Ag Committee produces its Farm Bill version

WASHINGTON — The House Agriculture Committee has approved an omnibus farm bill which preserves an income protection "safety-net" for farmers for five years and also includes–among many other provisions–important new trade expansion and conservation programs, Chairman Kika de la Garza, D-Tex., announced.

"This bill represents our Committee's consensus on the strongest steps we can responsibly take to help farmers survive what is, in many areas, the worst economic crisis since the Great Depression of half a century ago," de la Garza said.

"We have produced a bill which lays down a program preserving the basic income protection which farmers need in these dangerous times while also taking steps toward making the market prices of American products more competitive on world markets. At the same time, this bill offers producers of wheat and feed grains an alternative if they wish to use it–a program which, if approved in a farmer referendum, would result in higher prices for producers who comply with voluntary acreage controls," de la Garza explained.

"I know the administration has urged drastic changes and cuts in some farm programs. But I am calling on the administration now to recognize that we have crafted, through difficult and sometimes painful compromise, a bill which does two important things. It preserves a farmer safety net and it moves toward reducing the federal deficit by holding spending for agriculture within the guidelines already set by the overall Congressional Budget Resolution," de la Garza added.

The Agriculture Committee Chairman said the bill–H.R. 2100, the Food Security Act of 1985–was expected to come to the House floor as quickly as possible.

The Committee bill provides that for five crop years beginning in 1986, market prices of major crops including wheat, corn, cotton and rice that would be made more competitive by authority to link commodity price support loan 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 the 1986 and 1987 crops years and probably for the following three years as well. The bill would allow 5 percent target price reductions for 1988, 1989 and 1990 crops–but these cuts could not take effect unless farmers' costs first declined by the same amount.

For producers of wheat and feed grains, the bill includes an alternative program which could be effective–if approved by farmers in referendums–for the 1986 through 1990 crops. If farmers agreed to switch to this program, producers who complied with voluntary acreage controls could get price support loans at not less than $4.50 a bushel for wheat and $3.25 a bushel for corn along with marketing certificates needed to permit disposal of the grain for domestic use. Grain would be kept competitive on world markets through an export subsidy which could be paid in the form of surplus government-owned commodities or cash, and producers who elected to ignore acreage controls could produce grain for export at world prices or for use on their own farms. There would be no target prices or income support direct payments.

Additionally, the legislation includes:

– A market-oriented dairy program with provisions for cutting surpluses, and programs for other commodities including soybeans, peanuts, sugar and wool.

– Conservation programs including a long-term Conservation Reserve to shift fragile cropland into less intensive use; a sodbuster program to discourage conversion of fragile land into crop use; and a swampbuster plan to discourage draining of wetlands for crop use.

– Trade expansion programs including measures aimed at meeting unfair foreign competition in commercial markets and provisions which extend and expand the Food for Peace and related programs.

– Agricultural credit and rural development provisions including new regulations for handling farmland acquired by the Agriculture Department in loan foreclosures.

– Extension of food assistance programs for needy Americans, including the food stamp program.

– Extension of agricultural research authority with some new research priority guidelines.

Major provisions of the bill include:

COMMODITY STABILIZATION PROGRAMS

For wheat, feed grains, cotton and 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, coupled with continued target price protection. (These programs would be effective through the 1990 crops but–for wheat and feed grains only–could be replaced for any years in which grain producers voted to use the alternative program provided by the bill.) Basic loan rates for wheat and corn, for example, would be set each year on the basis of formulas using avergage 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 the year's basic wheat and feed grain loan rates by up to 20 percent if market prices had failed to top 105 percent of the previous year's basic loan rate, or if such action was needed to compete on world markets. As an alternative, he could choose a "marketing loan" system for any year. Under this plan, the Secretary would keep wheat and feed grain loan rates at the basic formula level He would require repayment of the loans, but he would allow repayment at market-price levels instead of the loan level.

Target price protection would operate in conjunction with whichever loan system was used, and any reduction below the basic initial loan rate would be offset by increased target price deficiency payments. 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 provisions directing the Secretary–if the world price is below the formula rate–to reduce each year's rate to a competitive level (but not by more than 20 percent).

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, 1989 and 1990, 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, a 20 percent cut for 1986 feed grains, and cuts of up to 25 percent for cotton and rice (although producers who have to plant 1986 wheat and feed grain crops before official program announcements are made would get diversion payments for 10 percent of the cutback). For 1987 through 1990 crops, if wheat and feed grain supplies are above designated levels, the Secretary would have to require at least a 20 percent acreage cut for wheat and a 10 percent cut for feed grains. If these reductions are not enough to cope with the surplus problem, the Secretary would have authority to require additional diversion, with or without payments for the extra acres. For cotton and rice, payments would be required for diversions of more than 25 percent. To make those programs work more effectively, the bill includes a permanent new system for establishing acreage bases and yields, and further permits multi-year acreage-idling agreements to qualify farmers for support programs. Also, the bill includes discretionary authority for export certificates to help promote sales of grains and standby provision for use of export and domestic marketing payments in kind for cotton and export payments for rice if world market prices fall below domestic support rates.

Under the alternate "marketing certificate" program for wheat and feed grains, producers would vote by Feb. 1, 1986, on whether to adopt the new program for the 1986 and 1987 crops. Later referendums would be held in 1987 for the 1988 and 1989 crops, and in 1989 for the 1990 crop. Approval of the program would require a "yes" vote from 60 percent or more of all eligible producers who cast ballots–and the total would have to include 50 percent or more of the voting feed grain producers. If the program goes into effect, growers who cooperate with acreage restraints set by the Secretary would be given marketing certificates covering the number of bushels produced at average yields on their "permitted" acreage under the same acreage restraint programs included in the basic program under the bill. Only grain covered by certificates could legally be sold to domestic purchasers if the program was in effect. Any grain not covered by certificates could be used on the producer's farm for purposes like livestock feeding, or could be sold for export at world prices. An exporter who purchased certificated grain at the U.S. price would be eligible to collect a subsidy, in cash or in the form of government-owned surplus commodities, which would make it possible for him to resell the grain competitively on the world market. Price support loan rates for any years through 1990 in which the certificate program operated would not be less than $4.50 per bushel for wheat and not less than $3.25 a bushel for corn Sale of uncertificated grain for domestic use would result in penalties for both buyers and sellers.

– For dairy products 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.)

– For soybeans, the bill extends 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 bill authorizes the Secretary of Agriculture to reduce the 1986 crop loan by up to 5 percent if he determines that the initial rate would not make the crop competitive on world markets, and it continues provisions of existing law permitting the Secretary to go below the initial rate (by 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 in the bill include a $50,000 annual per producer ceiling for program payments (except target price payments required to offset discretionary support loan cuts below the basic formula levels for any year and any cuts below the old 55-cent loan floor for cotton, and any land diversion payments under an in-kind program for cotton and rice), 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. In the export credit area, the bill requires the Secretary of Agriculture to make available not less than $5 billion in short-term export credit guarantees in fiscal 1986 and authorizes him additionally to use $325 million in Commodity Credit Corp. funds for direct export credits in connection with "blended credit" export programs. The bill also broadens the purposes for which an existing intermediate (three-to-10-year) export credit program can be used and directs the Secretary to make direct and guaranteed intermediate loans of at least $500 million a year, 25 percent of which would be direct loans.

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. The Secretary of Agriculture would be required to offer farmers a chance to sign contracts under which up to 20 million acres would be shifted to less-intensive uses for periods of not less than 10 years, and contracts for up to five million acres would be offered for periods of up to 10 years. In return for compliance with the contracts, growers would get land rental payments (established on a bid basis) plus cash or "in kind" payments covering a part of the cost of needed land treatment measures. No more than 25 percent of the land in any county could be enrolled in the Reserve There would be a $50,000 limit on annual payments to farmers under Reserve contracts.

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 AND RURAL DEVELOPMENT

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. Authorization ceilings include annual caps for the 1986 through 1988 fiscal years of $3.15 billion for Farmers Home Administration farm operating loans including $2.5 billion in insured direct loans and the remainder in guaranteed loans. For farm ownership loans, the bill authorizes $700 million annually including $650 million in direct insured loans in fiscal 1986 with loans in the final two years all on a guaranteed basis. For emergency disaster loans there would ceilings of $1.3 billion in fiscal 1986, $700 million in 1987 and $600 million in 1988. For rural development programs, the bill authorizes $340 million annually for three years in insured water and waste disposal loans and $250 million annually in guaranteed industrial development loans plus $115 million in insured community facility loans. The bill also provides a new method of determining eligibility for water and sewer loans and grants based on community income and health and sanitary needs. The legislation 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.

Also the Agriculture Department would be ordered to observe a number of new restrictions on the way it handles farmland acquired by the government in future foreclosures of FmHA loans Among other provisions, USDA would be forbidden to sell such land if the sales would depress local farmland values, and any sales made would have to be–as far as practicable–in family-size units. Where the Secretary leases or operates foreclosed land, he would have to make leases on a competitive bid basis, giving priority in leases to former owners

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