POLICY PENNINGS By Daryll E. Ray

Ag Committee seeks "coalition of interests" with farm bill proposal

On Friday, July 27, 2001 the House Agricultural Committee gave approval to "The Agricultural Act of 2001" and sent it to the House floor for action. Speaking about the legislation, Ranking Minority Member Charlie Stenholm (D-Texas) said, "This legislation brings together a coalition of interests that will be needed to pass it in the full House and see it signed into law by the end of the year." In looking at the proposed legislation it quickly becomes apparent that the committee did in fact cast a wide net to gather a "coalition of interests" that includes larger producers, wool, mohair and honey producers, dairy farmers, sugar producers, peanut producers, fruit and vegetable interests, livestock producers, environmentalists, multi-national agribusiness firms that depend upon wide-open production, and advocates for the poor, among a host of others and some of these groups have not previously been considered farm bill "constituents."

While they might not have gotten as much as they wanted, each of these interests gets a piece of the pie in this legislation. House Ag Committee Chair Larry Combest acknowledged that to meet everyone's requests would have required $275 billion in new spending above the Congressional Budget Office April 2001 baseline over the next ten years. What the committee did was spread a ten year budget of $73.5 billion in spending over the baseline among the various interests. Following are some¾this column is not long enough to list them all¾of the provisions of the proposed legislation in addition to the crop provisions we reviewed two weeks ago.

Increase in LDP/MLG payment limit to $150,000

One of the changes that was made during the mark up of the Agricultural Act of 2001 was to increase the payment limit for LDP/MLGs (Loan Deficiency Payments and Marketing Loan Gains) from $75,000 for all crops to $150,000 for all crops.

Payments to wool, mohair and honey restored

During the 1990s, payments to wool, mohair and honey were eliminated from farm legislation as an example of cutting "pork" out of the budget. The 2001 Farm Bill, as it was reported out of the House Agriculture Committee, brings them back in through the mechanism of nonrecourse marketing loans, effectively setting a per unit revenue floor for the producers of these commodities. The loan rate for graded wool was set at $1.00 per pound, $0.40 per pound for non-graded wool, $4.20 for mohair, and $0.60 for honey.

Dairy Program

The Milk Price Support Program is authorized for the ten years of the legislation at a rate of $9.90/cwt on a 3.67% milkfat basis. The Secretary is authorized to purchase butter, nonfat dry milk powder or cheese at established prices in order to maintain the $9.90/cwt support price. The Fluid Milk Processor Promotion Program was set to expire under a sunset law. The proposed legislation repeals the termination of the program. In an important change in the Dairy Promotion Program, dairy importers will be required to pay an assessment equivalent to domestic dairy producers.

Sugar Program

Under the terms of the legislation approved by the House Agriculture Committee the marketing assessment on sugar is eliminated. In addition it reduces the CCC interest rate on price support loans, authorizes a PIK program, re-establishes the no-net-cost concept feature of the program and provides the Secretary with authority to implement allotments for sugar producers.

Historic change for peanut program included

The 2001 Farm Bill, as proposed by the House Ag Committee, makes an historic reform to the peanut program bringing it in line with the traditional crop programs. The new program terminates the marketing quota program and compensates the quota holders for the loss of the quota asset value at $.10 per pound each year for five years. In place of the old program the bill provides a fixed decoupled (AMTA) payment of $0.018 per pound and a counter-cyclical (variable AMTA) program with a target price of $480 per ton, and a marketing loan rate of $350 per ton.

Fruits and Vegetables

Over the years, the producers of fruits and vegetables have not benefited from the largesse of the federal government to the extent enjoyed by crop producers. While not overturning that pattern, the proposed legislation does have a number of provisions that are of interest to and benefit to producers of fruits and vegetables. Prime among those is the retention of planting restriction of fruits and vegetables on base acres. Planting flexibility for crop agriculture, which has been touted as a major feature of this legislation, does not include the freedom to plant fruits and vegetables, thus protecting current fruit and vegetable producers from a potential flood of crop farmers seeking higher returns while collecting AMTA and variable AMTA payments.

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The legislation increases Market Access Program (MAP) funding from $90 million to $200 million per year. MAP funding is used to advertise fruits, vegetables and other farm products overseas. For the first time MAP funding includes tobacco in the list of eligible products.

Fruit and vegetable producers also benefit from some of the conservation provisions in the proposed legislation. A $675 million fund to address ground water conservation issues includes provisions authorizing cost sharing for more efficient irrigation systems.

In addition to these items of interest to fruit and vegetable producers the legislation:

- Gives the Secretary of Agriculture sole decision authority to combat outbreaks of plant and animal diseases with emergency funds;
- Provides an additional $200 million in spending authority for surplus commodity purchases under Section 32;
- Creates TASC (Technical Assistance Specialty Crop) funds to address trade barriers to the export of U.S. specialty crops; and
- Provides $15 million for the Senior's Farm Market Program – a program administered through the states that provides vouchers or coupons seniors can use to purchase fresh fruits and vegetables at farmers markets.

As I said at the beginning, the list of provisions that it is hoped will help build the "coalition of interests," is longer than we can cover in a single column. In the next column we will look at some of the provisions affecting livestock producers, international traders and advocates for the environment and humanitarian interests. The further we look, the more we have come to see that there is something in this bill for almost everyone. Will that guarantee passage of this legislation in its present form? Only time will tell.

*Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of the UT's Agricultural Policy Analysis Center. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://*agpolicy.org.