Harkin unveils some details of farm bill proposal

Another farm bill proposal was put into play recently as Sen. Tom Harkin, Chair of the Senate Ag Committee, released his working draft of a farm bill. Harkin's draft bears little resemblance to his colleague Sen. Richard Lugar's voucher-based proposal. Harkin's proposal relies instead on Marketing Assistance Loans and conservation payments. There was no mention of risk management strategies in the draft circulated by Harkin.

The commodity section of the draft proposal would include wheat, corn, grain sorghum, barley, oats, rice, soybeans, minor oilseeds, and upland cotton. Table 1 shows the first-year Marketing Assistance Loan rates that Harkin proposes for each covered crop as well at the present rate and the first-year rates of the House proposal. The loan rates in Harkin's version have been rebalanced leaving soybeans near the current level while raising rates for the other commodities.

Crop	Unit	2001 Rate	House	Senate
Wheat	Bu.	$2.58	$2.30	$2.90-$2.94
Corn	Bu.	$1.89	$1.67	$2.08-$2.10
Grain sorghum	Bu.	$1.71	$1.44	$1.98-$2.00
Barley	Bu.	$1.65	$1.40	$1.98-$2.08
Oats	Bu.	$1.21	$0.99	$1.25-$1.30
Rice	Cwt.	$6.50	$6.50	$6.85-$6.90
Soybeans	Bu.	$5.26	$4.00	$5.20-$5.26
Minor oilseeds	Lb.	$0.09	$0.06	0.093
Upland cotton	Lb.	$0.52	$0.50	$0.54-$0.55

Table 1. Marketing Assistance Loan rates for the commodities covered under the Harkin draft proposal. The table includes Harkin's first-year proposed rates as well as the 2001 rates and the first-year rates included in the House proposal.

Harkin's proposal includes both direct and counter-cyclical payments. Payments under these two programs would be based on the product of producers' crop acreage and yields during the 1998 through 2001 crop years. Acreage would be the 4-year average of planted and prevented planted for each program crop. Yield would be the average yield during the base period, excluding any year with zero acreage and any one year of low yield. The producer may chose their existing program payment yield, if it is higher than the 4-year average.

Non-recourse marketing assistance loans would be available for honey, wool, mohair, dry peas, lentils, and chickpeas; while non-recourse loans would be offered for extra long staple cotton. Non-recourse loans would be in place for high moisture feed grains, and seed cotton. Harkin's draft proposal includes extending the dairy price support program and provides for counter-cyclical assistance. Details of the peanut program were not released but would be a phased-in program that would cost less than the House bill.

The total direct payments would be about $4 billion per year. The payment rate for each covered commodity would be based on the average cost of production for the commodity. The counter-cyclical payment would be based on the difference between the national target revenue for each commodity and the current year value of production of the commodity. A farmer's payment would be based on the farm's crop new "base" acreage and yield. The total cost of the commodity portion of Harkin's proposal is estimated to be $100 billion for ten years compared to the House's $110 billion.

Harkin proposes to shift the $10 billion savings in commodity programs over ten years to the conservation title. This amount would be in addition to current expenditures of $1.8 billion per year. The conservation title provides programs both for working lands and for land retirement, and includes crops and livestock. His proposal provides increased funds and improved access to existing conservation programs (EQIP, CRP, WRP, and WHIP).

Harkin's Conservation Security Act (CSA) would provide income (through bonus payments, a percentage of rental rate payments, and cost-share payments), available to all producers, for maintaining or adopting conservation practices on working lands. This program is based on voluntary participation in one of three tiers of conservation practices. The payments would cover 100 percent of management practices, establishment and installation costs and 75 percent of land-based costs. In addition the program would pay 6 percent of county rental rates for practices in Tier I, 11 percent for Tier II and 30 percent for Tier III. Bonus payments would be made for certain high level conservation practices. The proposal provides for increased access to technical assistance.

As promised, Harkin has included a farm-based renewable energy title in his proposal. This is the first time that bioenergy production has had a separate title in farm bill legislation. The title would promote the development and use of biofuels, biochemicals, and related products. New programs would be created to provide financial and technical support to farmers and ranchers for the development of on farm and renewable energy resources, including ethanol, biodiesel, biomass, wind, solar, and geothermal based energy.

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As promised, Harkin has included a title on concentration/competition. Under this title, unfair and deceptive practices in the purchasing and contracting for all agricultural commodities would be prohibited. It would require country of origin labeling for meat, fish, and produce. The proposal also calls for reform of the check-off referendum process.

Harkin calls for the some changes in the nutrition title. His proposal would strengthen participation by working families, children, and the elderly in the food and nutrition assistance programs. It would restore benefits to certain immigrant groups including children.

Published reports have indicated that Harkin is examining ways to limit payments that may include elimination of the three entity rule, a specific dollar limitation of $75,000 or a limitation based on a percentage of production levels.

In the meantime, there are reports that a third proposal that carries higher loan rates may be forthcoming from a Senate Agriculture Committee member. If it materializes, that proposal likely will have hit the streets by the time you read this. In a recent letter Ag Secretary Ann Veneman cautioned against racing to complete the farm bill just to lay claim on the money. She said, "Recent statements regarding the Administration's support for a five-year proposal authorizing $25 billion in new farm spending do not constitute a ceiling on new farm spending where good policy is involved." Nontheless, pressure to get a bill passed out of the Senate Ag Committee by Thanksgiving and to have a conference bill passed through both chambers and on the Presidents desk by the end of December is clearly building. It is possible and, you never know, it may happen.

*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.