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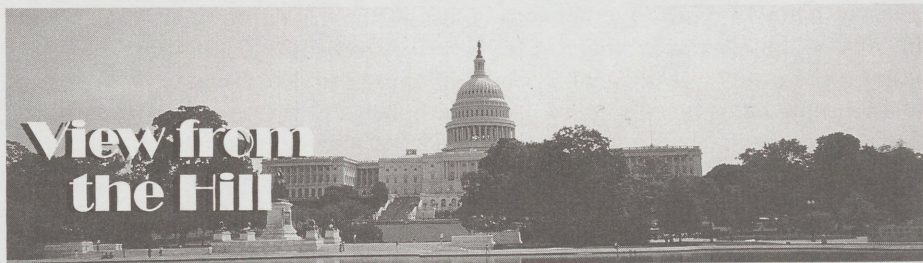
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by: Robert Fouberg

Consideration of the successor to the Federal Agricultural Improvement and Reform Act ("1996 Farm Bill" or "Freedom to Farm") is dominating the schedule in both the House and Senate Agriculture Committees. The American Bankers Association offered testimony before the Senate Ag Committee on May 16 and before the House Ag Committee on June 20 (See article beginning on page 4). While we offered a number of specific suggestions generated from our 14 state listening tour, we stressed that what bankers wanted most in terms of federal agricultural policy was consistency and predictability.

Two recent events have generated much activity regarding the next farm bill: the change of control in the Senate and the release by the House Ag Committee of its Draft Farm Bill Concept Paper.

Change of Control in the Senate

The departure of Sen. Jeffords (I-VT) from the Republican Party and his decision to caucus with the Democrats stripped control of the Senate from the Republicans and turned it over to the Democrats. As a result, the chairmanship of the Senate Committee on Agriculture, Nutrition, and Forestry switched from Sen. Richard Lugar (R-IN) to Sen. Tom Harkin (D-IA).

Needless to say, under the leadership of Sen. Harkin, the Senate version of the Farm Bill will look different than it would have under the leadership of Sen. Lugar. While Sen. Lugar

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generally defended Freedom to Farm, Sen. Harkin has expressed serious reservations and will focus on different priorities.

House Draft Farm Bill Concept Paper

On July 12, the House Ag Committee released its Draft Farm Bill Concept Paper. It addresses program crops, other crops, conservation, trade, research, nutrition, and rural development and is structured to show how the committee would divide the additional \$73.5 billion (above the current budget baseline) for Fiscal Years 2002-2011 provided by Congress earlier this year. While the paper does not have a credit section, I have been told that one is being considered. Following are some major points of the concept paper:

Program Crops

The concept paper allocates two-thirds (\$48.886 billion) of the additional money to program crops (wheat, corn, sorghum, barley, oats, upland cotton, rice, soybeans, and minor oilseeds). Much of the Freedom to Farm structure with which we are familiar remains in the paper. In addition, it reverts somewhat to earlier programs in that counter-cyclical payments based on target prices are included. Beginning with the 2002 crops, the program for each crop would operate under the following provisions and guidelines:

- **Base Acres.** Producers would choose for all crops on a farm whether to use current AMTA acres or average acres planted to an AMTA contract crop and/or oilseed for 1998-2001. However, once

updated for the 2002 program, bases would be fixed.

- **Payment Yields.** Current AMTA payment yields would be used. For oilseeds and farms without current AMTA payment yields, the Secretary would be directed to develop payment yields that are comparable to current AMTA yields in the area.

- **Fixed, Decoupled Payments.** Fixed, decoupled payments would continue and oilseeds would be added to the list of crops receiving payments; producers would be allowed to update payments acres. Payment rates for current contract crops would be set at 2002 levels. The soybean payment rate will be \$0.34 cents per bushel and there would be a comparable rate for minor oilseeds. The payment limit of \$40,000 for fixed decoupled payments for all crops would continue.

- **Counter-Cyclical Payments based on Target Prices.** Eligible producers of an eligible crop would receive payments when a crop's price, adjusted for the fixed payment, falls below a target price. Target prices for current contract crops would be set at their 1995 levels with a new soybean target price set at \$5.76 per bushel and a comparable target price set for minor oilseeds. The payment rate for a crop would be calculated as the difference between its target price and the sum of the higher of the national twelve-month season average price received by producers, or the national average loan rate; and the fixed decoupled payment rate. Counter-cyclical payments for all crops would be limited to \$75,000.

The reader should keep in mind that the concept paper is just one more step in the process by which the substance of the next Farm Bill will take shape and that much more time will pass before a final product is delivered. If you wish to review the entire House Ag Draft Farm Bill Concept Paper, you can go the following link: <http://www.house.gov/agriculture/concept.pdf>.

- **Marketing Loan Provisions.** Comparable loan rates would be created for all crops, including oilseeds. Current loan rates would continue for all crops except that soybeans would be set at \$4.92 per bushel, minor oilseeds at \$0.087 per pound, and sorghum at \$1.89 per bushel. The payment limit of \$75,000 for loan deficiency payments and marketing loan gains would continue.

Conservation

The conservation section of the concept paper would reauthorize and enhance: the Conservation Reserve Program, with a 40-million-acre enrollment cap; the Environmental Quality Incentives Program with a \$1.2 billion annual program level; the Wetlands Reserve Program with an additional 100,000 acres to be enrolled per year; the Wildlife Habitat Incentives Program with an annual program level of \$25 million; and the Farmland Protection Program with an annual program level of \$50 million.

Trade

As with conservation, the paper would reauthorize a number of existing programs: the Market Access Program with funding doubled to \$90 million per year; the Food for Progress program; the Export Enhancement Program; the Dairy Export Incentive Program; and the Foreign Market Development Program.

Rural Development

Provides \$165 million over ten years for Emergency Drinking Water Grants, provides for regionally planned rural development pilot programs, provides for direct loans to facilitate the expansion of high-speed internet access to rural communities, and increases funding for the Value Added Grants Program to provide grants for start-up farmer-owned value added processing facilities.