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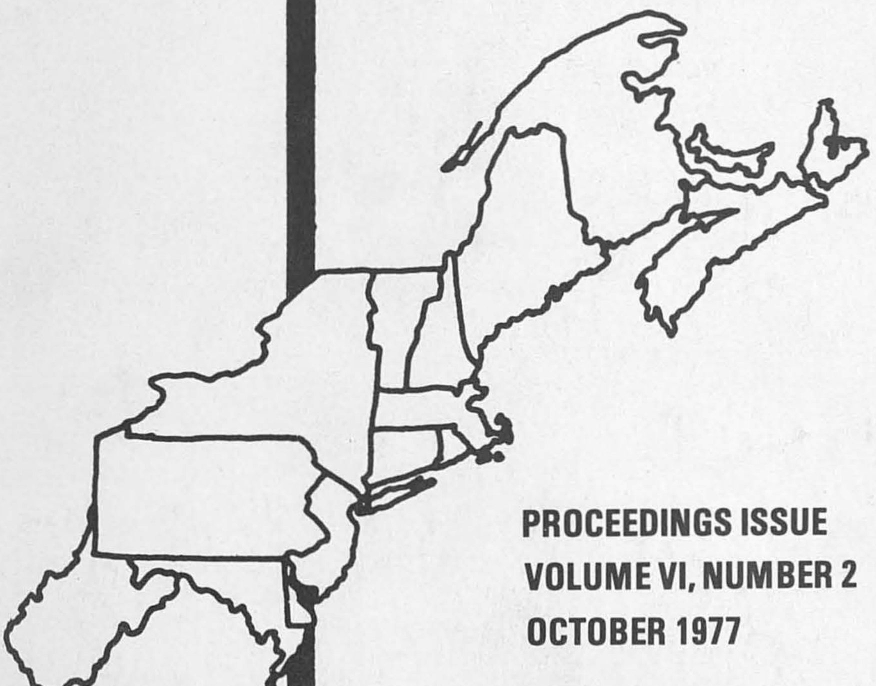

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1977 FOOD AND AGRICULTURAL POLICY: THE POLITICAL SETTING IN WASHINGTON

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Introduction

The development of new food and agricultural legislation in 1977 has been subject to a number of constraints almost from the outset. First, the 95th Congress decided, after earlier trial use, to use the new budget process "in earnest" this session. This mandated that committees have bills reported to their respective bodies by May 15. Second, the President very early issued guidelines as to the levels of acceptable Federal outlays for programs in the bills -- more expensive ones faced the strong threat of veto. Third, it was widely recognized that the basic or permanent legislation which comes in force if new legislation is not enacted would be virtually unworkable in today's economy. This provided further incentive for development of legislation acceptable to both branches. The Congress thus had to develop new legislation in a very short period to meet the new budget schedule, avoid writing a bill certain to be vetoed, and rush to complete action on the bill before the month-long August recess to avoid having the permanent legislation become operative.

The coincidental expiration of the Agriculture and Consumer Protection Act of 1973 and the Rice Production Act of 1975, funding authorization for the food stamp program, and authorization for the PL 480 (Food for Peace) programs makes this a unique legislative year. Additionally, initiatives were undertaken to alter the long-standing peanut program and to reevaluate the organization and funding of agricultural research.

The popular label traditionally given the legislation, "Omnibus Farm Bill," is really a misnomer. It is much more than a "farm bill" and its comprehensiveness reflects the growing scope of agriculture and food policy. Excepting the President's energy proposals, this is

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perhaps the most complex piece of legislation to be considered by the Congress this session. The bills before the Congress include provisions treating the commodity programs and grain reserves, the food stamp program, part of the PL 480 programs, agricultural and nutrition research and education, and rural development.

There are obviously many constituencies affected by the large number of diverse programs included. Ample opportunity is thus present for complex political maneuverings, alliances, and trade-offs in the course of the legislative process.

Background and Status of Legislation

The Senate Bill

The Senate started early to develop new legislation. Senator Herman Talmadge (Democrat, Georgia), Chairman of the Agriculture, Nutrition and Forestry Committee instructed the staff in late 1976 to begin drafting a "bipartisan" bill. The resulting bill (S. 275) was introduced by Senators Talmadge and Robert Dole (Republican, Kansas -- the Committee's ranking minority member) on January 18, 1977. Public hearings were held in March and April. The markup sessions began April 19 and after about 15 days of orderly proceedings (often beginning at 8:00 a.m.), the Committee reported (by an 18-0 vote) the bill to the full Senate just hours before the midnight May 15 deadline.

Major characteristics of S. 275 include:

- Relatively high price (loan) and income (target) support levels, both indexed to cost of production. The parity concept was completely discarded (except for milk) and the traditional discretion given the Secretary of Agriculture for setting commodity loan levels (within wide ranges) was eliminated.
- The longstanding system of disbursing program benefits and requiring compliance based on individual farm allotments determined from historical production patterns was abandoned. A new system proposed by the Administration and based on current plantings was adopted.
- Grain reserve provisions were included, establishing a producer-held reserve scheme with storage incentives and trigger prices governing release of the stocks. An international food disaster assistance reserve was also authorized.
- PL 480 program provisions were altered, primarily to improve and facilitate administrative operation of the program.
- Reform of the food stamp program was included, the most notable change being elimination of the purchase requirement.

- Organizational and administrative changes were proposed for agricultural research and extension activities, and a "sense of Congress" provision was included recommending substantially increased research funding (to 0.5 percent of food expenditures plus value of exports).

- Miscellaneous provisions treated subjects ranging from solar energy to filbert standards to the beekeeper indemnity program.

The five-year Senate bill was estimated to involve annual average Treasury outlays as follows:1/

	(billion $)
Commodity Programs	3.9 2/
Food Stamps	5.4
Research	1.2
PL 480	1.1
Total	11.6

The full Senate passed the bill on May 24 with few floor amendments and little real dissension.3/

The House Bill

The House approached the bill-writing process differently than the Senate. First, the House Agriculture Committee held public hearings from February 17 through March 9. Then, the various Subcommittees independently drafted provisions of the bill for their respective commodities or areas and assembled these to provide a base draft bill for use of the full Committee in the markup process. However, when the individual commodity program provisions from the Subcommittees were assembled, the estimated annual average Federal outlays were in excess of $6.0 billion, primarily due to high price and income support levels. This was recognized as totally unacceptable, and a compromise

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1/ Details of the budgeting procedures, underlying assumptions, and items included in the categories are contained in "Report of the Committee on Agriculture, Nutrition, and Forestry to Accompany S. 275," Report No. 95-180, United States Senate, May 16, 1977.

2/ This estimate includes direct (deficiency) payments, set-aside and grain storage payments, and loan and inventory outlays: Direct payments are non-recoverable while the outlays for secured loans are recoverable. Thus, it is somewhat misleading to speak of the total as a "cost" of the Program.

3/ The serious discussion and proposed amendments related more to the conformance of the bill to the first concurrent budget resolution than changes in program provisions. For a discussion of this debate, see Alan S. Walter, "Impacts of the Congressional Budget Process on Agricultural and Food Legislation," Agricultural-Food Policy Review, AFPR-2, APA/ERS/USDA (forthcoming).

set of support levels was then proposed by Committee Chairman Thomas Foley (Democrat, Washington) and Vice Chairman W. R. Poage (Democrat, Texas). These levels were adopted by the full Committee, but by only a one vote margin with the Chairman casting 13 proxy votes in favor.

The House Committee, being much larger than the Senate Committee (46 versus 18 members), was less well organized and required more time to complete markup. (Illustrative is the fact that on several days of the markup session a quorum was not present, prompting a stern reprimand and exhortation by the Chairman.) Also, the Committee did not take up the controversial food stamp program provisions before reporting their bill (the Senate Committee had completed these provisions). Rather, they included only a funding level to satisfy the Budget Act requirement and reported the bill (H.R. 7171), also just hours before the May 15 deadline. The food stamp provisions were subsequently "marked-up" in late June and early July (as bill H.R. 7940) and then incorporated in H.R. 7171 (H.R. 7940 was substituted by amendment for Title XII).

Major characteristics of H.R. 7171 include:

- Slightly lower price and income supports than in S. 275. Income supports are based on cost of production (defined differently than in S. 275), but only minimum loan levels are specified (as opposed to indexing) with Secretarial discretion for subsequent adjustment continued.

- Historical allotments and bases were also eliminated and the current plantings concept adopted.

- The food stamp program reforms were similar to those of the Senate bill, including the elimination of the purchase requirement.

- Provisions for research, education, and extension were also included.

- The same variety of miscellaneous provisions as in S. 275 were included in this bill also.

The estimated average annual outlays for the 4-year H.R. 7171 are:[4/]

4/ Details of the budget estimates are included in the report accompanying the bill, Report on the Agricultural Act of 1977, Print 95-348, U.S. House of Representatives, May 16, 1977.

	(billion $)
Commodity Programs	2.3
Food Stamps	5.5
Research	1.1
PL 480	1.1
Total	10.0

Administration Proposal

For the first time in several years, the Administration drafted a bill containing a full set of legislative proposals to replace the expiring laws. While this bill was never formally introduced, it was an integral part of the markup process in both Congressional Committees, serving as an explicit guide as to what the Administration preferred.

The development of this package was also completed under severe time and organizational constraints. The proposals were developed from a start in early February to their presentation by the Secretary in testimony before the Committees on March 23 and 24. The process was hampered by the absence of the full retinue of top policy officials (and their immediate staffs) in the Department of Agriculture. These people had either not been named or confirmed, or arrived late in this period. Also, the interagency machinery for full Administration review and position development was not fully in place nor familiar to many of the new people, thus requiring trial and error and ad hoc arrangements.

The Administration proposal included some novel features, some of which were integrated into both the House and Senate bills. The major characteristics of the Administration bill include:

- Price and income supports based on cost of production but at lower levels than in either of the Congressional proposals. Deescalation of loan levels as necessary in response to world supply and demand conditions to maintain world trade competitiveness.
- Elimination of allotments and bases and use of the current plantings concept.
- Food stamp program reforms including elimination of the purchase requirement, tightened eligibility standards, and reduced potential for fraud and abuse.
- PL 480 program changes to improve and facilitate administration.
- Research provisions.
- Miscellaneous provisions as in the other bills and including modification of the peanut program.

The estimated average annual Federal outlays for the Administration proposals are:

	(billion $)
Commodity Programs	1.9
Food Stamps	5.3
Research	1.0
PL 480	1.1
Total	9.3

Remainder of the Process

The full House began debate on the unified bill (including food stamp provisions) on July 15, and completed action on July 28. Over 60 floor amendments touching nearly every provision in the bill were offered for consideration. The politics surrounding floor consideration was intense, but the bill emerged with the major and most controversial provisions (price and income support levels and the food stamp program) virtually unchanged, except for 1977 target price levels which were significantly increased (over levels specified in the current law). However, a floor amendment offered by Congressman E. de la Garza (Democrat, Texas) was adopted mandating a loan and purchase price support program for sugar. This amendment was strongly opposed by the Administration.

The Conference Committee convened on August 1, immediately following the House action. The conferees overcame a stalemate on income support levels, finally adopting a variable level depending upon the size of the 1978 wheat crop ($3.00 if the 1978 crop exceeds 1.8 billion bushels, $3.05 if not). Also, a compromise was affected for the sugar program, reducing the support level and providing for its termination in the event an International Sugar Agreement was successfully negotiated.

The conferees completed action before the August 5 Congressional recess, but both Houses had to again pass on the Conference product, delaying sending the bill to the White House until after Congress returned on September 7. Failing to have a bill to the President before adjournment, USDA was forced to formulate and announce program provisions for the 1978 winter wheat crop (seeding of which begins in mid-August) and also a decision on production controls (set-aside) on the premise that the bill would be enacted. New legislation was necessary for a set-aside program because no such authorities exist in the permanent legislation.

Legislative Outlook

Early in the development of the Administration proposals, the President gave guidelines as to the "cost" that various components of the bill could not exceed. These included $2.0 billion for the commodity programs[5/] and no increase in outlays for the food stamp program reforms over the level for the present program. Provisions involving outlays significantly greater than these were subject to certain veto.

The Senate bill provisions for commodity programs clearly exceeded the $2 billion amount. The food stamp program provisions are close to the limit, depending on the base used, but are acceptable. The House bill slightly exceeds the limit for commodity programs, and food stamp outlays are close to the Senate bill levels. Then, the factor determining whether the bill is vetoed or signed will be the "costs" of provisions adopted by the Conference Committee and the acceptability to the President of the Sugar Program modifications made by the conferees.

A key question for a long while was whether the Committee recommended provisions in the House bill could be held on the House floor. Adoption of amendments that raised the price and income support levels (thus the outlays) or altered the outlays for provisions in the food stamp program would mean certain veto. Considerable sentiment existed in the House for increases in the price and income supports to near the levels in the Senate bill. This posed a test of the effectiveness of the House leadership. However, after considerable manuevering only the 1977 levels were modified upward, but with the tacit approval of the Administration.

Should the bill ultimately be vetoed, Congress would likely be unable to override the veto. It would then likely make minor changes in price and income support levels (acceptable to the President) and extend the current law for one year. A much less likely situation is that the Congress would be so distressed at having a bill of a Democratic Congress vetoed by a President of the same party that they would do nothing, leaving the Department of Agriculture to try to administer programs specified in the antiquated permanent law.

Some Concluding Observations

The political setting for agricultural and food legislation has changed significantly over the past few years (4, 5). Some observations that illustrate the nature of this change are noted below.

1) Greater recognition by policymakers of the increased economic interdependence. It would seem that the obvious growing role of agriculture and food in the domestic economy and in international trade (a major contributor to the U.S. Balance of Payments) is being recognized by the consideration in one bill of production agriculture, foreign food aid, trade, and development, domestic food aid and nutrition, agricultural research, and rural development. The consideration of these broad areas

5/ This amount included the direct (deficiency) payments, loan and inventory outlays, and set-aside and grain reserve storage payments only.

at the same time by one Committee in each house suggests that greater cognizance is given the interrelationships. However, the Senate Committee's linking the loan level to cost of production (recognizing only the supply side), in spite of the potential harm to U.S. foreign trade/exports (the demand side) must be considered as contrary to this argument.

It could also be suggested that this comprehensive treatment presages development of a "National Food Policy" in the future, perhaps in the early 1980's as the successor to the 1977 bill.

2) Post-Watergate distrust. Traditionally, agricultural and food legislation has left most of the detailed program operations to Administrative discretion, specifying only broad goals, frameworks, and guidelines. This would be especially true when the same party controlled both the Executive and Legislative branches. However, in this legislation the Congress has been less disposed to leave as much discretionary authority to the Administration. More of the provisions detailing program administration were mandated. (Indexing the loan levels to cost of production, specifying grain reserve release trigger prices, and including a formula mandating cropland set-aside are examples of provisions formerly left to Administration discretion.) The Senate Committee noted this tendency when specifying detailed provisions for a producer-held grain reserve when such a program had just been instituted by USDA using broad authority which exists under other legislation. The general feeling seemed to be that Congress, remembering recent experiences, feels the people now running the Department of Agriculture and the Administration are "nice guys," but with top leadership changes over time, new officials could prove less trustworthy. This attitude also reflected to some degree an early uncertainty about the new "outsider" President and his Administration.

Mandating detailed provisions for program operation, thus leaving little Administrative flexibility, perhaps has more implications for agriculture than other economic areas. Agricultural programs must often be adjusted rapidly to the often volatile market conditions resulting from worldwide weather and policy changes, as well as from domestic weather and economic conditions. It is difficult for the Congress to foresee all conceivable circumstances four or five years hence when specifying provisions, and conditions may arise for which there is no flexibility left for program administrators. The result would be programs entirely unsuited to prevailing conditions and severe economic distortions.

3) Several recent analyses of the agricultural-food policy process have suggested the political strength of the general farm and commodity organizations to have been essentially eroded away. Yet, on the critical issue of price and income support levels, the producer interests seem to have prevailed as evidenced by the levels finally adopted. This apparent contradiction merits further scrutiny to suggest a plausible explanation and assessment of the implications for future policy decisions.

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