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Agricultural Letter



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FARM PROGRAM LEGISLATION cleared the U.S. Senate this week, while a recently completed committee bill awaits action by the full House of Representatives. The two bills—S. 275 and H.R. 7171—differ in several important respects, and both contain provisions that contrast somewhat with the Administration's proposals. The differences are sufficient enough in scope that farmers, consumers, and taxpayers should all maintain a continued active interest in the ongoing deliberations.

Target prices and loan rates for 1977 and 1978 crops of wheat, corn, and soybeans as specified in the alternative proposals are summarized in the table below. Target prices are used to determine deficiency payment rates—the difference between the target price and the average price received by farmers—in years that market prices fall below the target price. Loan rates represent the government support—or floor—price since the Commodity Credit Corporation stands ready to lend that amount for each bushel of the commodity the farmer pledges as collateral and to accept the commodity as payment in full in the event that market prices do not encourage the farmer to repay the loan. In general, the provisions in the House bill fall between those in the Senate bill and those proposed by the Administration. Because of the higher cost potential in the Senate bill, and because of the Administration's threatened veto of excessively costly legislation, most observers expect the final compromise will more nearly conform to the House bill.

Proposed target prices and loan rates

	Corn		Wheat		Soybean
	Target price	Loan rate	Target price	Loan rate	loan rate
	(dollars per bushel)				
1978 crop provisions					
Senate bill	2.28	2.00	3.10	2.47	4.00
House bill	2.10	2.00	3.00	2.35	*
Admin. proposal	2.00	2.00	2.90	2.25	4.00
1977 crop provisions					
Senate bill	**	**	2.90	2.25	**
House bill	1.85	1.75	2.65	2.25	**
Currently in effect	1.70	1.75	2.47	2.25	3.50
April 1977 prices received by farmers		2.32		2.41	9.38

*The bill mandates a soybean loan program but leaves the amount of such loans to the discretion of the Secretary of Agriculture.

**No specified levels are contained in the bill.

Future target prices and loan rates. The Senate bill ties post-1978 target prices to 100 percent of the full cost of production—including a management charge and a composite land charge—and ties future loan rates to 85 percent of the full cost of production. Under

the House bill future changes in target prices are linked only to changes in variable costs, machinery ownership costs, and general farm overhead costs, while future loan rates are permitted to range, at the Secretary's discretion, between the 1978 rate and 100 percent of parity.

Farm acreage allotments. Both bills replace the historically determined acreage allotments for each farm—used in recent years to determine (when applicable) each cooperating producer's deficiency payment, disaster payment, and set-aside requirement—with actual planted acreage on each farm. With respect to deficiency (target price) payments, both bills base the payment in any given crop year on a proportion of the acreage the farmer actually planted for harvest that year. The proportion of a farmer's acreage that would be eligible for payment ranges from a minimum of 80 percent in the House bill—90 percent in the Senate bill—to a maximum of 100 percent, depending on the proportion of the national acreage that is needed to meet domestic use, exports, and desired changes in carryover stocks. Set-aside requirements for feed grains and wheat would be established as a percentage of the acreage the farmer planted to such crops the previous year.

Payment limitations. Both bills relax the current payment ceiling of \$20,000 per farmer. The Senate bill boosts the ceiling to \$50,000, effective with the 1978 crops. The House bill raises the ceiling to \$35,000 for 1978 crops and increases it 10 percent annually thereafter to a maximum of \$46,585 in 1981.

Grain reserves. Both bills contain provisions for extending loans for purposes of accumulating an on-farm grain reserve. The wheat and feed grain loan provisions of the House bill permit borrowers to extend their loans for up to two additional 12-month periods at no interest charge and to receive a storage payment of 1 cent per bushel per month. The Senate bill would authorize the Secretary to provide wheat loans for up to five years and pay producers an appropriate storage fee.

Dairy supports. The four-year House bill pegs milk supports at a range of 80 to 90 percent of parity, with semiannual adjustments. The five-year Senate bill contains similar provisions through March 31, 1979, after which the minimum support drops to 75 percent of parity as in current legislation.

Gary L. Benjamin
Agricultural Economist