

House Committee finishes draft, must make it fit budget

WASHINGTON — The House Agriculture Committee has completed its first round of work in drafting the 1985 omnibus farm bill and will move next to a review of whatever revisions may be needed to bring its package into line with Congressional budget guidelines, Chairman Kika de la Garza, D-Tex., announced.

The Committee voted to resume drafting sessions on September 4 with a September 10 deadline for completing action.

"This bill, as it stands now, is a responsible, bipartisan effort to find new and more effective ways to deal with an economic crisis in American agriculture," de la Garza said. "But it clearly falls outside the budget limits which Congress has now established. We must now try to see what can be done to solve the budget problems without damaging the basic safety net we want to preserve for farm income."

De la Garza added that "whatever we finally come up with will cost more than the drastic proposals we originally got from the administration, and I make no apology for that in view of the critical situation in agriculture today. But we also have to face up to the new Congressional Budget Resolution — and that is important to farmers as well, because progress in reducing the overall federal deficit may be as important to the future of agriculture as anything we do in this farm bill."

The Committee bill in its current form provides that for four crop years beginning with 1986, market prices of major crops like wheat and corn would be made more competitive by authority to link commodity price support rates more closely to market conditions, and by several export expansion programs. At the same time, however, the actual income return to farmers who cooperate with strengthened federal surplus-control programs will be protected by retaining a system of target prices and providing that these targets cannot be cut from current levels for at least two years and

probably for four years, de la Garza added.

The Secretary of Agriculture, under the tentative bill, would be given discretionary authority to use either of two alternate price support loan systems for wheat and feed grains, de la Garza said. Both plans are designed to allow American grains to sell competitively on world markets. One is a traditional "non-recourse" loan program, and the second is a new "marketing loan" system. Under the marketing loan plan, eligible farmers could get support loans based on the basic formula proposed in the bill's basic program, but they would repay the loans in cash at rates tied to current open-market prices.

The target price provisions of the bill would operate in conjunction with whichever support loan system was used.

In addition to programs for stabilizing farm income and production, de la Garza noted, the omnibus bill includes major new provisions and extensions of existing programs in fields including trade expansion, conservation, agricultural credit, domestic and foreign food assistance, and research.

Major provisions of the bill in its tentative form include:

Wheat, Feed Grains, Cotton, Rice

The bill would adopt a market-oriented system for setting price support loans at levels that would make American crops competitive in international markets.

Basic preliminary loan rates for wheat and corn, for example, would be set each year on the basis of formulas using average market prices of recent years (with any declines limited to 5 percent a year).

After determining the basic initial rate, the Secretary would then choose one of two alternate methods of operating the grain programs for the forthcoming year.

If he chose to retain the traditional "non-recourse" loan system, he would have authority to reduce each year's basic wheat and feed grain loan rates by up to

20 percent if needed to compete on world markets.

Alternatively, if he chose the marketing loan system for any year, the Secretary would keep wheat and feed grain loan rates at the basic formula level, require repayment of the loans in cash, and allow repayment at market-price levels.

Basic loan rates for cotton and rice would also be set by a formula using recent open market price averages with any declines limited to 5 percent a year and with authority for the Secretary to reduce each year's rate by up to 20 percent if necessary to meet world competition.

Target prices for grains, cotton and rice, which protect farmers' income with direct payments when market prices are below the target rate, would be frozen at current levels through 1987 to prevent any reductions in returns to farmers.

For 1988 and 1989, the bill sets up a formula which would permit declines of no more than 5 percent a year in target prices, but no cut could be made unless the Secretary of Agriculture first certified that farm costs for the crop involved had declined by 5 percent from the previous year.

When commodity surpluses are above designated levels, producers who want price supports would be required to comply with acreage control programs including a 30 percent reduction for 1986 wheat and a 20 percent cut for 1986 feed grains (although producers who have to plant 1986 crops before official program announcements are made would get diversion payments for 10 percent of the cutback).

To make those programs work more effectively, the bill includes a permanent new system for establishing acreage bases and yields. Also, the bill includes discretionary authority for export certificates to help promote sales of grains and standby provision for use of export payments in kind for cotton and rice if world market prices fall below domestic support rates.

Dairy

The bill links future government supports to changes in market demand and dairy farm production costs, and it also provides a farmer-funded surplus reduction program for use when heavy surpluses are predicted. (To protect livestock producers in case of heavy dairy cow sales into the meat market because of a milk diversion program, the bill provides for additional government purchases of red meat for domestic donation and includes new authority for farmer-funded beef and pork promotion. In a related area, the bill requires that imported meats and poultry comply with American standards and residue regulations.)

Soybeans

The bill extends without change the existing market-oriented price support system. This sets each year's support at 75 percent of the average of market prices for three of the past five years, with a floor of \$5.02 a bushel. The program allows further cuts (of up to 10 percent and not below \$4.50) in any year following a season in which market prices failed to rise past 105 percent of the loan level. No target price or acreage control mechanisms are provided.

Payment Limits

The bill include a \$50,000 annual per producer ceiling for target price payments (except those required to offset discretionary support loan cuts), and a \$250,000 per producer limit on non-recourse support loans for wheat, feed grains, soybeans, tobacco and peanuts.

Trade

The bill authorizes a payment-in-kind bonus export promotion program designed to make American commodities fully competitive in world markets where they have been undersold by other exporters in recent years.

The legislation also broadens government export credit programs and extends and expands the Food for Peace program and other overseas food assistance. Among other features,

it also includes language that restricts use of a cargo preference regulation — which requires shipments of designated exports on American vessels — to the same category of government-program exports which has been affected by the rule in the past.

Conservation

The conservation section includes a two-phase plan to protect fragile soils for future generations and move a substantial amount of such land into less intensive use.

For highly erodible land which has not been cultivated since 1980, the bill provides a "sodbuster" program to discourage plowing up fragile soils. If a farmer planted a crop on fragile land in violation of the terms of the bill, he would lose price supports and other farm benefits for all of his crops. A companion "swampbuster" provision would deny farm benefits to producers who convert wetlands to crop use in the future.

For highly erodible soils which are already in crop use, the bill provides a long-term Conservation Reserve program under which farmers would contract to return up to 25 million of such acres to less-intensive uses such as grass or trees.

Also, the bill includes an extension of the Resources Conservation Act, requiring the Agriculture Department to produce assessments of soil and water resources in 1995 and again in 2005 to help policymakers develop long-term plans for protecting those vital national resources.

Credit

The bill reauthorizes and in some cases revises federal farm credit and rural development programs and also includes discretionary authority for a program of planting-season advance commodity loans to farmers beginning in 1986. It also includes a provision designed to give buyers of farm products "clear title" to their purchases while still allowing lenders to protect their liens on farm products.

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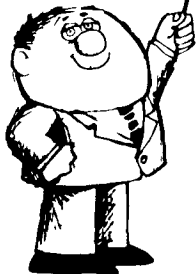
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