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Market-Gram

Marketing and Policy Information for
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1995 Farm Bill Update

Currently there are a number of proposals being discussed by Congress as options for the 1995 Farm Bill. There are as many differences as there are similarities between the proposals. The common theme, however, with all proposals is the reduction of government spending on commodity programs. Within the budget reconciliation process the House of Representatives has agreed to reduce spending on commodity programs by $13.4 billion over the next seven fiscal years. While the level of savings required by the Senate is not clear the level will exceed the 4.2 billion over seven years advanced by the administration. In many cases, the proposals themselves do not contain enough detail to provide an adequate description of the plan. Therefore, the following descriptions were derived from written language and direct contact with staff associated with each of the sponsors. While the proposals discussed here are currently recieving attention others will likely evolve as will these as the 1995 Farm Bill debate continues.

Freedom to Farm

The Freedom to Farm Proposal, sponsored by Pat Roberts, Chairman of the House Agricultural Committee from Kansas, provides participating farmers with fixed transition payments based upon historical deficiency and marketing loan payments. These decoupled payments would be substituted for deficiency and marketing loan deficiency payments, which would be eliminated. The nonrecourse loan rate would be set at 70 percent of the five year olympic average of market prices but could be lowered by the Secretary as a means of allowing the market to clear and avoiding government acquisition of stocks. It allows complete planting flexibility within a farms total acreage base (TAB) including soybeans. It is not clear what other crops would be allowed to be flexed, but will likely follow recent flex decisions.

Acreage reduction authority (ARA) would be eliminated under the Freedom to Farm policy option. The level of the Conservation Reserve is not specified but the sponsor likely expects levels in excess of 25 million acres. Payment limit "person" determinations would remain as under the current farm program. The three entity rule, however, would be eliminated. Government payments would be attributed to an individual's social security number. Budget savings would total the resolution target of $13.4 billion over FY 1996-2002 with approximately $11.0 billion of the savings coming from major crops (wheat, feed grains, cotton and rice)..

Administration

Secretary of Agriculture Dan Glickman announced the Administrations' proposal for the 1995 Farm Bill. Under this proposal there would be no change in target prices, the CCC loan program, ARA, and the marketing loan. Planting flexibility would be gradually increased by combining all crop bases into a Total Acreage Base (TAB) with deficiency payments determined as they are in current programs. The percentage of the base producers could plant to permitted alternative crops would be gradually increased from the current 15 percent to 100 percent.

The proposal would target program payments by applying a means test which would exclude payments to individuals who earn $100,000 or more per year in off-farm income. The Conservation Reserve would be reduced to 32 million acres by year 2002. Projected budget savings would total $4.2 billion over FY 1996-2002 and $6.4 billion over FY 1996-2005.

Targeted Marketing Loan

A group of democrats led by senate Minority Leader Thomas Daschle from South Dakota are promoting the Targeted Marketing Loan proposal. This proposal would convert the current farm program provisions for wheat, rice, cotton, feed grains, and soybeans to a targeted marketing loan program. There would be two marketing loan levels with a higher level of support being given to the first level of production. The first level of production would reflect relatively low levels of production considered by the sponsors as representative of mid-size family operations. Individual crop bases would be replaced with a TAB for all program crops. The two tiered marketing loan provisions would include soybeans. Conservation reserve levels are not apparent but would likely follow administration guidelines.

The proposal would repeal the three entity rule on payment limits and include requirements on operator residency, labor, and management. Payments would be made based on social security numbers as well. In addition, there would be a $50,000 marketing loan gain on share cropping and eligibility requirements limiting off farm income to be no more than $100,000. Projected budget savings would total $4.2 billion over FY 1996-2002.

Agricultural Competitiveness Act

The Agricultural Competitiveness Act is sponsored by Senator Thad Cochran from Mississippi. Under this plan there would be no change in target prices, ARA, or payment limits. The CCC loan would be a nonrecourse loan set at 85 percent of the 5 year olympic average price.

The NFA would be increased from the current 15 percent to 25 percent and OFA would be increased from 10 to 75 percent. The marketing loan would be retained but, it specifically indicates that the wheat repayment price would be set at the world market price.

For soybeans, the proposal would create a two-way flexibility enabling farmers to plant program crops on up to 25 percent of historical soybean acres. The soybean loan rate would be set at $5.50 per bushel, but could be reduced to $5.00 per bushel if this poses budget problems.

The Conservation Reserve would be maintained at 17 million acres by 2002. Projected budget savings are $5.4 billion over FY 1996-2002.

Budget Baseline

The Budget Baseline is an alternative that would continue the current program provisions, while increasing the NFA to meet budget reconciliation requirements. Under this option there would be no change in target prices, the CCC loan program, ARA, the marketing loan, and payment limits. The NFA would likely be increased from the current 15 percent to in excess of 30 percent. The Conservation Reserve would be maintained at 17 million acres by 2002. Projected budget savings are $13.4 billion over FY 1996-2002.

	Freedom to Farm	Administration	Targeted Marketing Loan	Ag Competitiveness Act	Budget Baseline
Target Price	None	No change	None	No change	No change
CCC Loan	Nonrecourse at 70% of 5 yr avg. or lower to clear market	No change	See marketing loan	Nonrecourse at 85% of 5 yr average	No change
Flexibility	Full within Total Acre Based (TAB)	Transition to full within TAB	Transition to full within (TAB)	25% NFA, 75% OFA	30-40% NFA
ARP Authority	None	Retained	Retained	Retained	Retained
CRP	25-36 M acres	32 M acres in 2002	Up to 36 M acres	17 M acres in 2002	17 M acres in 2002
Marketing Loan	None	Retained	Two tier, higher for first level of production	Retained but sets wheat repayment to be world market competitive	Retained
Soybeans	Included in TAB but no support other than loan	No change	Provides marketing loan	$5.50/bu loan rate may be reduced to $5.00, 25% two-way flex	No change
Payment Limit	Eliminate 3 entity, Social Security Number attribution	$100,000 off farm limit added	Repeal 3 entity, resident labor & management, SSN, share crop $50,000 mktg loan gain $100,000 off farm	No change	No change
Transition Payments	Yes	None	None	None	None
Budget Savings	$13.4 B over 7 yrs	$4.2 B over 7 yrs $6.4 B over 10 yrs	$4.2 B over 7 yrs	$5.4 B over 7yrs	$13.4 B over 7 yrs

Descriptions such as "no change" and "retained" refer to program provisions as currently operated under the 1990 Farm Bill.