We're Still WAITING

As farmers begin heading to the field they still don't know what farm program structure is going to be offered in 1996.

BY ANGIE STUMP

Farmers are in an awkward position as they make their 1996 planting decisions without a 1995 Farm Bill. Congress tried to put the Farm Bill in the Budget Bill late last year. The bill was vetoed by President Clinton and three months later we're still waiting to get a Farm Bill signed.

Although the Senate passed its version of the Farm Bill on Feb. 7 and the House passed their version on Feb. 29, it's not a given these will be the legislation governing farmers for the next seven years.

Representatives from both the House and Senate are meeting to develop the two versions into one workable Farm Bill.

What's it Going to Take?

Even after the two legislative branches agree on the Farm Bill it still must be signed by President Clinton.

U.S. secretary of Agriculture Dan Glickman said there are three elements of the Farm Bill that must be met in order for it to be signed. It must preserve the safety net, maintain a strong, competitive ag sector, and it must enhance economic opportunities for farmers.

The Senate's Version

If the Senate's version would be the final version of the Farm Bill it would create the biggest changes to farm support in 60 years.

The Senate bill erases the farm support system that grew out of the New Deal. In its place farmers would get a guaranteed, yet declining, annual payment for seven years and removal of most limits on what they grow. A cap, the first ever, would be put on farm spending. Approximately $46 billion would be spent over the next seven years on farm supports. The Senate's version includes the reauthorization of public programs such as food stamps.

Brad Epperson, Missouri's executive director of the Farm Service Agency (formerly ASCS), said at a Farm Bill conference in St. Joseph, Mo., what he didn't like about the Senate version was the fact that farmers who had not been enrolled in one of the last five years could not participate in the program.

Some ridicule the bill and call it Welcome to Welfare? because a farmer could collect a windfall payment without working.

The bill that passed the

Senate was called the Ag Reform and Improvement Act of 1996. Most of the provisions would be effective for seven years, through 2002. Some of the major changes are:

- Eligible producers are those who participated in wheat, feed grains, cotton and rice programs in any one of the past five years.
- Payments will be made on 85 percent of contract acreage. (Equivalent to what the farm's base acres would have been in 1996 under the old farm program system.)
- Full planting flexibility between eight major crops.
- No haying or grazing during the five principle growing months.
- Non-recourse loan rates:
  Rice: $6.50 per cwt.
  Upland Cotton: $0.5192 per pound
  Wheat: $2.58 per bushel
  Corn: $1.89 per bushel
  ELS Cotton: $0.7965 per pound
- $40,000 payment limit.
- Eliminates Acreage Reduction Program (ARP).
- Suspends Farmer Owned, Reserve (FOR).
- Eliminates mandatory crop insurance.
- Caps CRP program at the current level of 36.4 million acres and reauthorizes it through 2002.
- Only one sign-up period for seven years.

House Version

Both the House and Senate versions contain the core Freedom to Farm reforms, replacing government price supports and allowing farmers more flexibility to plant according to the market.

Other differences are the House version does not include nutritional programs or a safety net. The historical safety net for farm programs has always been the permanent law of 1949. With the Senate's version, after seven years the policies would

FARM BILL GLOSSARY

Base acreage — A farm's average acreage of wheat, feed grains, cotton, or rice planted for harvest, plus any land not planted to these crops because of the acreage reduction or diversion program in effect during a specified period. A farmers crop acreage base is reduced by the portion of land placed in the Conservation Reserve Program (CRP).

Commodity loan rates — Price per unit (pound, bushel, bale or hundred weight (cwt.)) at which the CCC provides nonrecourse loans to farmers to enable them to hold their crop for later sale.

Deficiency payment— A direct government payment made to farmers who participate in wheat, feed grains, rice or cotton programs, The payment rate is based on the difference between the target price and the higher of the national average market price during a specified time or the loan rate. The total payment is equal to the payment rate, multiplied by a farm's eligible payment acreage and the program yield established for the particular farm. Farmers may receive up to one-half of their projected deficiency payment at planting. If actual deficiency payments, which are determined after harvest, are less than the advance deficiency payment, a farmer must reimburse the government for the difference.

Marketing allotments — Provide each processor of a particular commodity a specific limit on sales for the year.

Marketing assessments — Require producers to pay a fee per unit of production in order to share program costs with the government.

Marketing loan program-Allows producers to repay nonrecourse price support loans at less than the announced loan rates whenever the world price for the commodity is less than the commodity loan rate.

Marketing orders-Authorize agricultural producers to promote orderly marketing by influencing such factors as supply and quality, and to pool funds for promotion and research. Marketing orders are initiated by the industry, and are approved by the Secretary of Agriculture and by a vote among producers. Once approved, a marketing order is mandatory.

Nonrecourse loans — The major government price support instrument, providing operating capital to producers of wheat, feed grains, cotton, honey, peanuts, tobacco, rice, oilseeds and sugar. Farmers or processors use commodities as collateral to obtain a loan from the CCC, The borrower may either repay the loan with interest within a specified period and regain control of the commodity, or forfeit the commodity to the CCC with no interest penalty.

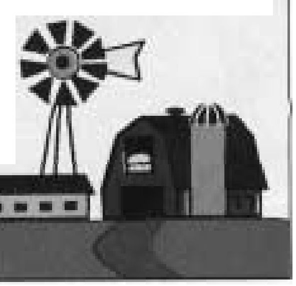
Parity-based support prices — A measurement of the purchasing power that a unit of a farm product would have had in the 1910-14 base period. Under "permanent provision," prices would be supported at 50 to 90 percent of parity through direct government purchases or nonrecourse loans.

Program yield — The farm commodity yield of record, determined by a procedure outlined in legislation. The law allows USDA to update program yields at the average of the preceding five years' harvested yield (dropping the high and low years). This provision has not been implemented as program yields have been frozen at 1985 levels.

Target prices — Prices established by law for wheat, corn, grain sorghum, barley, oats, rice and upland and extra long stapel cotton. Farmers participating in federal commodity programs receive deficiency payments based on the difference between the target price and the higher of the national market price during a specified time period, or the price support (nonrecourse) loan rate.

Tariff rate quota — Systems by which a certain quantity of imports, called a quota amount, receives a low tariff, and imported quantities above that quota level pay a higher tariff.

Transition payments — Payments to be made to farmers for target price crops through 2002 under the ARA. Spending for each crop would be allocated each fiscal year based on the CBO's forecast of what deficiency payments would have been.



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revert to 1949 levels if Congress did not adopt new policies.

The bill that passed the House was called the Agricultural Transition Act (AMTA). This seven-year bill includes the following:

- Eligible producers are those who participated in wheat, feed grains, cotton and rice programs in any one of the past five years.
- Full planting flexibility except — fruits and vegetables can only be grown on contract acres in areas where there is a history of doublecropping: haying and grazing is unlimited on the first 15 percent on contract acreage with beyond 15 percent being prohibited during the consecutive 5-month period during the growing season.
- Non-recourse loan rates:
  Rice: $6.50 per cwt.
  Upland Cotton: $0.5192 per pound
  Wheat: $2.58 per bushel
  Corn: $1.89 per bushel
  ELS Cotton: $0.7965 per pound
- Reduces current payment limitations by 20 percent, from $50,000 to $40,000.
- Repeals Farmer Owned Reserve (FOR).
- Maintains the current size of the CRP program at 36.4 million acres. It gives the Secretary of Agriculture the authority to enter into new contracts and extend expiring contracts. It also allows CRP participants to terminate contracts that have been held for a minimum of five years.
- Export Enhancement Program (EEP) expenditures are capped and will save $1.27 billion.
- Eliminates mandatory crop insurance, but requires producers to waive all federal disaster assistance if they opt not to purchase insurance.
- Restores the Commission on the 21st Century Production Agriculture. The commission would monitor the transition and make recommendations about farm programs at the end of the seven years.

Where Does NCBA Stand?

Alan Sobba, National Cattlemen's Beef Association (NCBA), said the Senate's Farm Bill cuts only $5 billion compared to the original estimate of cutting farm programs by $13.4 billion.

He said the NCBA supports the continuance of the CRP program. They agree some of the better land in the program should go back into production. Another stand NCBA is taking on CRP is that the land enrolled in the program should not be hayed or grazed.

'We are for getting the government out of farming and adding more flexibility," he said. "Let the farmers make the decision about how much they want to grow."

The Senate's version would allow farmers to make decisions based on the markets, not just what the government tells them.

Will There Ever Be A Farm Bill?

Secretary Glickmen was forced to announce the rice program on Feb. 15 at 1949 levels, because no new Farm Bill has been passed. The 1949 bill was the last permanent farm legislation. Since then the bills have been amendments to that bill. If all programs are to revert to 1949 levels that would drive up farm subsidy costs six fold.

"We should be thankful of permanent legislation or the urban Congress would probably not be working on it yet," Epperson said.

The goal is to get the Farm Bill on the President's desk by mid-April. If the President vetoes the bill, legislators will probably extend the 1990 Farm Bill.

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