MAY 5, 1990

TO: SENATOR DOLE

FROM: DAVE SPEARS

SUBJECT: FARM BILL

ATTACHED IS AN OUTLINE OF A STAFF LEVEL COMPROMISE ON THE BASICS OF THE COMMODITIES SECTION OF THE FARM BILL. THE OUTLINE IS SIMILAR TO THE PROPOSAL THAT I DISCUSSED WITH YOU SEVERAL WEEKS AGO.

THE CORE GROUP OF SENATORS INCLUDED IN THE DEVELOPMENT OF THE COMPROMISE INCLUDE DOLE, LUGAR, COCHRAN, PRYOR, AND BOREN.

AT SOME POINT (POTENTIALLY THURSDAY OR FRIDAY) A MEETING WITH THE ABOVE MENTIONED SENATORS MAY BE IN ORDER TO TIE DOWN SOME BASIC ELEMENTS OF A COMPROMISE.

I AM IN THE PROCESS OF REVIEWING THE INFORMATION WITH KEY RESOURCE PEOPLE (LESHER & RUSSELL, KAWG, KFB).

THE PACKAGE INCLUDES A NUMBER OF CONCEPTS THAT WILL BE POPULAR IN KANSAS. AT THE SAME TIME, IT IS BUDGETARY RESPONSIBLE AND WILL AVOID THE BUDGET PROBLEMS IN THE HOUSE AG COMMITTEE.

I PLAN TO PROVIDE ADDITIONAL INFORMATION EARLY NEXT WEEK.

FARM PROGRAM COMPROMISE

May 4, 1990

Program Crops

1. Establish target prices for 1991-1995 at 1990 levels.

2. Continue present formulas for determining crop bases and payment yields.

3. Retain present formulas for loan rates.

4. Maintain current law on payment limits.

5. Continue 0/92 and 50/92 programs.

6. Require the Secretary to offer --

   A "target option program" for wheat and cotton whereby the target price would increase with a larger acreage reduction, but require budget-neutrality and provide that standard ARP levels would be reduced to take into account land likely to be idled under the target option program; and

   An optional contract modification whereby farmers would plant a program crop on up to 50% of acreage idled for that crop under an ARP, with an acre-for-acre offset in deficiency payments.

7. Provide discretionary authority for a paid land diversion.

8. Adopt Administration recommendations on acreage reduction programs, including formulas, stocks triggers and goals, and maximum ARP levels.

Soybeans

1. Establish a soybean marketing loan at $6.25 per bushel, with discretion for the Secretary to reduce the loan rate by up to 12%, based on considerations of supply, demand, foreign competition, other farm program target price and ARP levels, budget outlays and other factors. Establish marketing loans for sunflowers, rapeseed (including canola), flax and other oilseeds designated by the Secretary, at levels fair and reasonable in relation to soybeans.

2. Require further reduction in the soybean loan rate if the

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2. Require further reduction in the soybean loan rate if the

stocks-to-use ratio at the end of the marketing year is projected to be above 20%, with the goal that soybean program outlays would be held to $500 million or less.

Flexibility

1. Allow farmers to shift up to 20% of a crop acreage base into the production of another program crop, while preserving both base history and deficiency payments for the original program crop. Provide discretionary authority for the Secretary to exclude a crop from this system, for reasons of either oversupply or undersupply. If necessary because of inadequate supplies, allow the Secretary to permit producers to plant up to 105% of their crop acreage base with corresponding offsets in deficiency payments.

2. Allow farmers to plant up to 100% of a crop acreage base to another program crop, with full base protection but no deficiency payments (except to the extent deficiency payments are made under #1). The planted crop would be eligible for the loan program.

3. Allow farmers to plant up to 100% of a crop acreage base to an oilseed, with full base protection but no deficiency payments. Oilseeds planted on acreage in excess of 25% of the crop acreage base would be ineligible for entry into any loan program.

4. Allow farmers to plant up to 25% of a crop acreage base to alfalfa, soil restoring crops or industrial crops, with full base protection but no deficiency payments.

5. Allow farmers additional flexibility, at county ASC committee discretion, if necessary to comply with their conservation plans.

6. Eliminate modified cross compliance but prohibit base-building.