GOVERNMENT HELP BOOSTS FARM INCOME:
The financial pressures many farms face this year will be mitigated by the most generous government assistance on record. The nation's net farm income in 1999 could total $49 billion, well above the average for 1990 to 1998 ($45.5 billion) and only a few billion below the 1996 high-water mark. This year's farm income estimate includes an expected $21 billion in direct government aid, exceeding the record $16.7 billion subsidy distributed to farmers in 1987. About $5.5 billion of this year's government payments were included in a broader package of emergency aid for farmers totaling $8.7 billion and approved by Congress in mid-October.

Washington's generosity promises to relieve some of the sting of weak markets despite a determined farm policy shit in 1996 designed to end agriculture's reliance on government support. Congress' debate of this year's financial aid package for farmers touched on the always nettlesome issues of how much aid is appropriate and how it should be distributed. Thus, the farm down turn has tested the nation's new market-oriented farm policy and set in motion a debate on the direction of farm policy after current farm legislation expires in 2002.

balance sheet. Still, the recent declines are small compared with both the drop in values during the early 1980s and the run up since.

In addition to gains in farmland values, cautious borrowing has helped keep the farm balance sheet strong. Farm debt has increased in recent years, but at about $171 billion the industry's debt burden remains well below the $193 billion peak recorded in

In addition to the government help, a solid balance sheet will also help the industry ride out the downturn. A key factor in strengthening the farm balance sheet in recent years has been gains in farmland values. After tumbling in the early 1980s, average farmland values in the nation hit bottom in 1987 and then began climbing. Trends in farmland values are in themselves a key bellwether of agriculture's financial health, since farmland is about four-fifths of the industry's asset base.

With farm income prospects down, however, farmland values are beginning to soften. Average farmland values in the nation rose just 2.2 percent in 1998, the smallest gain since 1992. More recent data for the first half of 1999 suggest land values have slipped in some regions. In the Kansas City Federal Reserve Bank's seven-state region (Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Wyoming), average land values edged down about 1 percent during the year ending June 30. During the same period, land values also softened in the Chicago Federal Reserve District, especially in Illinois (down 7 percent), Indiana (down 4 percent), and Iowa (down 3 percent)-states dominated by corn, soybean, and hog production. The slippage in farmland values is sobering, given the importance of the farmland on the far 1984. The cautions borrowing has held down agriculture's overall debt-asset ration, which shows how much of the industry's asset base was purchased with borrowed money. At 16.5 percent, this key indicator of overall financial strength has edged up only slightly in recent years and remains well below the early 1980s crest of 23 percent.

The cautious borrowing is also reflected int

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he generally good shape of farm loan portfolios. At commercial banks for example, the share of farm real estate loans that were noncurrent (at least 90 days past due) on June 30 remained almost unchanged from the year before at 1.5 percent. Noncurrent farm operating loans edged up slightly during the year to 1.7 percent, still a relatively modest level compared to the mid-1980s crest of more than 8 percent.

More farm loans are likely to sour in the months ahead if farm commodity prices and incomes stay down. But farm lenders appear relatively well positioned to handle additional problem farm loans if they arise. Lenders have used strong profits in recent years to build up their capital-to-asset rations, which measure the lenders' financial reserves available to cushion against future loan problems. At midyear 1999, the average capital-to-asset ration was a solid 11 percent among commercial banks that specialize in lending to farmers and more than 15 percent int he Farm Credit System, agriculture's big cooperative lender. Thus, a considerable financial reserve stands between rural communities and another wave of farm bank failures like that of the mid-1980s.

Conclusions-
The nation's farm economy is in a deep slump, triggered by sharply falling exports just as the industry ramped up production. Weak grain and livestock prices have caused some erosion in farm finances, especially int eh Midwest and Great Plains. To date, however, the farm downturn pales in comparison to the farm financial bust of the 1980s. How deep the slump will go and how long it will last depend how soon farm exports recover. In the meantime, generous government assistance and the industry's solid balance sheet promise many farmers some breathing room.

Key Asian markets are beginning to bounce back signaling a rebound in farm exports. Farm exports, however are notoriously volatile. With grain inventories relatively lean, grain prices could remain weak for spike up, depending on how fast foreign markets rebound. Nevertheless, another big harvest this year promises to keep grain bins full and crop prices down for some months to come. While cattle producers are earning solid profits again, the profit outlook for hog producers remains bleak. Thus, some further financial erosion is likely to appear when lenders review their farm loan portfolios this winter.

Looking farther ahead, the 1990s farm financial downturn underscores the importance of the global marketplace to U.S. agriculture. Policies that promote an open and growing world market enhance incomes int eh developing world, boosting demand for U.S. agriculture's bounty. Thus, the industry has much at stake in the next round of world trade negotiations, which kick off late this year with a meeting of the World Trade Organization in Seattle. A successful outcome in these negotiations is U.S. agriculture's best long-term bet to bolster its future. With that though in mind, the Seattle WTO negotiations will be the focus of the December issue of the Main Street Economist.

SPRAWL REPORT:
Solving Sprawl: the Sierra Club Rates the States ranks growth management programs adopted by state governments by measuring the progress in four categories: open space protection, land use planning, transportation

planning and community revitalization.
Contact: Sierra Club, (415) 977-5000, www.sierraclub.org.

RURAL POVERTY:
Worlds Apart: Why Poverty Persists in Rural America, by Cynthia M. Duncan examines the dynamics of poverty, politics and community change in three remote areas. Focusing on the differences she observes, Duncan asserts that a strong civic culture is the key factor in areas where poor families have achieved economics stability.
PRICE: $27.50 CONTACT: Yale University Press, (800) 987-7323, www.yale.edu/yup

UNITED STATES ENTREPRENEURSHIP:
The Global Entrepreneurship Monitor 1999 Executive report by the Kauffman Center for Entrepreneurial Leadership and Babson College finds the United States is awash in private equity capital for new businesses, yet it is increasingly difficult for start-ups to
in rural areas that have successfully used the "sector strategy" of economic development, targeting a promising sector of businesses that produce similar products, use the same raw materials or technology, or have other similarities.
Price: $10, Contact: Center for Community Change, (202) 342-0567, www.communitychange.org.

ONE TO ONE MARKETING:
The One to One Fieldbook is an instructional manual for "1:1 marketing," the relationship marketing program developed by Don Peppers and Martha Rogers. This strategy uses increasingly interactive and individualized media to create and maintain stronger customer relationships. **Price:**

obtain it.
Contact: Kauffman Center, (888) 777-4709, www.entreworld.org.

LOCAL IMPACTS OF GLOBAL POLICY:
A new paper by the Corporation for Enterprise Development (CFED) and the Harrison Institute of Public Law at Georgetown University considers whether or not economic development could become illegal in the new global policy environment. The paper examines the proposed Multilateral Agreement on Investment and other recent accords' effects on local economic development efforts. **Contact: CFED, (202) 408-9793, www.cfed.org**

TARGETING SPECIFIC SECTORS:
Strengthening Rural Economies: Programs that Target Promising Sectors of a Local Economy, a report from the Center for Community Change, analyzes four programs

$19.95 Contact: marketing1:1, inc., (203)316-5121, www.marketing1to1.com

WHAT IS THE WORLD TRADE ORGANIZATION?
It was formed Jan. 1, 1995, as successor to the General Agreement on Tariffs and Trade (GATT), which since 1947 had regulated tariffs worldwide. The WTO's 23,000 pages of agreements regulate the following subjects:

Tariffs on trade in manufactured goods and agriculture:
Key principles include ``national treatment," which requires member nations to regulate imported goods in the same way as domestic goods; ``most favored nation," which

obligates nations to give equal treatment to all other member nations; and elimination of quotas, such as requiring the United States to end its politically sensitive apparel and sugar quotas by 2005.

Services: Rules force nations to open their banking, insurance and telecommunications industries to foreign competition. U.S. firms have benefited greatly.

Intellectual property: Copyrights, trademarks and patents are crucial for the U.S. computer, software, entertainment and biotechnology industries, which lose billions of dollars each year from pirated goods.

Food: The Sanitary and Phytosanitary Standards (SPS) agreement covers food safety issues from pesticide regulations to product labeling and genetically engineered foods. Critics say SPS rulings undermine establishment of policies that will be more conducive to U.S. business interests.

However, the first order of business in Seattle, is anestablished agenda, which was difficult as all 135 members of the organization must approve items for discussion before any relevant agreements can be made. Negotiators had hoped to settle the agenda prior to the Seattle meeting but broke off talks after reaching an impasse. U.S. Trade Representative Charlene Barshefsky said in a press conference that she does not believe the divisions between negotiators are "all that deep," however, an agenda must be established or a launch of the new round of negotiations will be in jeopardy.

U.S. Commerce Secretary William Daley said that the impasse was the result of "lots

safety standards -- for example, a ruling this year against the European Union's ban on hormone-treated U.S. beef.

Government purchasing: The WTO bans nations and their states or provinces from giving preference to local industries in government purchasing of goods and services. In September, as a result, California Gov. Gray Davis vetoed a bill to give preference to California-made and U.S.-made goods in state and local procurement.

WTO TRADE GROUPS:
Despite difficulties among negotiators in establishing an agenda for the World Trade Organization's Ministerial meeting, the official U.S. trade delegation arrived in Seattle over the weekend largely unified behind an agenda to work for the

of posturing, lots of tactical moves" intended to influence trade talks.

In setting the agenda, the goals of the administration and American businesses are similar. Despite the historic alliance between the Democratic Party and labor unions, the president has consistently diverged from the interests of labor on several major trade issues, such as the establishment of the North American Free Trade Agreement and the fight for fast-track trade negotiating authority.

The goals of the administration include ending export subsidies for farm goods, defending intellectual property by implementing past agreements, establishing minimum labor standards, preventing e-commerce taxes and enhancing the organization's accessibility and transparency to ordinary citizens.

Both the administration and the business community also want to extend membership in the organization to China and post-Communist bloc nations. The administration also hopes to win approval for provisions that mandate the consideration of environmental impact in the negotiation of trade agreements.

Outside the meetings, the administration and business interests and other advocates of free trade have an equally pressing task. At the same time the groups are working to enact reform of the institution, they are also finding themselves cast as defenders of the WTO. Critics of the international trade organization say it is undemocratic and insensitive to social goals not easily measured in economic terms, such as the environment and human rights.

Even the staunchest American advocates of a strong WTO argue that it must win acceptance among the American people by becoming more accessible. Reforms sought include speeding the release of internal documents, enhancing the input of citizens and citizen groups, providing the opportunity to file amicus briefs in dispute proceedings and opening these proceedings to public observers.

WTO UNDER FIRE:
During the international trade talks, the head of the World Trade Organization warned labor leaders Sunday of a "darker side" to criticism of world trade regulations.

"Some of the attacks are part of a broader assault on internationalism - on foreigners, immigration, a more pluralistic and integrated world," WTO Director-General Mike Moore said. "Anti-globalization becomes the latest chapter in the age-old call to separatism, tribalism and racism."

On Tuesday, December 30, the 135-nation WTO began meetings to launch a multiyear round of trade negotiations. The talks were intended to lower trade barriers in agriculture, services and industry, and to set rules for electronic commerce, biotechnology and foreign investment.

Moore's remarks came before a speech to the International Confederation of Free Trade Unions , which is based in Brussels. Critics blame WTO and globalization for eroding human rights, labor, environmental, and food- and product-safety standards. They say trade liberalization gives corporations more power.

"We do not believe that the international community should tolerate a world in which, for far too many people, 19th century working and living standards will continue unchanged into the 21st century," says Bill Jordan, who heads the international confederation. He is also the leader of a British trade union.

Others disagree with Moore's suggestion that WTO opponents have ulterior motives. "That's nonsense," says Medea Benjamin, director of the human rights group Global Exchange, based in San Francisco. "The foes of the World Trade Organization are really the ones fighting racism and holding onto labor standards," he says. "In the ranks of our movement are the Lati sweatshop workers, immigrant workers, African small farmers, small-business people around the world and on the other side are mostly rich, white CEOs who are making a killing from the present rules of the global economy."

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