members of Congress, the marketing loan concept was approved by the House and Senate and signed into law as part of the 1985 Farm Bill. For cotton, rice, and honey the program is mandatory while it is discretionary for wheat, feedgrains, and soybeans.

Key Feature

The key feature of the marketing loan is simply this: allow farmers to repay their price-support loans at the lower of the loan level or the world price. In the past farmers repaid price-support loans at the loan level or forfeited the commodity to the Government. Thus, the price support loan became the effective support of market prices. Not the case with the marketing loan.

This simple but fundamental change ensures that U.S. agriculture will be able to compete more effectively in the international marketplace. Price-support levels or loan rates would no longer serve as an umbrella over the world market. At the same time, producer farm income is protected at the established loan rates and target prices.

The marketing loan has other advantages. The need for supply management programs is reduced. In addition, it encourages foreign competitors to share in efforts to adjust production in order to bring about a better balance between supply and demand.

Finally, the marketing loan means smaller government stocks to the extent that increased exports are realized and production adjustment efforts both here and abroad are more effective.

The year-long debate on the marketing loan centered over how low prices would go even though farm income would be protected. This would directly affect the cost of the program.

In the end, Congress produced a compromise that protects the government against unlimited budget exposure by putting limits on how low the repayment can go. Once the limit is hit the repayment level serves as the new price support level and operates the same as the old program.

In Summary

The 1985 Farm Bill found farm programs and policies at a crossroad. Agriculture had changed dramatically since the 1930's and government programs were in need of critical review in recognition of the changing global economy. The development of the marketing loan was in response to that need. How well it succeeds, of course, depends on a number of factors. But to the extent it is fully implemented the opportunity exists for U.S. agriculture to compete effectively in the international marketplace. ■

Marshall A. Martin, Harold D. Guither, and Robert G. F. Spitze on the 1985 Food Security Act

Most Farmers Got Much of What They Wanted

Most farmers got much of what they wanted in the 1985 farm legislation. One major exception was the substantial reduction in the loan rates. The Act did retain most previous farm programs.

Here is how the provisions of the 1985 Food Security Act compare to what, in early 1984, farmers and ranchers in 17 States said they wanted in food and farm policy.

The Act permits a substantial lowering of the loan rates. Comparing 1985 loan rates with those set by the Secretary for 1986, wheat was lowered from $3.30 to $2.40 per bushel; corn from $2.55 to $1.92 per bushel; rice from $8.00 to $7.20 per cwt; and cotton from $.0573 to $.044 per pound. Milk remains at $11.60 per cwt and soybeans at $5.02 per bushel.

Most farmers in 1984 did not favor the lowering of loan rates to increase exports. Less than 30 percent of the farmers in 16 of 17 States (Washington was the exception with 41 percent) favored such a policy.

The Act bases loan rates on a five-year moving average of market prices (dropping the high and low years).

Forty percent or more of the farmers in each of 17 states favored this approach.

The Act retains all target prices for 1986, and wheat and corn for 1987 at the same levels that prevailed in 1985 with gradual reductions in target prices permitted for 1988, 1989, and 1990. At the

About the Policy Survey

In anticipation of the 1985 Act, public policy researchers and extension specialists in several states surveyed farmers and ranchers to obtain their views about future U.S. food and farm policy. Mailed in early 1984, the farmer preference survey included questions concerning alternative policies for price and income support, trade, soil conservation, food assistance, and program costs.

More than 8,000 farmers responded to the survey. The 17 States represent 50 percent of all cash receipts from farming in the U.S. and 50 percent of all U.S. farms. These States also represent over one half of the U.S. livestock, food grain, and oilseed production; two-thirds of the feed grain production; and one-third of the cotton production.

The 17 States included in the survey were: Illinois, Indiana, Kansas, Michigan, Minnesota, Nebraska, Ohio, South Dakota, Wisconsin, Idaho, Washington, Alabama, Florida, Oklahoma, South Carolina, Texas, and Maryland.

The specifics of the survey results may be found in *U.S. Farmers' Views on Agricultural and Food Policy: A Seventeen State Composite Report,* authored by Harold D. Guither, Bob F. Jones, Marshall A. Martin, and Robert G. F. Spitze, North Central Regional Research Publication 300 and Extension Publication 227, December 1984.

Marshall A. Martin is Associate Professor of Agricultural Economics, Purdue University, West Lafayette, Indiana. Harold D. Guither and Robert G. F. Spitze are Professors of Agricultural Economics, University of Illinois, Urbana-Champaign, Illinois.

time of the survey target prices and related deficiency payments were popular among farmers, and most wanted target price levels maintained. A few wanted them increased. In 15 of 17 States (Wisconsin and Maryland excepted), more farmers favored the continuation of target prices than their discontinuation. And in 13 of 17 States, the majority of farmers wanted target prices frozen at prevailing levels. Only in Texas, Nebraska, South Dakota, and Idaho did most farmers want higher target prices. Very few farmers wanted lower target prices. However, as many as 13 percent in one state favored lower target prices.

The Act sets minimum and maximum set-aside percentages for 1986 through 1990 and provides for voluntary participation for the major crops.

Farmers' preferences for production control methods are very diverse. In the Eastern Cornbelt the plurality favored voluntary programs. In the Great Plains mandatory programs were most frequently preferred. In the Lake States, Northwest, and the South East, farmers preferred elimination of set-aside, price-support, and government storage programs.

The Act continues the Farmer-Owned Reserve with only minor changes.

The Farmer-Owned Reserve was popular in all 17 States. In Washington farmers were equally divided, but in the other States the favorable percentages were much higher.

The Act retains payment limitation at $50,000 per farmer.

Most farmers in 13 of 17 States favored no change in the payment limitation. In only four States (Ohio, Wisconsin, Alabama, and Maryland) did a plurality of farmers prefer a reduction in the payment limitation. There was only limited support in any of the states for increasing the payment limitation.

The Act provides for export credit, export credit guarantees, and targeted export assistance (export PIK).

Export subsidies were very popular among farmers in all 17 States. In all States at least 40 percent, and in 12 of 17 States at least one half of the farmers supported the use of export subsidies by the U.S. to match subsidies offered by our competitors.

The Act continues P.L. 480 foreign food assistance. In all but one State (Alabama) more farmers favored U.S. food aid than opposed such a policy. The strongest support for P.L. 480 was in the major grain producing states.

The Act continues food stamps with a modest increase in expenditures.

In 13 States farmers favored a reduction in food stamp expenditures, while in the other States farmers thought food stamp expenditures should stay about the same.

The Act calls for a whole dairy herd buy-out program to reduce milk production.

When asked if they would favor a policy to pay farmers to reduce dairy production if milk production remained excessive in 1985, farmers in 15 of the 17 States said no. In only Minnesota and Texas did farmers favor paying dairy farmers to reduce milk production.

The Act initiates a long-term conservation reserve program with a goal of taking 45 million acres of erodible land out of production by 1990. A "sod-buster" provision denies commodity program benefits to producers that till fragile land.

Two-thirds of the farmers in the 17 States favored greater emphasis on government sponsored soil conservation programs that limit commodity program benefits going to farmers who do not follow recommended soil conservation practices.

Passed concurrently with the Food Security Act of 1985 was the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985. This legislation calls for a reduction in most 1986 farm program payments by 4.3 percent. This cut is presently set at $823 million from a previously estimated expenditure of $17.2 billion for farm price and income support programs for the 1986 fiscal year.

When asked if the U.S. should balance the federal budget even if it meant some reduction in farm program payments and price supports, two-thirds or more of the farmers in all 17 States said, "yes," if applied to all government programs. Thus, despite concern with the current financial stress in American agriculture, a majority of farmers indicated a willingness to share in the reduction in government spending in order to reduce the federal budget deficit.

In summary, with two exceptions, the Food Security Act of 1985 contains provisions favored by most U.S. farmers surveyed in 1984. These two major exceptions are the reductions in loan rates and the buy-out of dairy herds to reduce dairy production.

About 18 months elapsed from the time of the survey in early 1984 and the passage of the 1985 Food Security Act. During this time concerns increased sharply about export opportunities; large government stocks, especially of grains and dairy products; financial stress of farmers, and the overall budget deficit. Whether these concerns caused a significant modification of farmers' views about loan rates and about dairy surpluses is, of course, not known. It is clear, however, that the legislators were influenced by these concerns. ■

How Farmers and Ranchers Viewed the Features They Got

Summary of Attitudes from 1984 Survey on Features Later Incorporated in the 1985 Farm Bill

	Farmers' Views in 1984		
Features of Food Security Act of 1985	**Strong Support**	**Mixed Support**	**Little Support**
Lowers loan rates substantially			x
Bases loan rates on a moving average of market prices	x		
Continues target price/deficiency payment program	x		
Initially retains recent target prices with later gradual reduction		x	
Continues voluntary acreage set aside		x	
Continues Farmer-Owned Reserve	x		
Retains $50,000 payment limitation	x		
Includes export subsidies	x		
Continues P.L. 480 foreign food aid	x		
Increases food stamp expenditures modestly			x
Pays farmers to reduce dairy production			x
Initiates long-term conservation reserve program	x		