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AGRICULTURE AND FOOD ACT OF 1981

A summary of the major
provisions with comments and interpretation

by A. L. (Roy) Frederick

The Agriculture and Food Act of 1981 was signed into law by President Reagan on December 22, 1981. While the basic framework of the legislation is similar to the Food and Agriculture Act of 1977, there are also important differences. Major provisions of the new law are outlined here. In some cases, the author also makes additional interpretative comments.

DAIRY (TITLE I)

Minimum support prices for milk are indicated in the table that follows. They could go higher. If federal outlays are less than $1 billion, the support level must go to 70 percent of parity. Or if tonnages purchased fall under certain minimums, the support level must go to 75 percent of parity. The figures in the table are based on USDA estimates of future parity levels.

MILK (cwt.)	1982	1983	1984	1985
Minimum support	$13.10	$13.25	$14.00	$14.60
If government purchases less than $1 billion		$13.95*	$15.53*	$17.40*
If government purchases less than		4 bil. lbs. $14.97*	3.5 bil. lbs. $16.64*	2.69 bil. lbs. $18.64*

* Government estimates

The law also directs the Secretary of Agriculture to report on the strengths and weaknesses of existing and possible new programs for controlling milk surpluses, including a review of the impact of government programs on regional supplies. Also, the Conference Committee of the Senate and House, in its report accompanying the proposed law, expressed the view that casein imports are interfering with the dairy price support program and recommended that the President establish a limit on imports.

Comment and interpretation: Dairy provisions were perhaps the most troublesome area in legislative debate on the new law. Reducing both dairy product surpluses and costs were major concerns. The Reagan Administration repeatedly threatened a Presidential veto if price supports were too high. In the end, the new law substantially loosened if not entirely severed, the tie between milk price supports and parity. Under "permanent" legislation passed in 1949, dairy supports had continued to be directly tied to parity, even though the parity concept had previously been dropped as a means of supporting prices for other commodities.

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Some members of Congress strongly argued that casein imports from Europe were hurting our dairy industry, and therefore, tough legislative sanctions should be passed to deal with the problem. However, fears of a trade war precluded adoption of tougher measures.

WOOL AND MOHAIR (TITLE II)

The existing wool and mohair support program is extended for four years. The support level will be 77.5 percent of the rate determined under a formula contained in the basic wool-mohair law (National Wool Act of 1954).

WHEAT (TITLE III)

Target prices: The following table shows minimum target prices for 1982-85 with a comparison to the 1981 rate:

	1981	1982	1983	1984	1985
Loan	$3.20	$3.55			
Target	$3.81	$4.05	$4.30	$4.45	$4.65

The Secretary of Agriculture has the discretionary authority to increase these target levels to reflect increased costs of production during the preceding two years, or the two years preceding the previous year.

Loan rates: The loan rate for 1982 will be $3.55/bushel. However, the Secretary may reduce this loan rate if the average price of wheat during the preceding marketing year was less than 105 percent of the loan level. In no case, can the loan rate be reduced more than 10 percent per year nor below $3. Moreover, if loan rates are reduced, deficiency payments to producers must be increased by an equal amount. And if no deficiency payments are scheduled, the Secretary must make payments of whatever amount deemed necessary to compensate for lost income due to the reduction in the loan rate. Payments under this provision are not subject to the $50,000 per producer limitation.

In the conference report, the Secretary is urged to consider offering an increased loan rate to farmers who enroll in any future set-aside or direct acreage reduction program.

Acreage controls: The Secretary has discretionary authority to use three different types of programs to reduce crop acreage for wheat. The first is a reduced acreage program, whereby acreage on all farms would be reduced by a uniform percentage. The acreage base to be used in calculating the amount of reduction would be the acreage planted on the farm during the previous year or an average of the two previous crop years (at the discretion of the Secretary). A reduced acreage program would make nonparticipants ineligible for loans and deficiency payments. However, in a reduced acreage program, the Secretary is not permitted to require cross-compliance. That is, a producer could participate in the program for wheat, while operating outside government programs for any or all other crops grown on the farm.

Another alternative to control acreage provides set-aside authority. In the case of a set-aside, the Secretary may require cross-compliance, such that individual producers would be required to participate in all government programs as a condition for loans or payments offered for any crop.

As a third alternative, the Secretary has the authority to make land diversion payments to producers, regardless of whether a set-aside or acreage limitation program is in effect. However, this alternative is strictly voluntary; farmers could not be required to enter this program as a condition of eligibility for price support.

Any reduced acreage or set-aside program must be announced no later than August 15, except for the 1982 crop where official notice awaited passage of the legislation.

The Secretary may allow haying and grazing on land idled under an acreage control program. But he is urged to carefully weigh the "need" for such an option.

The Secretary is also given discretionary authority to pay producers an "appropriate share" (as yet undetermined) of the cost of converting acreage idled under an acreage control program to wildlife habitat. An additional payment may be made if the producer allows public access.

Disaster payments: The new law specifies that payments for prevented planting or low yields (due to natural disaster) will be available through 1985, but only in counties where Federal Crop Insurance is unavailable. However, the Secretary has discretionary authority to offer disaster payments to any producers in such an economic emergency that cannot be alleviated by crop insurance or other federal assistance.

Comment and interpretation: The target price for wheat increases only about 6 percent from 1981 to 1982 and from 1982 to 1983. Increases for the two remaining years of this legislation are even less. It seems likely that these increases will be less than the overall inflation rate for the next four years. Thus, the Secretary will likely be under pressure to use his authority to increase target prices.

As in the past, the Secretary will have the authority to set loan rates at levels that should help to clear markets. However, the new requirement to compensate producers for lowering the loan rate may have the effect of limiting the Secretary's options.

The reduced acreage option, a change from the 1977 legislation, gives the Secretary more authority to control the acreage of a specified crop than does the basic set-aside program.

The disaster payments program has been substantially phased out. The Federal Crop Insurance Corporation expects to have insurance available in all wheat producing counties no later than for the 1983 crop. Thus, payments could be made under this provision only under certain economic emergencies as designated by the Secretary.

FEED GRAINS (TITLE IV)

Target prices: The following table compares the 1981 corn target price with the minimums for 1982-85:

	1981	1982	1983	1984	1985
Loan	$2.40	$2.55			
Target	$2.40	$2.70	$2.86	$3.03	$3.18

These target prices may be increased at the discretion of the Secretary of Agriculture, under the same circumstances as described for wheat. Target prices will also be established for the 1982-85 crops of sorghum and oats and, if he wishes, barley at "fair and reasonable levels" when compared to corn.

Loan rates: The minimum corn loan level for 1982-85 is $2.55/bushel. In succeeding years the loan may be lowered or raised, but should it be lowered, the Secretary will have the same obligation to compensate producers as described for wheat. Under no circumstances, can the corn loan be lowered under $2.

Loans on sorghum, barley, oats and rye will also be available for the 1982-85 crops. As in the case of target prices, these loan levels are to be "fair and reasonable" when compared to corn, with the added stipulation that the feeding value relative to corn will also be considered.

Acreage controls: The same alternatives will be available to the Secretary as for wheat, except any acreage reduction or set-aside program must be announced by November 15 prior to the calendar year in which the crop is harvested. (As in the case for wheat, this was waived for 1982.) Rules on cross-compliance are the same as for wheat.

Disaster payments: The same provisions apply as for wheat.

Comment and interpretation: In the 1977 legislation, target prices for feed grains (and wheat) were to be established annually, with the precise level to be determined by a cost of production formula. The

1981 legislation presets minimum target prices for the 4 year period of legislation. Beyond that, the Secretary may increase target prices in line with production costs but is not required to do so. As in wheat, the preset target prices for 1982-85 will increase at a pace that is likely to trail inflation.

During 1978-81, sorghum target prices were consistently set above corn because of the cost of production formula. In the new legislation, sorghum prices are to be set only at fair and reasonable levels compared to corn--which probably means less than the corn target. Unlike the 1977 legislation, an oats target price is now required. Barley targets continue to be optional with the Secretary.

The new law requires that a loan level be established for rye. There was no such requirement in the 1977 law.

The Secretary will have considerable freedom in setting loan rates, but as in wheat, the compensation requirement when loans are lowered may effectively limit his options. Disaster payments are unlikely for feed grains for the same reasons outlined for wheat.

COTTON (TITLE V)

The current program is extended through the 1985 crop, with loan rates based on a percentage of open market prices and a loan floor of 55 cents per pound. Target prices will be the higher of (a) 120 percent of the loan rate, or (b) 71 cents per pound in 1982, 76 cents in 1983, 81 cents in 1984 and 86 cents in 1985.

Acreage control and disaster payments provisions are similar to wheat and feed grains.

RICE (TITLE VI)

Price support loans and target prices for rice are continued through 1985, but acreage allotments are eliminated so that program benefits become available to all producers. The rice loan rate will continue to be 75 percent of the target. The Secretary of Agriculture will also continue to have authority to reduce the loan rate if it threatens to interfere with exports, but with a minimum loan rate of $8 per cwt. Target prices will not be less than $10.85 per cwt. in 1982, $11.40 in 1983, $11.90 in 1984, and $12.40 in 1985.

Comment and interpretation: Until 1976, the government's rice program was radically different from wheat and feed grains. The new farm law brings the rice program ever closer in its operating provisions to other major commodity programs.

PEANUTS (TITLE VII)

The peanut acreage allotment system has been eliminated. However, the farm poundage quota system is retained. The national poundage quota will be gradually reduced from a minimum of 1.2 million tons in 1982 to 1.1 million tons in 1985. Price support for quota peanuts grown within the farm poundage quota will be set at a minimum of $550 per ton for 1982-85, with annual increases beginning in 1983 to reflect increases in production costs (but with a 6 percent limit on each annual adjustment). Support for non-quota peanuts will be set by the Secretary, based generally on world market conditions and fixed at a rate which will avoid any net cost to the government.

Comment and interpretation: Peanut program provisions were the subject of extensive debate in Congress. The new law opens the program to more potential producers because the acreage allotment system has been eliminated. The poundage quota was retained, however, even though some members of Congress would have preferred to see this long-time feature of peanut programs also eliminated. Some members of Congress will undoubtedly push for further reforms in the peanut program when the next general farm bill is debated.

SOYBEANS (TITLE VIII)

As in the past, there are no target prices for soybeans. The loan rate for 1982 will be $5.02, the same as last year. The authority to lower rates is similar to that of feed grains and wheat, but the absolute minimum loan rate is $4.50.

To compute the loan rate for succeeding years (1983-85), USDA will take the average price received by farmers in each of the previous 5 years, throw out the high and low year, and set the loan at 75 percent of the average of the remaining 3 years.

A reserve program for soybeans is prohibited, as are any production adjustment or cross-compliance requirements.

Comment and interpretation: Soybean producers have traditionally not sought much government assistance for their commodity. More than anything else, that accounts for the modest involvement of government--both in price and production adjustment matters.

SUGAR (TITLE IX)

A four-year support program with support loan rates of 17 cents per pound on raw sugar for the 1982 crop, 17.50 cents for 1983, 17.75 cents for 1984, and 18 cents for 1985 is established.

Comment and interpretation: Sugar provisions were also the subject of considerable controversy in legislative debate. Consumer lobbyists argued that sugar price supports were neither necessary nor desirable because of the availability of imported sugar and increased domestic production of corn sweeteners. Spokesmen for producers and processors argued, on the other hand, that supports were necessary to save the domestic sugar industry and ultimate dependence on imports. As was true *throughout the legislation, the Reagan administration sought to keep costs of the program as low as possible. The result is a relatively modest array of price supports for the next four crops.*

Between the date of enactment and October 1, 1982, when price support loans go into effect, USDA will support the market by offering to purchase sugar processed between the enactment date and March 30, 1982, at a rate of 16.75 cents per pound. No actual purchases are considered likely, however, because the government will be seeking, by use of import fees, to keep market prices above the level at which producers could sell to the government.

GRAIN RESERVES AND AGRICULTURAL COST OF PRODUCTION STANDARDS REVIEW BOARD (TITLE X)

Grain reserves: The farmer-owned grain reserve for wheat and feed grains is continued. The Secretary of Agriculture is authorized to limit the size of the reserve, but such limits cannot be set lower than 700 million bushels of wheat or 1 billion bushels of feed grains. Whenever a reserve is in effect, USDA cannot sell any government-owned grain for less than 110 percent of the current release price level applying to farmer-owned reserves.

Other than these requirements, the Secretary will have considerable discretionary authority to manage the reserve. Among the more important provisions are these:

* Loans shall not be less than for the regular wheat and feed grain programs, but Congress urges that grain reserve loans be set "sufficiently in excess of regular loans" to encourage producer participation in the reserve program.

* Storage payments may be paid to producers who enter grain into the reserve. Such payments may be stopped to encourage redemption of loans after the price of a particular commodity reaches the release level.

* Interest rates on reserve loans must not be less than the Commodity Credit Corporation's cost of borrowing from the Treasury, but the Secretary is given authority to waive or adjust interest. In addition, interest rates may be increased above the level charged the Commodity Credit Corporation when the price of a particular commodity reaches the release level.

* The Secretary has the authority to "call" reserves (i.e., redeem loans or forfeit the grain) under extreme emergency. However, before grain can be called, the Secretary must give 14 days notice to the President and the House and Senate Ag Committees that such an emergency exists.

* At the request of any state ASCS committee, the Secretary is urged to delay the termination of storage payments and the reimposition

of interest charges when the release (trigger) price is reached. The intent is to prevent transportation disruptions, or inequities for producers in areas where market prices may remain depressed even though national average prices have hit the release level.

Cost of production board: An 11 member board, including seven agricultural producers, will be formed to review USDA methods of estimating farm production costs and to make recommendations about these estimates to the Secretary.

Comment and interpretation: The grain reserve continues to be a major element of the government's price support and supply control effort. The Secretary of Agriculture has wide latitude to run the program as he sees fit. The "call" provision will probably be used very little. However, the Secretary has new flexibility in actions that he might take after the release price is reached.

The cost of production board is established in response to criticism among some farm groups of USDA's cost of production estimates.

MISCELLANEOUS (TITLE XI)

Payment limitations: The total amount of payments (excluding disaster payments) that a person shall be entitled to receive under one or more of the annual programs for wheat, feed grains, upland cotton, and rice shall not exceed $50,000 for each of the 1982 through 1985 crops.

Tobacco program cost: The tobacco support program is to be operated without cost to the taxpayer outside of incidental administrative expenses.

Emergency feed program: The Secretary of Agriculture is given discretionary authority to provide emergency feed aid to poultry producers hit by natural disaster. Feed aid has previously been available to livestock producers, but the new legislation gives the Secretary discretion over whether to provide aid for livestock, thereby matching the new poultry provision.

Farm income protection insurance: The Secretary is instructed to appoint a special task force to study the concept of farm income protection insurance as an alternative to current price support, income maintenance, and disaster assistance programs currently being administered by USDA.

Distribution of surplus commodities: The new law provides that surplus commodities such as dairy products acquired by the government under price support programs, beyond amounts needed for sales and other donations, will be donated to nutrition programs for the elderly and children and to local food bank projects which were authorized by the Agricultural Act of 1980.

Meat safety: A new provision sets inspection and testing requirements for imported meat and meat products to make sure they meet U.S. standards. The Secretary is directed to enforce compliance with U.S. standards by (1) random inspections of imported meat and meat products to check for residues and to verify the species of the product, and by (2) random sampling and testing of internal organs and fat (carried out at the foreign slaughterhouse by the exporting country under methods approved by the Secretary) to check for chemical residues. The legislation states that all imported meat and meat foods from cattle, sheep, swine, goats, horses, mules or other equines which are capable of use for human food "shall be subject to the inspection, sanitary, quality, species verification and residue standards applied to products produced in the United States."

AGRICULTURAL EXPORTS AND PUBLIC LAW 480 (TITLE XII)

Agricultural export credit revolving fund: The Secretary of Agriculture is given authority to establish a revolving export credit fund within the CCC "for purposes of market development and expansion and only where there is substantial potential for developing or enhancing regular or commercial markets for U.S. agricultural commodities." While there is no requirement to establish this fund, Congress hopes that it will be implemented as soon as possible. It is anticipated that it will be self-sustaining after the initial commitment of funds.

Bilateral commodity supply agreements: The President is encouraged, but not required, to consult with appropriate Congressional committees before entering into bilateral agreements on exports of farm products.

Special standby export subsidy program: The Secretary is required to formulate a standby export subsidy program which could be used, if found necessary by the President, to offset subsidies paid by other countries.

Agricultural embargo protection: The law contains an embargo protection provision that requires the Secretary, in the event of a selective embargo against agricultural commodities, to raise loan levels of embargoed commodities to 100 percent of parity or make direct payments equal to the difference between 100 percent of parity and the post-embargo market price. This provision would apply to selective embargoes against countries that import more than 3 percent of U.S. exports of a particular commodity.

P.L. 480: The Food for Peace program, P.L. 480, is extended for four years. Several provisions have been added which are designed to further encourage self-help steps by nations receiving aid.

Comment and interpretation: The provisions outlined above reflect both the increasing importance of agricultural trade and an expanding range of policy issues associated with trade. The Secretary has been given additional discretionary authority to address developing trade issues.

FOOD STAMPS (TITLE XIII)

Appropriation authority for the food stamp program of $11.3 billion is extended for 1982. To further cut costs, a scheduled April 1, 1982, cost-of-living adjustment in food stamp allotments is postponed to October 1, 1982. Numerous additional provisions were approved to tighten eligibility standards and increase operational efficiency of the food stamp program. There are also several references to tieing food stamps to improved nutrition and nutrition education.

AGRICULTURAL RESEARCH, EXTENSION AND TEACHING (TITLE XIV)

This title extends for four years the Congressional authorization to provide adequate support to funding for research, extension, and teaching aimed at continued gains in the productivity of the agricultural sector. An Assistant Secretary in USDA for research and education was authorized.

The legislation provides for strengthening of the research and extension partnership between USDA and land grant universities. It also expands the scope of activities to include aquaculture, rangeland management, and an International Dairy Goat Research Center.

Other provisions include authorization for a research-extension program concentrating on rural development and small farm problems; establishment of a Soybean Research Advisory Institute within USDA; a requirement that the Secretary of Agriculture include, in a regular annual report due January 1, 1984, a long-term assessment for food, fiber and forest products; and a directive to the Secretaries of Agriculture and Health and Human Services to report within 180 days on plans for a human nutrition research and information management system.

RESOURCE CONSERVATION (TITLE XV)

The law authorizes a new "Special Areas Conservation Program" to identify geographic areas which suffer special, chronic erosion problems and to focus financial assistance on those areas. Also, the law authorizes matching federal grants to local governments for conservation; authorizes (subject to separate, later action on appropriation bills) USDA loans to farmers for conservation work; and authorizes a test of the feasibility of reducing excessive sedimentation in existing reservoirs. Further, the law establishes a Farmland Protection Policy Act aimed at minimizing the impact of federal actions on conversion of agricultural land to other uses. Finally, the new law provides a legislative base for the Resource Conservation and Development program to aid states, localities, and nonprofit agencies in dealing with local resource problems.

CREDIT, RURAL DEVELOPMENT AND FAMILY FARMS (TITLE XVI)

Authority for conducting the Farmers Home Administration's Economic Emergency loan program was extended for one year, with a $600

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million limit on guaranteed and insured loans during the extension. Authorization for federal stock purchases in the Rural Telephone Bank was continued for 10 years. The law authorizes FmHA to make operating and ownership loans to small farm production co-ops, and removes obstacles to FmHA loans to unmarried persons. Further, it contains a policy statement supporting the family farm system and requiring an annual USDA report on family farm operations.

Storage facility loan program: The Secretary of Agriculture is given authority to end the program in areas where there is no longer a deficiency in storage facilities. He did so on February 8, 1982.

CONCLUDING COMMENTS

Two common threads run throughout this legislation: 1) Costs were a major concern; and 2) The Secretary of Agriculture has been given increased discretionary authority to administer programs. With regard to both, the Reagan administration got most of what it wanted in three-cornered bargaining with the Senate and House of Representatives.

In all likelihood, giving increased authority to the Secretary will not reduce political pressure to address problems in the agriculture-food sector. In fact, it could increase it, as members of Congress ask the Secretary to use the authority he has been granted.

The title of the new legislation lists agriculture before food. In 1977, food was listed first. The change is probably more than mere coincidence. The intent is to promote and emphasize production agriculture, although in so doing it gives the impression of deemphasizing food issues.

The new legislation is for four years, as have been most other recent "farm bills." The major advantage of a four year package is that it gives all concerned a fairly lengthy planning horizon and at the same time stays out of election-year politics. The major disadvantage is that the legislative process is often prolonged when a new administration and/or key members of Congress have come into office only days, or at most weeks, before bills are introduced and hearings begin.