

from Senator Bob Dole

Report on Agriculture

OCTOBER, 1977

4213 DIRKSEN SENATE BUILDING
WASHINGTON, D.C. 20510

FARM BILL SIGNED INTO LAW

The Talmadge-Dole farm bill -- the Food and Agriculture Act of 1977 -- has now been signed into law, following extensive Congressional consideration.

Implementation of this new legislation will be none too soon. The vicious cost-price squeeze that has been adversely affecting wheat producers for some time has now spread to producers of feed grains, cotton and other commodities. Slack demand and intense competition in world markets has resulted in depressed farm prices throughout rural America. The crisis is now spreading to farm implement dealers and others whose livelihoods relate to agriculture. The national economy cannot prosper for long with depression conditions affecting American farmers.

FARM BILL NO CURE-ALL

The new farm bill, if implemented properly, can help alleviate the economic crisis in agriculture -- only improved demand and consequent higher market prices can cure the current difficulties. Vigorous efforts must be made by the Administration to step up U.S. farm exports which are expected to decline as much as 10 percent in fiscal year 1978, from this year's figure of about \$24 billion.

Increased exports mean better prices, and also lower costs for the farm program. I have asked Secretary Bergland to finance commodity exports under the P.L. 480 (Food for Peace) and CCC credit programs in the following amounts for 1978:

- (1) \$1 billion worth of commodities (up from \$800 million in FY 77) for concessional sales under P.L. 480, Food for Peace.
- (2) \$565 million for Food for Peace donations; this level, under the pricing formula of the new bill would provide shipment of 1.7 million tons.
- (3) CCC export credit -- \$1.5 billion of commodities, up from \$1 billion in FY 77, and only a \$750 million funding level recently announced by USDA for FY 78.

Also, I have suggested a change in the Export-Import Bank's policy as it relates to agricultural exports. Instead of the relatively meager credits for farm exports, ranging from only \$69 to 95 million annually in recent years, I believe Eximbank should step up their financing of farm exports to \$500 million annually. This would still be a very small proportion of the total Eximbank resources of about \$6 to 10 billion annually in recent years for U.S. export assistance. Farm exports represent over 20 percent of total U.S. exports and deserve much more attention.

The best hope for improving farm prices is through increasing our share of export markets. A dollar spent on export stimulation may save many dollars in farm program costs.

MAJOR FEATURES OF THE FARM BILL

Many problems are addressed in the new farm bill. It is one of the most comprehensive pieces of farm legislation ever, but it contains inequities that I have reservations about.

PAYMENT LIMITATIONS

Under the new farm bill, the limitation on total payments received by participants in the wheat, feed grains, and upland cotton programs is established at levels as follows: 1978 - \$40,000; 1979 - \$45,000; and 1980 - \$50,000.

Under existing law, which is applicable to the current year, producers of these commodities are limited to \$20,000. In view of the farm crisis, I believe an upward adjustment in the payment limitation for 1977 should have been made. On September 13, I introduced a bill to exempt disaster payments from the payment limitation of 1977 crops. This will conform the provisions for the 1977 crops with those provided in the bill for 1978-81 crops.

WHEAT

The wheat section of the bill does not fully protect the farmer. I am pleased however, that the House rejected the lower target price levels advocated by the Carter Administration and reported to the floor by the House Agriculture Committee. The \$2.90 per bushel target price for 1977 was the level I worked for in Committee and this provision survived even the veto threats of the Administration -- by a vote of 50 to 46. Target prices for 1978 were compromised in Conference at \$3.00 per bushel unless the crop is 1.8 billion bushels or less in which case it will be \$3.05 per bushel. Target prices for the 1979-81 crops will be the previous year's price plus escalation on the basis of increases in the cost of production.

Wheat loan levels for 1978 will be \$2.35 per bushel unless the Administration lowers it under a provision adopted from the House bill which allows this loan level to be lowered if market prices are below 105 percent of the loan level. The historical acreage allotment system has been eliminated in this new program and the basis for program participation will be planted acres.

Set-aside is provided in this bill at the discretion of the Secretary, and while the intention of a set-aside requirement has been announced, I have some reservations on how it will affect summer fallow plans due to the lateness of publicizing program instructions.

The Secretary has the option of making a payment for land diversion but has apparently chosen not to do so.

The disaster program changes allow for a larger payment to the growers hit hardest by disaster. The lower yields will receive a larger percentage of target price payment. This program is extended for two years to allow Congress to develop a new crop insurance disaster program.

A program I sponsored was adopted to research new uses of wheat. This is a "bootstrap" program to allow the industry to help itself at no cost to taxpayers.

FEED GRAINS

The feed grains section provisions are established for corn and the Secretary may establish loans for other feed grains on the basis of a relationship to feeding value compared to corn and target prices either on feed value or cost of production.

The corn target price is established at \$2.00 per bushel for 1977 and \$2.10 per bushel for 1978 -- to be escalated thereafter according to increases in the cost of production. A corn loan level of \$2.00 per bushel is set for 1977 and 1978 except the Secretary may reduce this level -- to not less than \$1.75 per bushel -- to keep U.S. corn competitive in the world market. Planted acreage is the basis for program coverage. The 3 to 5 year farm loan program applicable for wheat is also allowed for feed grains if the Secretary decides to establish one.

SOYBEANS

There will be a mandatory price support for soybeans for 1978 through 1981 crops. The Secretary shall make available loans and purchases but no minimum level shall be required. The Secretary may not require a set-aside of soybeans as a condition of eligibility for price support for any commodity.

SUGAR

The sugar price support amendment accepted by the Conference is at least a true price support program (13.5¢ per pound raw sugar equivalent basis). As I pointed out during the debate in June, the Administration's sugar proposal was of no benefit to producers. The loan and purchase price support program included in the bill should give sugar beet and cane producers the assistance they deserve. I have been urging immediate implementation of the program.

RESERVES

The new farm bill will require the Secretary of Agriculture to formulate and administer a producer storage program for wheat and feed grains by providing original or extended price support loans, repayable in 3 to 5 years. Interest on loans to producers will be based on the rate charged CCC by the U.S. Treasury. Storage paid producers by USDA is to be adequate to cover storage costs.

The Secretary is required to encourage producers to market grain under loan regardless of maturity date when the market price reaches 140-160 percent of the support level. The Secretary may call loans at 175 percent of price support level.

The quantity of wheat is to be no less than 300 million bushels nor more than 700 million bushels, adjusted upward to meet commitments in any international agreements. No minimum or maximum quantities are specified for feed grains.

An international food reserve provision was defeated, but the President was "encouraged" to negotiate with other nations to develop an international system of food reserves for humanitarian or emergency purposes. Any such international reserve would come to the Senate for ratification.

The Department of Agriculture is authorized to buy livestock feed for a disaster reserve. This provision coupled with the emergency feed program should help alleviate hardships suffered by farmers and ranchers due to disaster.

GRAIN INSPECTION

I sponsored an amendment to the farm bill to add the grain inspection bill previously passed in the Senate. This amendment was needed to insure action this year on the measure.

Field supervision of inspection or weighing under the U.S. Grain Standards Act shall be financed by appropriated funds instead of fees to be paid by farmers as required previously.

FOOD FOR PEACE

The Food for Peace Program (P.L. 480) is extended four years with improved coordination between food assistance and economic development in recipient countries. A number of provisions I sponsored are designed to prevent program abuse, and provide for greater commodity export potential.

Unfortunately, the greater export potential provided for in the new farm bill will not materialize unless the Administration sharply increases the funding. The two most effective tools at the Secretary's disposal for stimulation of exports of farm commodities are P.L. 480 and CCC credits. As I mentioned earlier, the judicious use of these two programs coupled with effective use of Export-Import Bank loans for farm commodities can greatly increase farm prices and reduce the cost of this bill.

DAIRY SUPPORTS

I believe the dairy section of the bill -- which was supported by dairy leaders -- will be beneficial to the industry. Milk will be supported at not less than 80 percent of parity through March 31, 1979. After that date, unless extended by Congress, dairy price supports would be set at between 75 and 90 percent of parity. Dairy price supports must be adjusted on a semi-annual basis for the four-year period ending March 31, 1981.

The bill will provide dairy farmers with indemnity payments for contamination resulting from nuclear radiation fallout or residues of chemicals not improperly used.

RESEARCH, EXTENSION, AND TEACHING

I supported the provision which once again establishes the teaching of food and agricultural sciences as a priority for USDA. My experience has shown that USDA is the agency in the Federal Government most interested in farmers, food and agricultural matters, and when legislation and funding relating to these matters are given or transferred to other agencies, they do not receive high priority.

The Secretary is directed to establish nutrition research as a separate and distinct mission of the Department and increase support to a level adequate to meet nutrition research needs. This provision could help in expediting the use of alcohol to replace fossil fuels.

RURAL DEVELOPMENT AND CONSERVATION

I have been concerned for several years that agricultural conservation practices have been geared too much toward short-run concerns rather than long-run solutions. The bill specifies that financial assistance will be provided to agricultural producers for carrying out enduring conservation or environmental enhancement measures. Emphasis will now be shifted from short-run to long-run practices -- proposals I have supported for several years.

The rural community fire protection program, enacted through legislation I introduced, will be extended through 1980. Many excellent rural fire districts have been created as a result of the program.

The authority for the Secretary to establish multi-year set-aside contracts is extended through the 1981 crop, and livestock grazing is prohibited except as the Secretary determines it is needed as a result of natural disaster.

CONCLUSION

Finally, I must emphasize the gravity of the economic crisis in agriculture; farm prices are at the lowest ebb since 1933. As a result, financial institutions have extended credit to farmers trying to finance them through this depressed period. Farm and machinery equipment is down about 20 percent from last year. In fact, what we have is an economic crisis in rural America that is extending to the urban population as well -- compounding our national unemployment problems. This bill provides for a good farm program, if administered in the interest of farmers, but should not be looked upon as a cure-all. I have reservations about the grain reserve section, particularly regarding how stocks, once accumulated, are fed back into the market and at what price levels. I would not like to see release prices become ceiling prices.

I am concerned about how the Administration will implement the set-aside program. If the regulations are not equitable and beneficial, farmers may ignore the program.

While only improved demand and consequent higher market prices can cure the current farm crisis, the bill -- properly administered -- can help in alleviating the distress that is becoming more and more widespread in rural America.

United States Senate

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