News from Senator

BOB DOLE

(R - Kansas) SH 141 Hart Building, Washington, D.C. 20510

THURSDAY, JANUARY 31 WALT RIKER 224-3135/224-6521

MEDIA ADVISORY MEDIA ADVISORY MEDIA ADVISORY

WASHINGTON -- Senate Majority Leader Bob Dole will hold a meeting tomorrow morning (Friday, February 1), at 9:30am, in room S-230 of the Capitol with agriculture leaders and Administration officials. The session will focus on the farm debt crisis and associated farm problems.

Agriculture Secretary John Block and Budget Director David Stockman will attend the meeting. Some Senators and Farm Bureau presidents from farm states are also expected to participate.

There will be a photo-op and stake-out.

-30-

SUMMARY OF FOOD SECURITY ACT OF 1985

WHEAT

Target Prices

1986 & 1987	frozen at $4.38/bu.
1988	Secretary may reduce 2%
1989	" " " 3%
1990	" " " 5%

Loan rate formula

1986	$3.00/bu.
1987 through 1990	Set at 75% to 85% of average market prices disregarding the high and low years, with declines limited to 5% annually.

Secretary also has discretion to futher cut by 20% if 1) market prices in previous season fail to top 110% of previous loan rate or, 2) Secretary determines futher cuts needed to compete on world markets (for 1986 only, Secretary required to use this authority to drop loans at least 10%). Secretary has discretion to allow repayment as low as 70% of loan rate.

Deficiency Payments

5% of the total deficiency payment may be paid in-kind. Cuts in the loan rate below formula levels that result in increased deficiency payments are not subject to the payment limit (for 1986 only, Secretary is required to pay part of projected target price payment in advance this can be made in-kind, at not more than 50% of advance, or in cash.)

Acreage Reduction Program

1986	If wheat carryout is expected to exceed 1 billion bushels the ARP set at 15% plus a 2.5% PIK diversion and an optional 7.5% at Secretary's discretion.
1987	ARP set at 20% with a futher 7.5% at Secretary's discretion.
1988 through 1990	ARPs set at 20% with an additional 10% at the Secretary's discretion

(For 1986 wheat crop only, Secretary is required to offer growers who planted before announcement the option to idle an additional 10% at a payment rate of $2.00/bu.).

SUMMARY OF FOOD SECURITY ACT OF 1985

Feed Grains

Target prices

1986 & 1987	Frozen at $3.03/bu.
1988	Secretary may reduce 2%
1989	" " " 3%
1990	" " " 5%
	Other feed grains are set according to their feed value relation to corn.

Loan rate formula

1986	Set at $2.40/bu.
1987 through 1990	Set at 75% to 85% of average market price disregarding high and low years, with declines limited to 5% annually.

Secretary also has discretion to futher cut by 20% if 1) market prices in previous season fail to top 110% of previous loan rate or, 2) Secretary determines furth cut needed to compete on world markets (for 1986 only Secretary required to use this authority to drop loans 10%). Secretary has discretion to allow repayment as low as 70% of loan rate. Other feed grains are set at their feed value relative to corn.

Deficiency payments

5% of the total deficiency payment may be made in-kind Cuts in the loan rate below formula levels that result in increased deficiency payments not subject to the payment limit (for 1986 only).

Acreage Reduction Program

1986	If corn carryout is expected to exceed 2 billion bushels the ARP for corn set at 15% (of which 2.5% would be PIK diversion), and an additional optional 5% at Secretary's discretion.
1987 through 1990	Set at 12.5% with an additional 7.5% at the Secretary's discretion.

Haying and grazing

1986	If requested by State ASC Committees is allowed on diverted acres, except during a designated 5-month period.
1987 through 1990	Permits grazing if State ASC Committees request it.

Cross compliance

Secretary has discretion to require cross compliance. Producers participating in one program cannot plant in excess of the acreage base of any other program crop on the farm.

Bases and yields

Acreage bases

To be established by the Secretary as the simple average of planted and considered planted (p & cp) in the 5 previous years. If at least 50% of the permitted acreage is planted to the program crop, producers are eligible to receive deficiency payments on 92% of their permitted acreage if the underplanted acreage is devoted to nonprogram crops or conserving uses.

Program yields

1986 and 1987	Frozen at average of 1981-85 program yields disregarding high and low years.
1988 through 1990	Secretary's option to phase in actual yields of most recent crop in a 5-year average of program and actual yields.

SUMMARY OF FOOD SECURITY ACT OF 1985

Upland Cotton

Target prices	
1986	Set at $0.81/lb.
1987	Secretary may reduce 2%
1988	" " " 3%
1989	" " " 3%
1990	" " " 2%

Loan rate formula

	$0.55/lb.
1987 through 1990	Set at 85% of the average spot market price disregarding high and low years, or 90% of the adjusted Northern European price quotation, with adjustments limited to 5% per year and no lower than $0.50/lb.

Market enhancement

Secretary has two options.

Plan A: the Secretary has discretion to lower loan repayment level up to 20%. If cotton is not competitive and the world price (determined by formula) is below the loan repayment rate, then Secretary must issue PIK certificates to handlers of cotton to make U.S. cotton competitive with world price.

Plan B: Secretary has discretion to lower loan repayment level to the world price. For 1987-90 crops, if the world price is less than 80% of the loan level, the Secretary may set the repayment rate at any level between the world price and 80% of the loan level. If used, the difference between the repayment level and the world price would be paid in PIK certificates as under plan A.

Deficiency payments

5% of the total deficiency payment may be made in-kind. Cuts in the loan rate below formula levels that result in increased deficiency payments not subject to the payment limit.

Acreage reduction program

In periods of heavy supply the Secretary could require acreage reductions in upland cotton of up to 25%, as necessary to achieve a 4 million bale carryover.

Cross compliance

The Secretary also has discretion to offer paid land diversion above the 25% level. Secretary has discretion to require cross compliance. Producers participating in one program cannot plant in excess of the acreage base on any other program crop for which there is an acreage limitation program in effect on the farm.

Bases and yields

Acreage bases

To be established by the Secretary as the simple rolling average of planted and considered planted in the 5 previous years with certain exceptions. If at least 50% of the permitted acreage is planted to the program crop, producers are eligible to receive deficiency payments on 92% of their permitted acreage if the underplanted acreage is devoted to nonprogram crops or conserving uses.

Program yields

1986 and 1987 — Frozen at average of 1981-85 program yields disregarding high and low years.

1988 through 1990 — Secretary's option to phase in actual yields of most recent crop in a 5-year average of program and actual yields.

SUMMARY OF FOOD SECURITY ACT OF 1985

Rice

Target prices

1986	Set at $11.90/cwt
1987	Secretary may reduce 2%
1988	" " " 3%
1989	" " " 3%
1990	" " " 2%

Loan rate formula

1986	$7.20/cwt
1987 through 1990	Set at 85% of an average of past market prices disregarding the high and low years, with adjustments limited to 5% annually and no lower than $6.50/cwt.

Market enhancement

Secretary must offer a full marketing loan for the 1985 crop with repayment at the world market price. The Secretary may set minimum loan repayment at up to 50% of the loan rate in 1986 and 1987 and scaled up to 70% by 1989 and 1990 with up to one-half of gap covered by negotiable PIK certificates. If market price below repayment level Secretary shall issue in-kind marketing certificates valued at difference between the loan repayment rate and the world price.

Deficiency payments

5% of the total deficiency payment may be made in-kind. Marketing loans repaid at less than the loan rate are not subject to the $50,000 payment limitation.

Acreage reduction program

In periods of heavy supply the Secretary could require acreage reductions in rice of up to 35 percent as necessary to achieve a 30 million cwt carryover.

Cross compliance

Secretary has discretion to require cross compliance. Producers participating in one program cannot plant in excess of the acreage base of any other program crop for which there is an acreage limitation program in effect on the farm.

Bases and yields

Acreage bases

To be established by the Secretary as the simple average of planted and considered planted in the 5 previous years with certain exceptions. If at least 50% of the permitted acreage is planted to the program crop, producers are eligible to receive deficiency payments on 92% of their permitted acreage if the underplanted acreage is devoted to nonprogram crops or conserving uses.

Program yields

1986 and 1987	Frozen at average of 1981-85 disregarding high and low years.
1988 through 1990	Secretary's option to phase in actual yields of most recent crop in a 5-year average of program and actual yields.

SUMMARY OF FOOD SECURITY ACT OF 1985

Soybeans

Loan rates

1986 & 1987	Set at $5.02/bu.
1988 through 1990	Based on 75% of a 5 year average of market prices disregarding the high and low years, with declines limited to 5% per year and a floor of $4.50/bu.

Market enhancement

In all 5 years, the Secretary would have authority to reduce the loan rate an additional 5% (maintaining the floor of $4.50/bu.) if necessary to make soybeans competitive in world markets. In addition, if soybeans remain uncompetitive in world markets, the Secretary may initiate a marketing loan program.

SUMMARY OF FOOD SECURITY ACT OF 1985

Dairy

Dairy at a glance

Calendar Year	1/1/86	4/1/86	1/1/87	10/1/87	1/1/88	1/1/89	1/1/90
Support Price($/cwt.)	11.60	11.60	11.35	11.10	(based on trigger levels)		
Assessment($/cwt.)		.40	.25	.00	.00	.00	.00

Support price

Continued at $11.60/cwt for calendar 1986, lowered $0.25 cwt Jan. 1, 1987, and lowered $0.25 on Oct. 1, 1987. Beginning Jan. 1, 1988, Secretary required to make $0.50/cwt annual cuts if surplus purchases are expected to exceed 5 billion pounds per year or $0.50/cwt annual increases if surplus purchases are expected to be under 2.5 billion pounds.

Assessment

Producer assessment is $0.40/cwt beginning 4/1/86, on 1/1/87 drops to $0.25/cwt and ends on 10/1/87.

Whole herd buyout

Begins 4/1/86 and is a voluntary, partially producer-funded program that runs 18 months. Farmers must submit bids to retire whole herds from dairy production.

Livestock protection

Requires Government purchases of additional 400 million pounds of red meat during duration of whole herd dairy buyout program.

OTHER COMMODITY CHANGES

Wool

No change from the 1981 program.

Sugar

Support price; Minimum of $0.18/lb. for 5 year duration of bill.

Import quota; Either current import quota year extended to at least 12/31/86, thus reducing per-month quota levels, or else have sugar loan forfeitures at a level no greater than there would have been if the quota year had been extended. Beginning with next quota year, President directed to act so that Secretary can operate sugar program at no cost to Government.

Honey

Support price; reduced to $0.64/lb. in 1986 and $0.63/lb. in 1987, for 1988 through 1990 Secretary authorized to reduce support price 5% annually.

Peanuts

Support prices for peaunts grown within a domestic quota would be adjusted annually to reflect any increases in production costs. Support for additional peanuts, those produced outside the quota, to be set at a level estimated to ensure no loss to CCC.

Peanut quota; Sets annual domestic peanut quota of 1.1 million tons with provision quota can increase if domestic demand increases. Access to quota sales at the domestic support level broadened by sharing any growth in the quota between old and new growers.

Payment Limitation

Continues current $50,000 annual per producer ceiling for program payments. Exempt from the ceiling would be: 1) target price payments required to offset support loan cuts below basic loan levels and, 2) any payments made under the program cost reduction items which the bill provides for discretionary use by the Secretary and, 3) any gains farmers realize when paying off support loans at less than the initial loan level.

Disaster Payments

In areas where crop insurance is available, disaster payments would not be made. A $100,000 ceiling is placed on disaster payments to producers of grains, cotton, and rice. Similar disaster payments are authorized for the 1985 through 1990 crops of soybeans, sugar beets, sugarcane and peanuts.

Farmer-Owned Grain Reserve

The farmer-owned grain reserve program (FOR) is extended with a limit not to exceed 30% of wheat and 15% of corn of the estimated export and domestic disappearance for that marketing year.

Conservation

Size of reserve; up to 45 million acres of erodible cropland may be taken out of production in 10 to 15 year bid contracts. At least 5 million acres must be placed in the conservation reserve in 1986, 10 million in each of 1987, 1988 and 1989, and 5 million in 1990. The Secretary may vary the amount entering the reserve in any year by plus or minus 25% in order to maximize its cost effectiveness.

Contract compliance; Growers receive cash or in-kind land rental payments plus payments covering part of cost of establishing conservation measures. No more than 25% of any county could be enrolled except where Secretary determines no adverse economic impact. $50,000 annual limit for land rental payments.

Sodbuster; For highly erodible land not cultivated since 1980 farmer, if in violation, would lose farm benefits for all crops for the year of the violation Highly erodible land used for crops between 1981 and 1985 would initially be exempt with that exemption to disappear if producer fails to introduce a conservation plan by 1990 or two years after completion of a soil survey, whichever is later. Producers would have until 1995 to complete application of the conservation plan. There is a companion Swampbuster provision to prevent producers from converting wetlands to crop production.

Exports

Bonus export program mandated, Secretary required to use $2 billion worth of commodities over next 3 years to counter subsidies and unfair foreign trade practices, at least 15 percent must be used for exports of poultry, meat and meat products.

Export credit and promotion; Requires Secretary to make available not less than $5 billion annually in short term export credit guarantees for the life of the bill. $325 million is required annually in FY 1986-88 in cash or in-kind to combat competitor subsidies, with priority for successful 301 cases. Intermediate (3-10 years) loan guarantees mandated at $500 million per year through 1988 with a ceiling of $1 billion in FY 1989. Mandates export sales of CCC-owned dairy products, 150,000 metric tons per year for FY 1986-88.

A Barter trade program is mandated with at least 2 countries to acquire strategic stockpiles or other materals. Additional barter authority is provided to secure petroleum products for the strategic petroleum reserve.

Reauthorizes PL-480 program through 1990, and authorizes Title I foreign currency sales to support private sector development in recipient countries. Authorizes a new Food for Progress program to support agricutural policy reform in developing countries. mandates annual Section 416 commodity donations of 650,000 metric tons per year. A Presidential Special Assistant for Agricultural Trade and Food Aid, is created.

Cargo preference; commodities exported under PL-480 and other designated assistance programs will be subject to a cargo preference floor starting at 60% in calendar 1986 and rising to 75% in calendar 1988 and thereafter. Commercial USDA export programs are exempted from cargo preference requirements.

Credit and Rural Development

Credit

Interest rate buydown; requires the Secretary through Sept. 1988, to operate a $490 million program under which USDA and private lenders would share equally in the cost of a reduction of interest rates any loans guaranteed by FmHA. The Government could pay for 2% of the overall buydown or one-half the total, whichever is less.

FmHA operating loans are capped at $3.48 billion annually with a phased shift from an equal division between direct and guaranteed to a 3rd year division of $870 million for direct and $2.610 billion guaranteed loans.

FmHA ownership loans are capped at $520 million annually with a phased shift from an equal division between direct and guaranteed to a third year division of $130 million for direct and $390 million guaranteed loans.

Emergency disaster loans are capped at $1.3 billion in FY 1986, $700 million in FY 1987, and $600 million in FY 1988. Disaster loans are no longer available for larger than family farms, for farmers who can get credit elsewhere, or on losses for which crop insurance is available.

Other

Secretary may acquire easements on wet or erodible land that has been in program crops from insolvent FmHA borrowers in forgiveness of part of the debt for conservation measures. FmHA loans will be made available for establishing timber on land serving delinquent FmHA debt.

Clear title provisions protect buyers of farm products from lien attachments unless buyer given notice of lien directly, or via State central registry system.

FmHA inventory property procedures are revised to provide greater benefits to prior owners, limited resource borrowers.

Rural Development

Water and waste disposal loans; $340 million annually for three years.

Guaranteed industrial development loans; $250 million annually for three years.

Direct community facility loans; $115 million annually for three years.

Crop Insurance

Borrowing authority from CCC approved. No cap; no prior appropriation approval.

Research

Agricultural research and extension programs are extended for five years with a number of new research priority guidelines. Federal agricultural research authorizations through 1990 are: FY 1986 Federal ceiling of $600 million, $270 million for contributions to cooperative research in State experiment stations and $370 million for contributions to cooperative extension programs in States (with $10-$20 million annual increases in following years for the three programs), and $7.5 million annually for aquaculture research.

1890's extension facilities program authorized at $10 million per year through 1990.

ARS construction projects limited to $5 million each.

New uses research program mandated at not less than $10 million per year. Authority to transfer funds among appropriations to conduct research granted.

Income alternative program authorized for three years through special grants for educational and counseling purposes for producers forced out of farming as a result of economic stress.

Appropriate technology for small to moderate size farms is to be emphasized.