AGRICULTURAL AND FOOD LEGISLATION: ISSUES AND ALTERNATIVES

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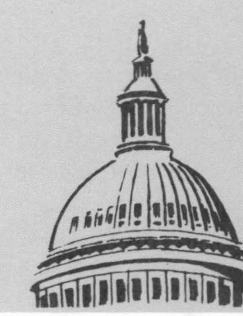

THE SETTING

The new Administration and Congress that arrive in Washington in January 1977 must decide whether to extend or modify the Agriculture and Consumer Protection Act of 1973, which expires at the end of 1977.

Any new legislation must conform to the budget process adopted by Congress in 1974. This requires a set of cost estimates for provisions of such legislation by March 15, 1977. Agreement on a new or modified bill must come from the Senate and House Agriculture Committees by May 15. Congress has until the second week of September to take final action. The new budget process also gives more emphasis on program costs and could influence final legislative decisions.

With this timetable and a new Administration, Congress could simply extend the Act for another year with some modifications. Such action would allow time for debate and discussion on the issues before writing a new Act. The Secretary could establish closer relationships with the Senate and House Committees and the many groups interested in legislation. Specific provisions such as target prices, loan rates or set aside could be considered separately but within the framework of the present act.

Interest and concern for food and agricultural legislation now comes from many diverse groups. The House and Senate Agriculture Committees and the U.S. Department of Agriculture listen to many conflicting voices as proposals and new bills are drafted. Spokesmen for consumer groups and organized labor present their views along with farm organizations and agriculturally-related businesses.

THE 1973 ACT: EXTENSION OR MODIFICATION

New legislation usually builds on past experience. The 1973 Act modified older legislation which still remains in force. This will be the base from which discussion starts in 1977. The concept of target prices and deficiency payments was the major change from past legislation in 1973. Such issues as feed and food grain reserves and conditions for their release or sale, basic support levels and loan rates may give rise to new provisions.

Major Provisions of the 1973 Act

Target prices were established for wheat, feed grains and cotton in the 1973 Act and for rice in 1975. Because market prices have stayed above target prices until 1976 no deficiency payments were made during most of this legislative mandate. Loan rates were set at lower levels in relation to market prices than in previous legislation. The Secretary was given substantial discretionary authority. Natural disaster payments were provided for those prevented from planting or from harvesting if production falls below two-thirds of a normal crop of wheat, feed grains or cotton. A payment limitation of $20,000 per person for all commodity programs was set. A set aside program was authorized for use at the discretion of the Secretary.

Many other items were included in the 1973 Act. The Public Law 480 and Food Stamp programs were extended for four years; dairy price supports, Class I base plans for milk, and incentive payments for wool were continued. A disaster reserve of wheat, feed grains and soybeans was implemented. Annual cost of production studies for wheat, feed grains, cotton, and dairy product were required. Most titles continued existing programs with modest changes.

Other Agricultural Programs

While the 1973 Act considered many basic commodities and programs, it did not cover everything. Other programs covered in separate legislation could come up for consideration. Peanuts, tobacco, and extra long staple cotton, with their separate production control programs are important to certain producers. Sugar, long the subject of special legislation, may return to the agenda. Export and import controls and authority to respond to changing conditions are important issues.

KEY ISSUES

In the first months of 1977 key working relationships will need to be established and agreement sought between the House and Senate agricultural leadership and the new Administration. An agenda would need to be reached quickly if a substantial new Act is to emerge.

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An extension of the 1973 Act with some modifications would be easier to achieve. Then the important issues could be clarified before new legislation is enacted. One set of issues will relate to the philosophy behind the Act and the role of the federal government. The other will deal with specific programs such as target prices, commodity reserves, loan rates, resale prices and the ways in which transfer payments may be made to farmers.

Philosophy

Every administration seeks to set its own imprint on policy and programs. In the 1973 Act, the Secretary of Agriculture sought and received substantial authority for discretionary action in response to changing market and political forces. Any piece of legislation defines or establishes the ways in which government relates to the activities of individuals and private business. Legislation is a response to the requests of producers and consumers after public debate. The question is not simply one of little or no government versus much more government. It is one of degree and style. There will be some form of government intervention in many aspects of food and agricultural policy. Debate centers on the conditions under which government intervention or action occurs, where the leadership rests, how much discretion rests with federal officials, and who takes initiative.

The role of government in agriculture and how this role is viewed by farmers, consumers and the general public will be of concern to Congress and the new Secretary. Present legislation and the ways in which it can be used to respond to changing supply-demand conditions will be assessed. The trade-offs between stability of farm and retail prices of food, costs of different programs, the need for reserves, the management of potential surpluses and shortages must also be considered. A philosophy toward federal programs in agriculture will evolve from the Carter administration.

Specific Issues

1. **Target Prices, Loan Rates, and Deficiency Payments.** The level and method of adjusting target prices is a concern to many producers. The relative emphasis on target prices and loan rates has important effects on producer incomes, price stability, government acquisition of reserves or amounts of deficiency payments. Relationships of target prices and loan rates among commodities will affect producer decisions.

2. **Acreage Allotments** have been used as a means of controlling output and in calculating deficiency and disaster payments. The means of establishing allotments on individual farms affects farmers production decisions and the size of deficiency or disaster payments.

3. **Production controls** may involve direct control of output or indirect control through the use of inputs like land or fertilizer. They may be voluntary or compulsory. Production control may involve all crops or specific crops or be tied to conservation.

4. **Special Commodity Programs** have been established for dairy products, peanuts, tobacco, extra long staple cotton, wool and mohair and sugar. These involve individual methods of providing price supports, payments, or production quotas. The issue is whether these special programs should be phased into the system of target prices, lower loan rates, deficiency payments, and less restrictive production established for wheat, feed grains, and cotton in the 1973 Act.

5. **Crop Insurance** has been offered to farmers since 1934 and **Disaster Payments** were provided in the 1973 Act to reduce risks and aid farmers if crop yields dropped substantially. The two programs raise the question of how much and what types of risk protection the government should provide.

6. **Export and Import Controls** affect the conditions under which foreign producers and consumers are to have access to U.S. markets. Reducing or eliminating such controls promotes more international trade and economic benefits to both producers and consumers, although high cost producers may suffer a loss of markets.

7. **Commodity Reserves** have become a significant issue since 1972 because the U.S. government no longer holds large stocks and prices have fluctuated widely. Important questions concern the role of government in acquiring and releasing stocks.

8. **Food Aid** has been provided to low income people in this country through food stamps and overseas through Public Law 480. Originally these programs assisted in disposing of surplus commodities and supported U.S. farm prices and incomes. The questions are how much aid should be given, who should receive it, whether it should be given as food or cash payments in a general income maintenance program, and who should administer it.

REVERTING TO EARLIER BASIC LEGISLATION

If Congress does not extend the 1973 Act or enact new legislation, some present provisions and programs will expire. Others will continue in a changed form under authority of so-called permanent or basic legislation.

The following program authority would revert to existing permanent legislation if no new legislation were enacted in 1977: wheat, feed grains, upland cotton, rice, wool and mohair, milk price support, cottonseed-soybean support price relationship, and CCC minimum sales prices.

The following program authority would expire: Public Law 480, dairy products, indemnity payments program, Class I base plan, CCC donations to the military and VA hospitals, beekeepers indemnity program, and the cropland conversion program.

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