hog prices

have collapsed. Responding to higher meat prices and lower grain prices in 1977 and 1978, producers expanded output significantly. But rising production and a limping economy now have resulted in a price decline of about one-third from year-earlier levels. That's not mainly the administration's fault. Nor is the slump in soybean prices (down about one-sixth this year), which relects large harvests both here and in other producing countries such as Brazil.

But the White House is likely to get blamed anyway. The irony is that the administration—partly under pressure from Congress and partly of its own volition—has been relatively kind to farmers in setting support prices and loan rates for grain producers. It's arguable that a Republican administration would have been a lot less forthcoming.

A final frustration involves consumer food prices. All the farmers' unhappiness might be worth the trouble if a dramatic decline in retail food costs had broken inflation's back. It hasn't. About 60 percent of food prices represent marketing, packaging and transportation expenses, which tend to rise as labor and energy costs increase. Consequently, food prices have climbed 7 percent in the past year, even though meat prices—influenced by large pork and poultry supplies—haven't increased at all.

A lot of course, can happen between now and November—to crop conditions, farm prices and political fortunes. Meanwhile, Carter administration officials undoubtedly regard the current situation as highly unfair. It probably is, but, as their boss once said, life is unfair. It's an old axiom of politics that the powers that be get blamed for the problems that be.

06 June 80

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Al McDonald
Jody Powell
Zbig Brzezinski



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 4, 1980

*Jim - ok
cc Jody*

J

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM MCINTYRE *Jim*
SUBJECT: Suggested Talking Points on our Defense Record

Pursuant to our conversations in the Budget Overview meeting yesterday, we have consolidated a set of talking points on the various aspects of our defense budget record. We have included references to historical cuts, our own real growth successes, the S-211 agreements, the opposition rhetoric, and other relevant points.

I hope you find this useful in your contemplated public statements on the subject. We can provide any additional material you need, and will distribute this paper to the senior staff for their own use if you approve.

cc: Jody Powell

TALKING POINTS ON ADMINISTRATION
"CONSISTENCY" ON DEFENSE POLICY

-- In recent weeks, certain individuals have protested quite vocally regarding my opposition to a major further addition to my already quite significant defense budget increase for next year (fiscal 1981).

-- In arguing for additional billions (budget resolution adds \$6.8B BA, \$3.2B outlays) beyond our own increases (\$20B BA, \$16B outlays above 1980), these individuals have done two things:

-- They have acted as though national security should stand not as our nation's top priority, but as our only one. In arguing for huge defense increases, they have conveniently suppressed or even ignored our economic environment, which calls for a balanced budget, and our many non-defense needs of our society, which must be funded at acceptable levels.

-- Second, they seem angered that the Carter Administration has delivered on a commitment which had not been achieved anytime in the past decade -- a steady, consistent real growth in each of three years of defense budgets -- a growth projected to continue in the next five years.

-- I find it ironic that my continued opposition to individual weapons -- like the B-1, for example -- is cited as an example of inconsistency. Nothing detracts more from the steady improvement of our military capability than the diversion of billions of dollars into glamorous but ultimately less effective weapons. Our greatest challenge is to sustain a balanced defense program, with the proper mixture of weapons, research, training, maintenance, and support.

-- My Administration can and will take credit, with the crucial help of key congressional leaders like Senator Stennis, for stopping a disturbing and consistent legislative trend. That trend, with us since the 1960's, has seen Congress add certain popular weapons items to Administration budgets, and then cut a far larger amount from a variety of places in the defense budget which frustrate the military services' efforts to improve their readiness for combat.

-- If the American people seek an example of inconsistency, that legislative record provides quite a story. Posturing for more defense dollars than any President requests and then not being able to resist some \$50B in defense cuts since 1968 is not only inconsistent, but makes sound defense planning and management doubly difficult.

-- My opposition to the budget conference report should be a surprise to no one. The remarkable cooperation earlier this year on balancing the 1981 budget led the leadership of the House and Senate and me to agree to a careful combination of defense and domestic programs. This unprecedented agreement was backed strongly in the House budget resolution. It was seriously skewed, however, in the Senate. We fought hard in the conference to sustain the spirit and substance of our March agreements, not because we felt committed to every dollar in the original compromise, but because we believed it was correct in general. Rather than sustain our earlier agreement or even "split the difference" between that balance and the Senate's departure, the budget conferees abandoned our carefully constructed budget and skewed it by billions of dollars. This happened, incidentally, even after the House rejected by over 100 votes an internal effort (the Holt Amendment) at such skewing.

-- My call to the budget conferees was quite simple: Stick to our agreement, and do not further reduce important programs throughout the budget in order to fund an unnecessary further increase in defense spending. For anyone to read my position as "anti-defense" requires them to ignore totally the fact that my own 1981 defense program grows by over 5% in real terms, increases \$20B over last year's, represents the largest defense budget in the history of the nation (in nominal terms only), and was strongly supported by the leadership of the House and Senate in our March deliberations.

-- My concern about the conferees' \$6.8B defense program (BA) add-on is not a symbolic one. It is based on close observation of the past and present congressional tendencies I noted a moment ago. Specifically, the defense authorization process is once again advocating major R&D and procurement additions (\$6.2 in the House Bill). Their support for these extra items, while well intentioned, is not an effective allocation of federal resources. Since only about half of our defense program is for research and procurement (the rest being manpower, training, support, etc.), it is not good sense to seek over \$6B in such increases without at the same time offering to fund the necessary manpower, spare parts, training, etc., needed to operate these weapons effectively. As is often the case, rhetoric is outpacing sound defense policy.

-- Finally, it has been suggested that my support for increased compensation for military personnel is not consistent with my opposition to the congressional add-ons in the budget resolution. In brief, some have said that I "cannot" ask for \$700M more for military pay while opposing a \$6.8B add-on to my budget.

-- In fact, the Secretary of Defense and the Joint Chiefs have indicated to me that this increase in pay raises was their highest priority. Given our overall budget constraints, the Defense Department has agreed to find room for that additional \$1B within their original \$161B program. This does not mean that the offsets will come from reductions in useless programs. Indeed, the items to be foregone were of high enough priority to have been included in my original budget. However, the offsets will come from the margin of our \$161B program, from less than 1% of the lowest of our many priorities in the budget.

-- Although it may fit their own views, it is not very persuasive for some to argue that it is "inconsistent" to support certain kinds of increases -- like military pay -- while opposing certain other kinds of more expensive and less needed ones -- like the hardware additions (B-1, F-18 increases, extra ships) urged by some in the Congress. (Even if I were to seek an overall increase for military pay, it would require less than \$1B, not \$6.8B). My support for a robust and growing defense program should not be stretched into acceptance of any and all defense expenditures, however marginal or questionable.

-- I recognize that Washington seems to encourage those who concentrate on demagoguing and posturing. That kind of rhetoric is not likely, however, to deter or win any military battles. Instead, we need, and I have consistently delivered, steady and increasing growth in our defense capabilities.

-- I have sustained just such growth for three years, and I know I can continue it. By 1985, with the support of the Congress, we will have doubled the U.S. defense budget during my Presidency (1977 BA \$108B, 1985 \$255B). Although many questioned my 1977 commitment to sustained real growth in defense, I have delivered such growth in each and every year. In that regard, the leadership of those in the Congress who have worked with me to strengthen our nation's military forces, while meeting the other vast requirements for our society, has been most appreciated.

-- On the other hand, those who take whatever an administration requests and cry out that it is inadequate send a different and disturbing signal. First, they trumpet to our adversaries an implied lack of preparedness and resolve. Second, they act as if their favorite programs or weapons are the only priorities of this nation, implicitly ignoring our economic and social imperatives.

* Note: The most striking Senate and conference changes to the S-211 agreements are in Budget Authority. Because the 1981 outlay impact is less dramatic, critics cite these smaller differences as being negligible. This should be challenged as misleading:

- Large cuts in domestic program BA for 1981 mean that important projects cannot be initiated or continued; and
- Large defense BA additions create a huge legacy in outlays for each succeeding year, and these added billions will put more and more pressure on both domestic and higher priority defense programs in those years.

11:00 AM

THE WHITE HOUSE

WASHINGTON

June 4, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

ALFRED E. KAHN *Fred*
ANNE WEXLER *Anne*
ALVIN FROM *Al*

SUBJECT:

Meeting With Executives of Machinery
Industry

Thursday, June 5, 1980
11 a.m. to 11:15 a.m.
Roosevelt Room

I. PURPOSES

The purposes of the meeting, as of all the others, are:

- o to encourage price restraint;
- o to emphasize the importance of bringing down the underlying inflation rate in the months ahead; and
- o to explore ways the Administration and the industry can work together to reduce inflationary pressures and to improve the industry's economic outlook.

II. BACKGROUND, PARTICIPANTS, AND PRESS

A. Background

This is the eighth in the current series of meetings we have held with leaders of important industries.

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for Preservation Purposes**

Producer prices for machinery have increased sharply during the first four months of this year:

- o For construction machinery and equipment they have increased at a 16.6 percent annual rate so far in 1980, compared to 10.3 percent in 1979.
- o For electrical machinery and equipment they have increased at a 20.7 percent rate, compared to 9.4 percent last year.
- o Oil field machinery and equipment have also escalated at a 20.7 percent rate, compared to 12.2 percent last year.

One important reason for those accelerated increases is higher material input costs. Prices for steel mill products, the most important of these for the large machinery companies, have also increased sharply during the first one-third of 1980.

The fact remains that these price increases come in the face of generally declining demand.

The slowdown in construction has already resulted in some layoffs by construction machinery firms. Caterpillar, the nation's largest producer, for example, has announced that up to 7,000 of its 63,000 person workforce will be laid off during June and July -- the first layoffs at Caterpillar since 1960.

The machinery industry -- and construction and electrical machinery, in particular, -- seems to foreshadow the difficulty we will have bringing down the underlying inflation later this year. Cost pressures continue to push prices up, counteracting the price depressing forces of the recession.

For the most part, the companies attending are in compliance with the standards.

B. Major Issues

There are a number of issues of concern to the industry that could come up at the meeting:

- o The State of the Economy. In addition to their obvious concerns about the depth of the recession, these business leaders will have a particularly keen interest in our view of when circumstances will allow the Administration to propose tax cuts to encourage capital formation.
- o Nuclear Power. The electrical machinery industry is concerned about both the future of nuclear power in this country and the delays it encounters in getting licenses to export nuclear equipment.
- o Federal Spending Cutbacks. The construction and electrical machinery companies are likely to be concerned about cutbacks for both Federal construction projects and funding for the Export-Import Bank, on which they depend heavily for financing their foreign sales.
- o Foreign Trade. Since these firms are large exporters, they are very concerned with trade policy. The electrical companies are unhappy that during the Tokyo Round of trade negotiations, the member countries of GATT did not include government-owned utilities in their agreement not to discriminate against foreign suppliers in government procurement. NTT
- o Taxation of Americans Working Abroad. The major machinery firms are concerned that tax laws place them at a competitive disadvantage in world markets.

C. Agenda

- | | |
|--------------|---|
| 10:30-10:35: | Welcoming Remarks by Fred Kahn |
| 10:35-10:50: | Comments on general economic situation and outlook by Charlie Schultze |
| 10:50-11:00: | Discussion of nature of inflation problem and importance of reducing the underlying rate by Fred Kahn |

11:00-11:15: Remarks by the President

11:15-12:00: Discussion led by Fred Kahn

D. Participants

Top executives of construction, electrical, and oil field machinery manufacturers. A list is attached.

E. Press

White House photo and press pool for your statement. If you decide to remain for questions, press will be removed.

F. Talking Points

Talking points are attached.

MACHINERY INDUSTRY PARTICIPANTS

Laurence L. Browning, Jr., Executive Vice President - Emerson Electric

Douglas D. Danforth, Vice Chairman and Chief Operating Officer - Westinghouse Electric Corporation

C. W. Dierks, Jr., Chief Executive Officer - Siemens Allis, Inc.

G. Grant Duncan, Vice President of Purchasing - Fiat Allis

Norris K. Ekstrom, Chairman of the Board, CEO - Bucyrus-Erie Company

William B. Faulkner, Corporate Vice President & Assistant to President - American Hoist & Derrick Company

Dale S. Gronsdaahl, Vice President for Commercial Division - Caterpillar

Stanley Hiller, Jr., Chairman of the Board - Baker International

Kempton Jenkins, Consultant - Armco, Inc.

Mitchell P. Kartalia, Chairman of the Board - Square D

William A. Kistler, Executive Vice President - Hughes Tool Company

Richard T. Lindgren, President & Chairman of the Board - Koehring Company

Terence E. McClary, Vice President for Corporate Financial Administration - General Electric

Bert E. Phillips, President & Chairman - Clark Equipment Company

Bob John Robison, Vice President - FMC Corporation

James R. Stover, President & Chief Executive Officer - Eaton Corporation

Myron A. Wright, President & Chairman of the Board - Cameron Iron Works

11:50 AM

THE WHITE HOUSE
WASHINGTON

June 3, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Al McDonald
Rick Hertzberg
Bob Rackleff

SUBJECT: Presidential Talking
Points: Meeting with
Machinery Industry
Leaders

Scheduled Delivery:
Thur, June 5, 11 AM
Roosevelt Room

Your talking points for this group are
attached.

Clearances

Staff for Alfred Kahn
David Rubenstein

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for Preservation Purposes

[No salutations]

Bob Rackleff
Draft A-1; 6/3/80
Scheduled Delivery:
Thur, June 5, 11 AM
Roosevelt Room

11:00 AM

Talking Points for Machinery Industry Meeting

1. WELCOME TO THE WHITE HOUSE. THANK YOU FOR TAKING PART IN THESE MEETINGS WITH KEY INDUSTRIES TO HELP REDUCE INFLATIONARY PRESSURES. THIS IS THE 7TH MEETING IN THREE MONTHS.

2. LET ME BEGIN BY SAYING THAT I WANT TO WORK WITH THE MACHINERY INDUSTRY IN A SPIRIT OF COOPERATION AT THIS CRUCIAL TIME. WE ARE TURNING THE TIDE AGAINST INFLATION. SINCE MY INTENSIFIED PROGRAM BEGAN, THE BOND MARKETS HAVE RECOVERED, INTEREST RATES HAVE FALLEN, AND LAST MONTH BOTH THE PRODUCER AND CONSUMER PRICE INCREASES FELL SIGNIFICANTLY. WE EXPECT THAT PROGRESS TO CONTINUE.

3. I AM ALSO DETERMINED THAT WE BRING DOWN OUR HARDCORE, UNDERLYING RATE THROUGH VOLUNTARY WAGE AND PRICE RESTRAINT IN YOUR INDUSTRY AND OTHER BASIC INDUSTRIES. IN RECENT MONTHS, THAT UNDERLYING RATE HAS REACHED DOUBLE-DIGIT LEVELS, AND WE MUST COOPERATE TO BRING IT DOWN.

4. THE RECENT TREND IN MACHINERY PRICES IS NOT FAVORABLE. DURING THE FIRST FOUR MONTHS OF THIS YEAR, THE ANNUAL RATES OF PRODUCER PRICES HAVE INCREASED SHARPLY IN YOUR INDUSTRY. IN CONSTRUCTION MACHINERY, IT HAS BEEN 16.6%, COMPARED TO 10.3% LAST YEAR. IN ELECTRICAL MACHINERY, IT HAS BEEN 20.7%, COMPARED TO 9.4% LAST YEAR. AND IN OIL DRILLING MACHINERY, 20.7%, COMPARED TO 12.2% LAST YEAR. NONE OF US EXPECTS THESE

TALKING POINTS (2 pages)

RATES OF INCREASE TO CONTINUE FOR THE REST OF THE YEAR, BUT THEY ARE TROUBLING NONETHELESS. I URGE YOU TO EXERCISE RESTRAINT IN YOUR PRICES WHEREVER YOU CAN.

5. OUR PURPOSE TODAY, HOWEVER, IS NOT TO POINT FINGERS. INSTEAD, IT IS TO EXPLORE HOW TOGETHER WE CAN HELP REVERSE THE TROUBLING PRICE TREND IN YOUR INDUSTRY. WE ARE READY TO WORK WITH YOU TO REDUCE YOUR COSTS. I HAVE WORKED TO KEEP STEEL PRICE INCREASES MODERATE. AND IN APRIL, I MET WITH PRODUCERS OF NONFERROUS METALS AND METAL PRODUCTS TO ENLIST THEM IN PRICE RESTRAINT EFFORTS. AFTER THAT MEETING, TWO MAJOR PRODUCERS OF ALUMINUM ROLLED BACK PREVIOUSLY-ANNOUNCED PRICE INCREASES. AND WE ARE NOW SEEING THE PRICE DECREASE IN PRIMARY METALS -- COPPER, FOR EXAMPLE -- BEING REFLECTED IN METAL PRODUCT PRICES.

6. I KNOW THAT THE NEXT SEVERAL MONTHS WILL BE DIFFICULT FOR YOUR COMPANIES. THE ECONOMY IS IN RECESSION. THAT WILL LIKELY BE REFLECTED IN YOUR SALES AND PROFITS. BUT EVEN AS THE ECONOMY SLOWS WE CANNOT RELENT IN OUR OVERRIDING CONCERN OF REDUCING INFLATION. TO DO THAT WOULD MEAN A DEEPER RECESSION, MORE UNEMPLOYMENT, AND LOWER PROFITS. TOGETHER, I AM CONVINCED, WE CAN REDUCE INFLATION AND ENSURE OUR COUNTRY'S ECONOMIC SECURITY IN THIS DECADE. I LOOK FORWARD TO HEARING YOUR IDEAS AND YOUR CONCERNS.

#

6/5/80

Jack Watson

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Jody Powell

THE WHITE HOUSE

WASHINGTON

June 4, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Red Diamond V

At 9:30 a.m. yesterday, the freighter Red Diamond V, under Coast Guard escort, docked at Key West, Florida. On the 130-foot ship were 731 undocumented alien Cubans who had boarded recently at Mariel, Cuba and some 70 Cuban-Americans, mostly from the Miami area. Some of the Cuban-Americans had served as crew, and many had helped organize and finance the trip.

The captain, carrying a passport from the British Grand Turk Island, had demanded cash payment of \$450 for each Cuban on the list of relatives furnished by the Cuban-Americans. The captain was apparently operating without the authority and against the orders of the ship's owner, a Honduran citizen. Instead of proceeding to Mariel to load pineapple for delivery to San Pedro Sula, Honduras, as directed by the owner and reflected in the Customs clearance from Miami, Captain Peter Winston Philip departed Miami on or about May 6 and proceeded to Panama. There he changed the ship's registry from U.S. to Panamanian and then went to Mariel in mid-May and boarded refugees, subsequently taking them directly to Florida.

En route to Key West, the Red Diamond was boarded by Coast Guard personnel who warned the captain that he and the crew and organizers would be arrested and prosecuted upon arrival. An attorney for the captain had also so advised him by marine radio following conferences with the U.S. Attorney in Florida (Southern District - Miami).

Following our telephone conversation on this subject on Monday evening, I emphatically reaffirmed my previous instructions in your name to the Justice Department, Coast Guard, and U.S. Customs that, if and when the Red Diamond reached Key West, maximum civil and criminal sanctions were to be sought immediately against all appropriate parties.

When the ship docked yesterday morning, it was immediately boarded by an inter-agency team of law enforcement officers from Border Patrol, Customs, INS and Coast Guard personnel. The captain and the 70 Cuban-Americans were immediately arrested and charged by complaint with aiding and abetting a conspiracy to smuggle undocumented aliens in violation of 8 U.S.C. 1324, a felony, providing penalties of up to five years imprisonment, a fine of up to \$2,000 per alien, or both. The captain was also charged with violation of the Trading with the Enemy Act (50 U.S.C.) and related regulations

recently published amending the Code of Federal Regulations to prohibit transport to the United States of Cuban nationals without visas, and with carrying steerage passengers in violation of 46 U.S.C. 451, a misdemeanor (passengers without adequate berths and bathroom facilities).

At a bail proceeding before a U.S. Magistrate, bond was set for the captain at \$100,000 after the Government had recommended no bail, or bail in the amount of one million dollars. Under rules permitting satisfaction of bail by posting 10% cash, the captain was released late yesterday upon posting \$10,000. His passport was confiscated. The Cuban-Americans were released on personal recognizance bonds. Before release, all were questioned intensively.

The vessel was seized immediately upon arrival and is being held in custody by the U.S. Coast Guard under criminal seizure provisions. The White House is following to assist the ship (in rem), not the owner or operators. Their possible innocence will not bar retention of the ship. Papers will soon be filed to complete the seizure proceeding. The ship's log was seized as evidence and is being reviewed.

Mr. President:

The U. S. Attorney will file papers today seeking to revoke the captain's bail. Jack Watson has informed us that you wanted to see the attached memo today. He is hoping to release the statement tonight.

Rick/Patti

The next step in the legal proceedings will be prompt submissions of the evidence to a federal Grand Jury in Florida. There will be difficulty in indicting or convicting the Cuban-Americans because (1) about 75% of the aliens were in fact relatives; (2) the ship departed Miami before the mid-May ban; and (3) there is conflicting evidence whether it entered Mariel before or after the ban. Additional details favor their defense are that among the 731 aliens were very few single men and no prisoners or convicts, and that one-third of the Cuban-Americans on the ship were women.

As to the captain, one source said he insisted on delivery of cash before he could depart Miami, and suitcases filled with money were turned over to him (no money was found on the ship.) The case against him is considered strong.

A prepared statement to be issued through the White House press office concerning the Government's strict program of arrest, criminal seizure of vessels and felony prosecutions for ships, including those of foreign registry which illegally try to import Cubans to the United States.

Statement by the President

Yesterday a freighter of recent Panamanian registry landed at Key West, Florida with 731 Cuban refugees on board. This boat was chartered by Cuban-Americans in clear violation of my order that the private boat flotilla from Cuba cease.

Any person who attempts to circumvent this order will be prosecuted to the full extent of the law.

Any shipowner, captain or crew member agreeing to travel from U.S. or foreign ports to Cuba to take refugees to the U.S. in violation of American immigration law will face the most severe penalties under the law.

Ships engaged in such efforts will be seized regardless of the nation of registry. Ship captains will face criminal prosecutions and maximum civil fines. Those who charter boats for these purposes will also face criminal prosecution.

The penalties for aiding and abetting a conspiracy to smuggle aliens into the U.S. include prison sentences of up to five years and fines up to \$2,000 per alien brought to the U.S.

The captain of the freighter, the Red Diamond, and those responsible for chartering her services have been charged under these statutes. I have instructed the Justice Department to prosecute these cases vigorously.

There should be no misunderstanding of my intention. Illegal boat traffic in refugees is unacceptable to the U.S. It will be stopped. Those who attempt to evade this order will pay very severe penalties under our laws.