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- 1984 farm programs: Three-week sign-up extension and summer-fallow change should boost participation, particularly for wheat. Winter wheat compliance could approach 50%; Spring wheat could be 70-80%.

  Slight chance that 1984 farm programs could be affected by budget deficit downpayment package. Need to keep everything on the table until decisions are made.

- Outlook for farm economy: Even with higher participation, production will exceed demand, adding to stocks. Last week's Prospective Plantings indicated that corn acreage will be 81.8 million, about the same as 1982; soybeans will be 65.2 million, up 3% from 1983 but down 9% from 1982. Spring wheat is down 15% from 1982, but total wheat production could reach the 1982 record of 2.75 billion bushels.

- 1985 farm bill debate: Need more effective, less expensive, long-term program. 1983 outlays of nearly $30 billion, and expectations of renewed surplus production in 1984 have raised interest in "watershed" legislation. Due to conflicts, someone should study how to pass any farm bill in 1985.

  Emphasis should be on development of policies and objectives for U.S. agriculture, not insistence on program structure or price and income support levels. We lost an opportunity to keep farm policy flexible by wasting the "breather" provided by PIK quarreling over a 7¢ difference in the wheat target price.

- Possible long-term policy objectives:

  --Maintaining stocks in a reasonable range. For wheat, maybe 600 to 900 million bushels. Export programs and some form of long-term land retirement program such as the old soil bank, with modifications, could be used until stocks reached the desired level.

  --Placing agriculture on an equal status with other trade sectors. GATT presently permits export subsidies for primary products, but the Subsidies Code for proving damage is not working.

  --Sending clear signals that the U.S. will remain a dominant force in world agricultural markets. Contract sanctity legislation and targeted export efforts (specific products to specific markets) would help.

--Placing U.S. farm programs on a competitive basis. Loan rates were allowed to rise too high, starting in the late 1970's, and attracted other regions of the U.S. as well as other countries into expanded production.

--Possible separation of the income support and price support functions of farm legislation. Small producers need to be assured a basic return, but not at the cost of vastly expanded production and program outlays.

BOSCHWITZ EXPORT BILL

.Mandates $7 billion of GSM-102 guarantees for FY'84.

.Increases authorization for Title II of P.L. 480 from $1.0 to $1.5 billion.

.Expand section 416 authority to include any commodity held in CCC inventory.

.Provide $25 million in FY'84 for GSM-201 and GSM-301 and $50 million in FY'85.

.Intermediate credit program: (1) Amend current intermediate credit program to establish a guarantee program (3-10 yr repayment)

(2) Amend current intermediate credit program to give the Secretary flexibility to set interest rates and repayment terms at his discretion

.GAO study on effectiveness of food aid programs. Report due within 120 days of the enactment of the bill.

INCREASES IN EXPORT CREDIT GUARANTEES (GSM-102)

Q: The Boschwitz bill increases loan guarantees available under the GSM-102 program from $4 billion to $7 billion. What will be the impact on the Federal budget from this $3 billion increase in guarantees?

A: There is no doubt that additioanl guarantees will lead to some re-schedulings and possible defaults. However, a USDA analysis, based upon the Department's original request for $8.9 billion in guarantees for FY'84 shows that the program is indeed cost effective. The $8.9 billion credit guarantee package is estimated to require $2.6 billion in outlays over the period FY'85-87 to cover reschedulings and write-offs. The rescheduled loans, however, are collected by the CCC over the rescheduling period with a net present cost to the CCC totaling $573 million. The savings attained in farm program costs and additional federal tax revenues net out to a present benefit of $630 million. The benefit/cost ratio when calculated equals 1.09 for the $8.9 billion package. Thus, even with the initial outlays, the program is cost effective. In addition, there is a positive effect on the U.S. agricultural sector and the general economy through the generation of employment and economic activity.