A summary

Conference committee's 'compromise' Farm Bill

WASHINGTON — A five-year compromise farm bill approved by a House-Senate Conference Committee will help protect farm income, promote trade, and conserve millions of acres of fragile soils for future generations, Chairman Kika de la Garza, D-Tex., of the House Agriculture Committee announced.

The final version of the Food Security Act of 1985, H.R. 2100, a compromise between separate bills passed by the House and Senate, spells out farm and food policy through 1990. It was adopted by House-Senate conferees late Saturday following an eight-day negotiating session which capped nearly two years of Congressional activity. (Final votes on the measure in the House and Senate were expected this wek.)

This bill gives us lower, market-oriented commodity loan rates to make our crops more competitive plus what I believe is the strongest package of farm income protection that we could negotiate with the Senate and hope to pass this year. This legislation will not satisfy everybody. It does not satisfy me in all respects. But it does provide almost a three-year freeze for target prices on grains and a shorter freeze for cotton and rice to help protect farmers during one of the most difficult economic eras in some areas of agriculture since the 1930s, and it is a vast improvement over the drastic surgery the administration originally proposed for farm programs," de la Garza said.

"As I and other House members have promised, this bill meets the budget targets laid down by Congress in our budget resolution earlier this year and will cost far less than continuation of current laws. But passage of this legislation may not be the last word in government farm policy over the next few years," de la Garza warned. "Congress has also adopted a new deficit reduction law which may force cuts in many government programs–including the farm programs in H.R. 2100–and we will have to keep the situation in agriculture under continual review," de la Garza added.

"The conservation section of this bill represents one of the most significant soil protection measures adopted by Congress in many decades," de la Garza said.

In addition to stabilization programs for commodities--including dairy products, soybeans, sugar, peanuts, wool and honey as well as grains, cotton and rice–and the conservation package, the bill also includes programs for exports, food assistance for needy Americans, and other issues including credit and research.

The House bill provides that for five crop years beginning in 1986, market prices of major crops including wheat, corn, cotton and rice would be made more competitive by linking commodity price support loan rates more closely to market conditions, and by several export expansion programs. At the same time, however, the actual return per bushel or pound to farmers who cooperate with voluntary surplus-control programs will be protected by retaining a system of payments to cover the gap between market prices and the target level–and by freezing grain targets at current levels for the 1986 and 1987 crop years, with later cuts permitted to not less than 98 percent of the 1987 level in 1988 and phasing to no less than 90 percent of the freeze level (but not below specified floors) in 1990. For cotton and rice, a 1986 freeze could be followed by authority for reductions to 98 percent of the freeze level in 1987 and phasing to 90 percent in 1990.

The legislation also includes:

— A dairy program with reduced support after 1986 and a farmer-financed "whole-herd" disposal program to cut milk surpluses.

— Conservation programs including a long-term Conservation Reserve to shift 40 to 45 million acres of fragile cropland to less intensive use; a "Sodbuster" program designed to discourage shifting fragile land to crop use; and a "swampbuster" plan to discourage future draining of wetlands for crop use.

— Trade expansion programs including the use of surplus crops as export bonus payments to expand markets and meet unfair foreign competition, and extension and expansion of Food and Peace and related programs.

— Credit and rural development provisions including authority for a government-private lender program of interest rate relief for some hard-pressed holders of Farmers Home Administration guaranteed farm loans and new rules for handling land acquired by the Agriculture Department in loan foreclosures.

— Extension of domestic food assistance programs, including Food Stamps, with modest restoration of some past benefit cuts for the needy.

— Extension of agricultural research authority with some new research priority guidelines; new protection for animals in research facilities; and steps to assure the availability of leaded fuel for old farm engines until at least the end of 1987.

Major provisions of the bill include:

COMMODITY STABILIZATION PROGRAMS

FOR WHEAT AND FEED GRAINS, the target price and commodity support loan programs for 1986 through 1990 crops include a market-oriented system for setting price support loans at levels that would make American crops competitive in international markets, coupled with target price protection.

— Basic initial price support loan rates for grains would start at $3.00 a bushel for 1986 wheat and $2.40 for 1986 corn. From 1987 on, loans for grains would be set each year by formulas using average market prices of recent years, with any declines limited to 5 percent a year. After calculating the basic initial rates, the Secretary would then have discretionary power to further cut the rate for any year by up to 20 percent if — (1) market prices in the previous season failed to top 110 percent of the previous year's loan rate, or if — (2) he determines that a further cut is needed to compete on world markets. For the 1986 crop only, the Secretary would be required to use this authority to drop the loans at least 10 percent. The Secretary would have discretionary authority to allow repayment of support loans at levels which could be set as low as 70 percent of the loan rate. The Secretary would have discretionary authority, in addition, to give producers one of two alternate types of marketing certificates to help promote exports.

— Target price income protection would operate with whichever loan system was used, and any cut in loan rates below the basic level in any year would be offset by increased target price payments which would not be subject to payment limits. Target prices, which protect farmers' income with direct payments when market prices are below the target, would be frozen at current levels ($4.38 a bushel for wheat and $3.03 a bushel for corn) through 1987 to prevent cuts in per-bushel returns to farmers. In succeeding years, the rate would not be less than 98 percent of the 1987 level for 1988, not less than 95 percent for 1989 and not less than 90 percent (but not less than $4 for wheat and $2.75 for corn) in 1990.

— To qualify for benefits in a year in which carryover wheat stocks exceed 1 billion bushels, wheat producers would be required to reduce acreage as follows: In 1986, a maximum diversion of 25 percent (including a mandatory minimum reduction of 15 percent, a mandatory in-kind paid diversion of 2.5 percent, and a further reduction at Secretarial discretion of 7.5 percent); in 1987, a maximum reduction of 27.5 percent (including a mandatory minimum of 20 percent and a further 7.5 percent at the Secretary's discretion); and in 1988-90 a maximum of 30 percent (including a mandatory minimum of 20 percent and 10 percent at the Secretary's discretion). (For the 1986 wheat crop only, the Secretary would be required to offer growers who planted before announcement of the program a chance to idle an additional 10 percent of their base in return for payment.) For feed grains, if stocks exceed 2 billion bushels of corn, the 1986 reduction would be a maximum of 20 percent of which 12.5 percent would be a mandatory minimum, 5 percent would be discretionary with the Secretary and 2.5 percent would get in-kind payment. For 1987-90 the maximum would be 20 percent (including a mandatory minimum of 12.5 percent plus up to 7.5 percent at the Secretary's discretion). For all grains, the Secretary would have discretionary authority to offer producers a further voluntary paid diversion beyond the basic requirements of the bill.

— The bill requires the Secretary to allow haying and grazing on diverted acres in 1986 and grazing in 1987-90 if state Agricultural Stabilization Committees request it. The Secretary has discretionary authority for haying in 1987-90.

— The Secretary would have discretionary authority to offer producers a "Target Option Program" under which the individual grower's wheat target price would go up if he elected to use higher levels of acreage reduction and would decline at lower acreage-cut levels. Also optional for the Secretary is a plan varying target price levels for farms of different sizes in an effort to concentrate benefits on medium-sized farms.

— The Secretary would be given discretionary authority under the bill to proclaim marketing quotas for wheat and provide for a mandatory control program. This quota program, if the Secretary should choose to use it, would be subject to approval by producers of wheat in a referendum.

— The bill requires the Office of Technology Assessment to study federal grain export quality standards. It also provides that six months after the study, the Agriculture Department would have to revise its export grading rules, in line with study findings, to protect the quality of export grain.

FOR DAIRY PRODUCTS. The bill is designed to reduce surpluses through a whole-herd diversion program. If this plan has not cut surpluses sharply, substantial support cuts would be authorized beginning in 1988. Chief features include:

— The bill continues the current $11.60 per hundred pound support level for calendar 1986 but also activates an 18-month, farmer-funded program under which producers can voluntarily elect–in return for payments set on a bid basis–to take entire dairy herds out of production in order to reduce surpluses. To fund the program, farmers would pay an assessment of 40 cents per hundredweight during 1986 giving them a net effective return of $11.20 on manufacturing-grade milk. On Jan. 1, 1987, the Secretary would be required to lower the support rate to $11.35 but the assessment would drop to 25 cents. On Oct. 1, 1987, the assessment would end but the Secretary would be required at the same time to lower the support to $11.10. Beginning Jan. 1, 1988, the Secretary would be required to make 50-cent annual cuts in the support rate if surplus purchases are expected to exceed 5 billion pounds a year of 50-cent increases if surpluses are expected to be under 2.5 billion pounds. After the whole herd disposal program ends, the Secretary would have discretionary authority to adopt a diversion program of whole-herd or partial cuts. Differentials used in setting minimum fluid milk prices in some marketing orders would be increased to reflect current transportation costs.

FOR LIVESTOCK. To protect livestock producers in case of heavy dairy cow sales into the meat market because of a milk

(Turn to Page A21)