POLICY PENNINGS By Daryll E. Ray

Reader proposes $10 billion a year farm program

The other day I received a call from Alan Roebke, a Minnesota farmer who had a farm bill proposal he wanted to share with me. As I listened, I found his proposal intriguing. Under this program,

- Crop receipts are from the market and not the government
- The government does not become the holder of stocks
- Governmental costs are contained
- Farmers continue to have existing planting flexibility
- Current low crop-price "subsidies" to processors, livestock producers, and export customers are greatly reduced, and
- Government CCC annual expenditures will be $10 billion vs. $17 billion under the House and Senate bills.

Roebke developed his proposal by looking at the projected CCC net outlays that are published in *Agricultural Outlook* for Fiscal year 2002. In that budget, $4 billion is allocated for Market Loan Gains (MLGs); $4 billion for AMTA (fixed decoupled payments); $5 billion for Loan Deficiency Payments (LDPs); $2 billion for humanitarian, operating interest and other expenses; and $2 billion for conservation.

Roebke begins by eliminating the AMTA payment and replacing it with a CCC loan advance on 25% of projected production. This would put more cash in the hands of the farmers at the beginning of the year when they need it to pay for crop inputs. This would save the government $4 billion in AMTA payments. The idea is to make the advance loans no-net-cost to the government over the period of the legislation.

At harvest farmers could take out a loan on the additional production not secured by the loan advance. Loan rates would be as follows: $2.30/bu. for corn, $5.75/bu. for soybeans, $3.35/bu. for wheat, $7.00/cwt. for rice and $0.61/lb. for cotton. Other loan rates would be set at their historic ratios to these crops. These loans would have to be paid back at the time the crop is sold. Under Roebke's program producers would enjoy the same planting flexibility they have under the current law.

Roebke recognizes that lower prices have not buoyed export markets and he is convinced that loan rates at these levels would not adversely affect U.S. exports of grains and seeds.

Producers would be permitted to take out a 5 month loan on the crop. The producer would have to keep the crop under loan for the full five months before being eligible to take an MLG. At the end of five months the producer would have the opportunity to take the MLG on half the crop or renew the loan for an additional five month period. If the loan were renewed the producer would be able to take the MLG on half the crop under loan during the first 60 day of the renewal period. The loan could be renewed for an additional two times for a total of twenty months. The MLG on the balance of the crop could be taken at the end of the twenty month period. No interest would be charged after the first ten months. The producer would be able to take advantage of any increases in market prices because he/she would be free to sell the grain at any time and pay off the loan at full rate plus accumulated interest.

The loan period was set by Roebke to coincide with the South American harvest, so that if there were any downward price pressure at the loan renewal time, it would be shared by our competitors.

Roebke believes that this program would allow producers to keep product off the market if prices are lower than the loan rates and would force feeders, processors and export customers to pay at least the loan rate. It would reduce the current subsidy to these users. Roebke allows $3 billion for MLGs while eliminating the $5 billion that is being spent on LDPs. Only the grain that is actually put under loan for the full five months would be eligible for the MLG program. Producers who forward contract would not be eligible to receive an MLG on their crop. Roebke believes that forward contracts and cash sales during the first five month of the crop year would need to be at or near the loan rate, otherwise producers would be money ahead to take out a loan on their crop..

In addition to the $2 billion budgeted for conservation programs, Roebke would add $1.2 billion for a Square-Up Program at the local continuous CRP signup rate. This money would be dedicated to squaring up odd-shaped lands such as those around creeks, ditches, woodlots, CRP acres and highways; the widening of buffer strips for fields adjacent to waterways; and similar conservation measures. The Roebke Farm Bill includes the same $2 billion for humanitarian, operating, interest, and other expenses currently in the budget.

To help manage farm programs, the Secretary of Agriculture would have at her disposal $1.8 billion that could be used for a paid acreage reduction program. The Secretary of Agriculture could also use this $1.8 billion to institute a Farmer Owned Reserve. His proposal would make the Secretary of Agriculture Neil Harl's "surrogate CEO" of American Agriculture with a $10 billion annual budget. Savings in one year's programs could be carried forward into the following fiscal year. Or unused funds could be used to feed the hungry of the world, promote biomass production and strengthen conservation programs.

Roebke says, "This program is the only one that is self-disciplined." Roebke's goal is to bring supply and demand into balance. He does not want to see the federal government subsidizing export customers, livestock

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producers and processors of agricultural products any longer. Looking back on the past several years Roebke sees that a budget means nothing to the House and Senate when they pass multi-billion dollar bailouts year after year. “We are presently $64 billion over the amount originally budgeted for Freedom To Farm. This proposal takes that check writing ability away from Congress,” Roebke says.

Determination of the net farm income that would be produced by this program will have to await further analysis. In the meantime, it opens another door and provides an alternate vehicle for looking at farm policy and production issues.

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