

legislation covered the 1953 and 1954 crops of basic commodities if the producers had not disapproved marketing quotas and also extended, through 1955, the requirement that the effective parity price for the basic commodities should be the parity price computed under the new or the old formula, whichever was higher. Extra-long staple cotton was made a basic commodity for price support purposes.

TOWARD FLEXIBLE PRICE SUPPORTS

At the end of the Korean War in 1953, the specter of surpluses once again dominated agricultural policymaking. The debate over levels of support (high and fixed versus a flexible scale) was renewed. The administration of Secretary Ezra Taft Benson increasingly favored flexible supports which would drop as supplies increased. Most Congressmen from agricultural districts, on the other hand, wanted to continue fixed supports. A growing number of agricultural economists moved from their near unanimous preference for flexible supports in the late 1940s to a belief that only strong production controls and high price supports could assure acceptable farm income in a period of growing productivity.

For the immediate postwar period, USDA commodity programs continued much as before. Support levels for basic crops remained at 90 percent of parity for 1953 and 1954. Secretary Benson proclaimed marketing quotas for the 1954 wheat and cotton crops on June 1, 1953, and October 9, 1953, respectively. The major types of tobacco and peanuts continued under marketing quotas. Quotas were not imposed on corn but corn acreage allotments were reinstated in 1954 for the first time since before World War II (with the brief exception of 1950). The Secretary announced on February 27, 1953, that dairy prices would be supported at 90 percent of parity for another year beginning April 1, 1953.

In 1954, however, the Eisenhower administration moved to implement its own program. The President's message on January 11, 1954, urged the adoption of flexible supports for basic commodities ranging between 75 and 90 percent of parity, depending on supply, so farmers would be discouraged from overplanting. He also asked that export programs be strengthened to reduce surpluses and that part of the Government-owned surpluses be isolated from the market to prevent them from depressing prices.

Exports received the first attention from Congress when the Agricultural Trade Development and Assistance Act, better known as Public Law 480, was approved July 10, 1954. This act, which proved to be of major importance in disposing of farm products abroad, served as the basic authority for selling surplus agricultural commodities for foreign currency, for emergency relief shipping, and for bartering farm products for strategic material.

Flexible price supports came only after much debate in Congress. The Agricultural Act of 1954, approved August 28, 1954, established flexible supports for basic commodities ranging from 82.5 to 90 percent of parity for 1955 and from 75 percent to 90 percent thereafter; an exception was tobacco, which was to be at 90 percent of parity when marketing quotas were in effect. As before, most other commodities could be supported at up to 90 percent of parity at the Secretary's discretion. Corn marketing quotas were dropped completely. The transition to flexible support was to be eased by setting aside \$2.5 billion in CCC holdings of basic commodities as a reserve which would not be counted in figuring price support levels. These reserves were to be disposed of by export, donation, disaster relief, and other means. Special

provisions were added for various commodities. One of the most interesting, under the National Wool Act, allowed two methods of supporting wool. One was the usual price support method; the other (the one actually used) permitted direct income payments equal to the difference between the price received and a support level determined by the Government, a mechanism reminiscent of the Brannan Plan. Dairy received support in the 75-90 percent of parity range.

SOIL BANK

By the mid-1950s, production had risen to the point where both Congress and the administration felt it necessary to try a larger acreage reduction program. The Soil Bank, established by the Agricultural Act of 1956, was the result. Similar in some respects to programs of the 1930s, in which farmers were paid for conserving practices, the program was divided into two parts: an acreage reserve and a conservation reserve. The specific objective of the acreage reserve was to reduce the amount of land planted to allotment crops: wheat, cotton, corn, tobacco, peanuts, and rice. Traditional acreage allotments permitted land withdrawn from one crop to be planted in others. Under the Soil Bank, farmers cut land planted to these crops below established allotments, or, in the case of corn, their base acreage, and received payments for the diversion of such acreage to conserving uses. In 1957, 21.4 million acres were in the acreage reserve. The acreage reserve ended in 1958 after criticism of its high cost and its failure to significantly cut production.

All farmers were eligible to participate in the conservation reserve by designating certain cropland for the reserve and putting it to conservation use. A major objection to this plan in some areas was that communities were disrupted when many farmers placed their entire farms in the conservation reserve. On July 15, 1960, 28.6 million acres were under contracts for a maximum of 10 years. After this, the amount steadily declined until the last land left the reserve in 1972.

The 1956 Act also began a two-tiered price support system for rice which pegged export rice at a lower level than rice for domestic use. Corn producers were given a choice between joining the Soil Bank program with full supports, not joining it and accepting a smaller allotment, or not complying with their allotments but still being eligible for a lower price support. Cottonseed and soybean supports, when offered, were to be balanced in a way that insured equal competition.

The Agricultural Act of August 28, 1958, made further adjustments in price support programs. For 1959 and 1960, each cotton farmer had the choice between (a) a regular acreage allotment and price support, or (b) an increase of up to 40 percent in allotment with price support 15 points lower than the percentage of parity set under (a). After 1960, cotton was to be under regular allotments, supported between 70 and 90 percent of parity in 1961, and between 65 and 90 percent after 1961.

Feed grain farmers were given the option of voting either to discontinue acreage allotments for 1959 and subsequent crops and receive supports at 90 percent of the average farm price for the preceding 3 years, but at not less than 65 percent of parity, or to keep acreage allotments with supports between 75 and 90 percent of parity. The first proposal was adopted for an indefinite period in a referendum held November 25, 1958. Price support for most feed grains became mandatory.

The rice program continued under the 1958 Act but with lower minimum supports. For 1959 and 1960, supports could range between 75-90 percent of parity; in 1961, they could drop to 70 percent and in 1962 and following years to 65 percent.

FARM PROGRAMS IN THE 1960s

By 1960, the high, fixed price supports of the 1940s and early 1950s had given way to flexible and generally lower levels of support for the basic crops. Wheat and cotton supports for 1960 were at 75 percent of parity compared with 90 percent in the early 1950s; corn supports stood at 65 percent. The Government had also begun to move away from acreage allotments to control the production of some crops by taking land out of production through diversions for conservation purposes. However, neither the lowering of price supports nor the diversion of acreage had stemmed the tide of ever-increasing output. Farmers in 1960 were in the midst of a technological revolution that was decreasing the number of farmers while greatly augmenting the productivity of those remaining on the land. Increased use of fertilizers, pesticides, farm machinery, and improved seeds along with greater specialization enabled farmers to set new production records. Yields of wheat, for example, rose from 17 bushels per acre in 1945 to 26.1 bushels in 1960. Corn yields similarly advanced 65 percent, cotton 76 percent, and dairy (milk per cow) 47 percent in the same years.

Thus, by 1960 the surplus problem had reached crisis proportions. Total carryover of corn stocks had climbed to an all-time high of 1.8 billion bushels in 1960; the wheat carryover stood at 1.4 billion bushels, nearly all of which was held by the Government. Supplies of barley, grain sorghum, and some other crops were also near historically high levels. A good harvest in 1960 was expected to add even more to the carryover. Meanwhile, prices and farm income had been steadily falling from the high levels of the Korean War period. Corn prices were down to a season average \$1.00 per bushel in 1960, the lowest level since 1942. The same could be said for wheat, where the average \$1.74 received by farmers was lower than any year since 1945. Grain sorghum, barley, rye, and rice were also selling for less than at any time since the 1940s; cotton and oats were priced below their average for the 1950s. The effect of these prices on farm income was clear. The \$12 billion net farm income figure for 1960 remained near the low levels reached during the mid-1950s and was well below the \$15.2 billion average of the 1946-52 period.

The Kennedy administration, which took office in January 1961, held very different views of farm policy than did the Eisenhower administration. The new Secretary, Orville Freeman, believed that tighter production controls and higher levels of support were necessary to raise income and reduce surpluses. If producers would agree to mandatory controls, Freeman felt, Government expenditures would decline along with surpluses.

The administration's first major action was an emergency proposal aimed at meeting the grain surplus problem. On March 22, 1961, Congress gave the Secretary authority to begin a payment-in-kind program through which farmers who agreed to reduce their plantings of corn and grain sorghum by 20 percent would receive the basic county support rate on 50 percent of their normal yield in the form of cash or negotiable certificates which the CCC would either redeem in grain or assist farmers in selling. The Secretary chose to make payments in certificates rather than cash. Farmers who took an

additional 20 percent out of production would receive certificates for that portion at a 60-percent rate. Most farmers chose to have the CCC market their grain rather than take delivery. Grain stocks declined sharply and over the next few years the program was expanded to include barley and oats.

Meanwhile, Kennedy sent to Congress his proposal for a long-term agricultural program to phase out existing regulations. He set forth a plan for mandatory production controls to be drawn up by committees of farmers and approved by a two-thirds vote of the producers. This, in effect, would have taken much of the power to write agricultural policy from Congress and given it to the executive branch and producer committees. The new plan could be extended to any commodity if farmers approved. Unlike the marketing quotas of 1938, moreover, the new controls would be based on the quantity produced, not acreage allotments. The administration expected that mandatory controls would reduce both storage and price support costs while raising farm income. Congress and most farm organizations, however, disliked the idea of mandatory programs because of the politically unpopular restraints they imposed on farmers and because there was no guarantee that farmers would be compensated for reducing acreage. The Kennedy plan never made it out of committee.

The farm bill which did emerge from Congress, the Agricultural Act of 1961 (August 8, 1961), broke little new ground. It continued the corn and grain sorghum payment-in-kind program of the March 1961 Act for another year and added barley to it. A new wheat program continued supports at 75 percent of parity but required a 10-percent cutback in acreage with the option of payments in return for greater reductions. The act also authorized marketing orders for peanuts, turkeys, cherries, cranberries for canning or freezing, and apples produced in specified States. The National Wool Act of 1954 was extended for 4 years and Public Law 480 was extended through December 31, 1964.

The Kennedy administration also showed a renewed interest in the problems of rural poverty and the possibilities of disposing of surpluses through donations of food to the poor. President Kennedy's first executive order directed the Secretary of Agriculture to immediately expand the program of food distribution to needy persons. A pilot food stamp plan was also started. In addition, steps were taken to expand the school lunch program and to make better use abroad of American agricultural abundance.

Kennedy and Freeman made another attempt in 1962 to establish mandatory controls, this time limiting them to feed grains, wheat, and dairy products. As in the previous year, however, Congress resisted and only the wheat proposal became law. The Food and Agriculture Act of 1962 (September 27, 1962) abolished the 55-million-acre minimum national allotment of wheat acreage beginning in 1964. The Secretary could set allotments as low as necessary to limit production to the amount needed. Farmers were to decide in 1963 between two systems of price supports. The first system provided for the payment of penalties by farmers overplanting acreage allotments and provided for issuance of marketing certificates based on the quantity of wheat estimated to be used for domestic human consumption and a portion of the number of bushels estimated for export. The amount of wheat on which farmers received certificates would be supported between 65 and 90 percent of parity; the remaining production would be supported at a figure based upon its value as feed. The second system imposed no penalties for overplanting, but provided that wheat grown by planters complying with allotments would be supported at only 50 percent of parity. The first option was defeated in a referendum held on May 21, 1963, but a law passed early in 1964 prevented the second alternative from becoming effective. This marked the end of the administration's drive for mandatory controls.

For feed grains, the Food and Agriculture Act of 1962 continued the voluntary acreage reduction with payments in kind that had been part of the 1961 Act. There was one important difference, however. In order to facilitate exports, price supports for 1963 corn were dropped to \$1.07 per bushel (compared with \$1.20 the 2 previous years). Farmers were protected by an additional 18-cent price support payment based on normal production. This payment, to be made in kind, represented a direct income supplement on top of the traditional price supports. The other payment-in-kind programs of 1961 and 1962 were continued, but payments for the optional reduction were reduced from 60 percent to 50 percent of normal yield. Other feed grains received similar treatment. Wheat, too, fell under this plan the year before the decision made in the referendum was to take effect. The 1962 Act provided supports for the 1963 wheat crop at \$1.82 a bushel (83 percent of parity) for farmers complying with existing wheat acreage allotments and offered additional payments to farmers retiring land from wheat production. On May 20, 1963, another feed grain bill permitted continuation in 1964-65, with modifications, of previous legislation. The bill provided supports for corn for both years at 65 to 90 percent of parity and authorized the Secretary to require additional acreage diversion.

The Agricultural Act of 1964, approved April 11, 1964, affected primarily cotton and wheat. The Secretary of Agriculture was authorized to make subsidy payments to domestic handlers or textile mills in order to bring the price of cotton consumed in the United States down to the export price. Each cotton farm was to have a regular and a domestic cotton allotment for 1964 and 1965. Farmers complying with their regular allotment were to have their crops supported at 30 cents a pound (about 73.6 percent of parity). Farmers planting only their domestic allotment would receive support prices up to 15 percent higher (the actual figure in 1964 was 33.5 cents a pound).

The 1964 Act also set up a voluntary wheat-marketing certificate program for 1964 and 1965. Like the earlier feed grains programs, farmers who complied with acreage allotments and agreed to participate in a land-diversion program would receive price supports and land-diversion payments, while noncompliers would receive no benefits. In addition, growers were given marketing certificates, the value of which depended on whether the wheat was destined for domestic or foreign consumption. Wheat food processors and exporters were required to make prior purchases of certificates to cover all the wheat they handled. Price supports, including loans and certificates, for the producer's share of wheat estimated for domestic consumption (in 1964, 45 percent of a complying farmer's normal production) would be set at 65 to 90 percent of parity. The actual figure in 1964 was \$2 a bushel, about 79 percent of parity. Price supports, including loans and certificates, on the production equivalent to a portion of estimated exports (in 1964, also 45 percent of the normal production of the farmer's allotment) could be anywhere from 0 to 90 percent of parity. The export support price in 1964 was \$1.55 a bushel, about 61 percent of parity. The remaining wheat could be supported from 0 to 90 percent of parity; in 1964 the support price was \$1.30, about 52 percent of parity. Price supports through loans and purchases on wheat generally reached an around the world market price of \$1.30 per bushel in 1964, while farmers participating in the program received negotiable certificates which the CCC agreed to purchase at face value to make up the differences in price for their share of domestic consumption and export wheat. The average national support through loans and purchases on wheat in 1965 was \$1.25 per bushel.

In 1964, a dairy indemnity program was authorized. Under this program, USDA made payments to dairy farmers who were directed to remove their milk from

commercial markets because it contained residues of chemicals registered and approved by the Federal Government.

A law of April 16, 1965, provided for acreage-poundage farm marketing quotas on flue-cured tobacco. When such quotas were in effect, price support was to be available on, and not to exceed, 110 percent of the farm quota. In the case of burley, tobacco price support was to be available on up to 120 percent of the farm quota. Marketing quotas have been in effect for most types of tobacco since 1965.

FOOD AND AGRICULTURE ACT OF 1965

The Food and Agriculture Act of 1965 (November 3, 1965) consolidated and expanded the programs of the previous 4 years. The administration had asked for a bill that would pass on most of the cost of the wheat, rice, and wool programs to consumers. Emerging instead was a more traditional bill and a compromise that brought a temporary end to the sharp political fighting that had characterized farm bills for so many years. The 1965 Act took the voluntary acreage control program for feed grains with price supports set close to world levels and extended it to wheat and cotton. The whole package, moreover, was contained in a single, 4-year omnibus farm bill, rather than individual, short-term bills for each crop, as had been common over the past few years. As it turned out, most provisions of the 1965 Act were extended 1 year more through 1970 due to the change in administration in 1969. This brought greater stability to agricultural policies than had been seen in many years.

The new cotton plan substantially lowered price support loans to 90 percent of estimated world price levels, thus making payments to mills and export subsidies under previous acts unnecessary. All farmers in the program were required to divert at least 12.5 percent of their acreage allotments in return for payments and could elect to divert more. Farmers with allotments under 10 acres received diversion payments even if they did not reduce their plantings. Legislation approved August 11, 1968, provided lower price support loans for extra-long staple cotton as well, supplemented by price support payments. The objective was to bring the price of this type of cotton in line with the price of upland cotton so that it could be sold on the market rather than sold to, and held by, the CCC.

The voluntary wheat certificate program, begun in 1964, was extended with only limited changes. Domestic certificate payments were raised so, when added to the loan rate, they equalled 100 percent of parity; export certificates were dropped. The feed grains program, with payment-in-kind provisions for diverting acreage, continued with few changes. The rice program was continued, but an acreage diversion program similar to wheat was to be effective whenever the national acreage allotment for rice was reduced below the 1965 figure of 1.8 million acres.

In addition to acreage diversions within the commodity provisions, the Food and Agriculture Act of 1965 established a cropland adjustment program. The Secretary received the authority to make 5- to 10-year contracts with farmers who agreed to convert cropland into uses which would conserve water, soil, wildlife, or forest resources; or establish or protect open spaces, natural beauty, or wildlife or recreational resources; or prevent air or water

pollution. Payments were to be not more than 40 percent of the value of the crop that would have been produced on the land. Contracts entered into in each of the next 4 fiscal years could not obligate more than \$225 million per calendar year.

Milk was another commodity covered. After producers in a milk marketing area had approved an overall plan authorized by this legislation, dairy producers in a milk marketing area each received a fluid milk base, thus permitting them to cut surplus production. The Wool Act of 1954 was extended 4 years and supports were linked to the parity index of the previous 3 years in order to better reflect changes in the cost of production.

AGRICULTURAL ACT OF 1970

With the advent of the Nixon administration in 1969, the new Secretary of Agriculture, Clifford Hardin, began an extensive review of price support programs in consultation with Congress and farm organizations. The outcome, though, was more a shift in emphasis than a major departure from the policies of the 1960s. Programs of the 1960s had helped raise farm income and reduce the carryover stocks of several major commodities. Output, however, began creeping up again after the initial acreage reduction of 1961-62 due to improved productivity. The steady rise in exports during the 1960s, especially for grains, did much to absorb extra production. Secretary Hardin wanted a more market-oriented farm policy which would further expand exports, reduce Government costs, and allow more flexible acreage reduction. Most farm groups preferred better guarantees of Government income support. In the Agricultural Act of 1970, farm groups had little difficulty in retaining minimum supports for crops, but the Secretary won a more flexible approach to supply control. The act relaxed planting restrictions by replacing acreage diversions on specific crops with a general set aside that called for reduced plantings but did not spell out which crops had to be cut back. The only crops farmers could not plant were so-called quota crops where acreage was controlled by earlier legislation: rice, sugar, peanuts, tobacco, and extra-long staple cotton. This allowed farmers more leeway in choosing crops to take advantage of the steady increase in agricultural exports that had been occurring over the prior decade. The other major change was a limit on total Government payments (for price supports, diversions, etc.) per farmer to \$55,000 for each crop. This was in response to growing worries about high Government expenditures for agricultural programs, which had reached a new peak of \$3.8 billion in 1969. There was also concern about the very large payments that some farmers were receiving. For the most part, though, the 1970 Act continued the voluntary price support and acreage reduction programs of the 1960s. Its provisions extended 3 years, through the 1973 crop year.

The feed grain program covered corn, grain sorghum, and barley if designated. The two-tiered system of supports with minimum loan levels and an additional price support payment continued in the 1970 Act. Price supports on corn were to be the higher of \$1.35 per bushel or 70 percent of the parity price for corn on October 1, and the loan not less than \$1.00 nor more than 90 percent of parity as determined by the Secretary. Producers would receive payments equal to the difference between the support price and market price on half their base production. Rye and oat farmers were eligible for loans but not price support payments. Producers, in order to be eligible for payments, loans, and purchases, were to set aside specified acreages of cropland for approved conservation uses if a set aside program were in effect. Under the new act, grain farmers with fewer than 25 acres did not receive special treatment.

Wheat loans were available to participants at not less than \$1.25 per bushel for 1971 through 1973 and could range up to 100 percent of parity, which was \$2.85 in 1970. Likewise, farmers who set aside land for conservation use equal to a specified percentage of the domestic wheat allotment, in addition to an acreage equal to the farm conserving base, would become eligible for their share of domestic marketing certificates covering a total of not less than 535 million bushels of wheat each year. The value of the certificates would be the difference between the wheat parity price and the average price received by farmers during the first 5 months of the marketing year.

The cotton program became a voluntary one in 1970 with the suspension of marketing quotas. As with grain farmers, cotton planters were required to set aside an amount, not to exceed 28 percent of the cotton allotment, to qualify for the price support program. The payment was to be equal to the difference between 65 percent of parity or 35 cents per pound, whichever was higher, and the average market price for the first 5 months of the marketing year, but not to fall lower than 15 cents per pound. Payments per pound for small farms were 30 percent higher than for other farms. Loans were to be available at 90 percent of the average world price for the 2 previous years.

For producers in the wheat, feed grain, and upland cotton programs, the commodity or an eligible substitute crop had to be planted, or there would be a 20-percent reduction in allotment the following year. Failure to plant the allotment or substitute crop for 3 years would result in loss of the allotment.

As for the dairy program, authority for the price plan (Class I base plans) in Federal milk market order areas was amended and extended for 3 years, except that authority would continue in effect until December 31, 1976, with respect to any Class I base plan in effect on December 31, 1973. Class I base plans operated in only two milk marketing areas. Milk was to continue to be supported at a level between 75 and 90 percent of parity, but price support for butterfat (in farm-separated cream) was discontinued. However, the CCC would continue to buy butter under the support program, and the Secretary could use his discretion in setting the buying price for butter at any level which, in combination with purchases of other milk products, would accomplish the announced support price for milk. Dairy indemnity payments were continued, with payments also authorized to manufacturers of dairy products. The Secretary's authority was extended for making available to military agencies dairy products held by the CCC.

The 1970 Act also authorized payments to beekeepers who, through no fault of their own, had suffered losses of honey bees as a result of pesticide use near or adjacent to the property on which the beehives were located.

The act extended authority for payments on wool and mohair through December 31, 1973, and established support prices of 72 cents per pound for shorn wool and 80.2 cents per pound for mohair for each year of the extension.

Authorization was continued for cropland conversion to long-term land retirement. Also authorized was "Greenspan," a program to assist local governments in preserving open space. Appropriations were authorized at a level of \$10 million annually for each program, although the programs were not implemented.

Congress declared achievement of a sound rural-urban balance as public policy and provided reports on various types of technical and financial assistance. New offices and Government facilities were to be located, insofar as

practicable, in communities of lower population density. The 1970 Act also renewed provisions of Public Law 480, the Food for Peace program, through calendar year 1973.

Legislation approved April 14, 1971, provided for poundage quotas for burley tobacco in lieu of farm acreage allotments. Producers voting in a referendum approved the poundage program for the 1974-76 crop years by 98.3 percent of those voting.

AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

By 1973, the position of agriculture had changed profoundly from where it had been a decade before. World crop shortages and a falling dollar sharply escalated the trend toward greater export demand for American crops. Following the Soviet grain sale of 1972, grain exports nearly doubled between 1972 and 1973 (for the year ending September 30) and total agricultural exports increased by over 25 percent. Government grain stocks, which had hung so long over the market, were virtually liquidated. Even higher output by grain farmers was quickly absorbed by the market. For example, corn production increased by some 25 percent between the late 1960s and 1973 but Government stocks of corn disappeared completely in 1973. For the first time since the Korean War, it appeared that demand had fully caught up with supply and that demand would continue strong for at least several years. Along with strong demand, however, came higher prices and this, in turn, made it difficult to justify programs designed to limit production. The consumer price index for food (based on 1967=100) advanced from 114.9 in 1970 to 141.4 in 1973, outstripping most items in the overall CPI. Price controls on food in the early 1970s had only limited success in holding down consumer costs. Food price inflation and the growing importance of agricultural exports to the general economy made agricultural policy of greater interest than it had been for many years.

Thus, the 4-year Agriculture and Consumer Protection Act of 1973 (August 10, 1973) emphasized expanded production to respond to "ever-growing worldwide demand for food and fiber" and to hold down price increases. Secretary Earl L. Butz proclaimed that the legislation represented "an historic turning point in the philosophy of farm programs in the United States." Its emphasis on maintaining or increasing output was in marked contrast to earlier programs to curtail production of wheat, corn, upland cotton, and tobacco. To further control Government expenditures, the payment limit for price supports (though not set aside payments, loans, etc.) for grain and cotton farmers was lowered to \$20,000.

A new concept of target prices was introduced to replace price support payments. Target prices were to be used only when market prices fell below target levels. Deficiency payments would be made to farmers at rates equal to the amount by which market prices fell below target prices. However, payment rates could not exceed the difference between target prices and price support loans. Target prices for 1974 and 1975 were fixed at 38 cents per pound for upland cotton, \$2.05 per bushel for wheat, and \$1.38 per bushel for corn with reasonable rates to be set for grain sorghum (and barley, if designated) in relation to the rate for corn.

In the setting of future target prices, the parity formula was not used as it had been in previous programs. Target prices for the 1976 and 1977 crop years would be the 1975 target prices adjusted by an index of production costs

(production items, such as fertilizer and gasoline, interest, taxes, and farm wage rates). Productivity was to be measured by comparing the most recent national 3-year average for each crop with the 3-year average ending with the preceding year.

In addition to authorizing payments to producers when prices did not reach target levels, the act provided for producer loans at levels below market prices to put greater reliance on the market place. For loan rates, the parity concept, as well as a price level per bushel, was used to determine the limit on the Secretary's discretion. The loan level for wheat was to be not less than \$1.37 per bushel and not more than 100 percent of parity as determined by the Secretary to be appropriate. For corn, the loan was to be at a level not less than \$1.10 per bushel nor more than 90 percent of parity, determined by the Secretary to encourage the export of feed grain and not result in excessive U.S. grain stocks. The loan and purchase rates for other feed grains were to be established in relation to the feeding value for corn. However the Secretary suspended--for the duration of the act--the farm-conserving base requirement, and designated barley a feed grain for program purposes. For cotton, loan levels were based on 90 percent of the average price of American cotton in world markets for the preceding 3-year period.

Milk support price was to be at a level of between 75 and 90 percent of parity (except for the period ending March 31, 1975, during which the minimum level was to be at 80 percent) to be determined by the Secretary as necessary to assure an adequate supply of pure and wholesome milk to meet current need, to reflect changes in the cost of production, and to assure a level of farm income adequate to maintain productive capacity. As before, price support would be provided mainly through purchases of the products of milk.

The act continued the price for shorn wool at 72 cents per pound and for mohair at 80.2 cents per pound through the marketing year ending December 31, 1977.

Disaster payments were authorized if eligible producers were prevented from planting any portion of allotments because of drought, flood, or natural disaster, or other conditions beyond their control. These payments were to be available when natural disaster prevented a farmer from harvesting two-thirds of the normal production of the allotment crop. Provision was made to establish disaster reserve inventories that were not to exceed 75 million bushels of wheat, feed grains, and soybeans.

Although the CCC held virtually no inventories, the 1973 Act extended Public Law 480 for an additional 4 years. Long-term contracts for up to 25 years were authorized for the Rural Environmental Conservation Program and the Waterbank Program. The dairy and beekeeper indemnity programs were continued.

Greatly increased foreign demand had permitted a change in emphasis in the Agriculture and Consumer Protection Act. However, much of the authority of the Agricultural Adjustment Act of 1938, as amended, to limit total acreage planted to major crops (based on producer referendums for establishing quotas) and to support prices, remained available as standby authority. The Secretary was still directed to determine and apportion national acreage allotments for wheat, feed grains, and upland cotton. Authority for cropland set asides was provided as a condition of eligibility for loans, purchases, and payments for wheat, feed grains, and upland cotton as specified percentages of crop allotments to be devoted to approved conservation uses, if a set aside program

were announced. Cost sharing for conservation use was also authorized. In practice, agricultural conditions were favorable enough so that little Government intervention was necessary. Prices through 1975 and 1976 remained above target levels. No acreage diversions were necessary for several years following 1973.

The Rice Production Act of 1975, approved February 16, 1976, began a cropland set aside program and acreage diversion for rice. This act limited the amount of payments any producer could receive annually to \$55,000, initiated an established or target price for the 1976 and 1977 crops, and provided for deficiency payments to make up the difference between target prices and market or loan levels. The loan rate for the 1977 rice program was \$6.19 per hundredweight, adjusted to reflect changes in the index of prices paid, and the target price was \$8. Provision was made for payments if producers were prevented from planting or if they lost crops because of disaster conditions. Marketing quotas were suspended and program participation was voluntary. The law increased the minimum national rice acreage allotment to 1.8 million acres and removed restrictions on rice production by new producers.

The mid-1970s were favorable years for American farmers. Export demand continued to grow and prices for wheat, feed grains, rice, and cotton reached new highs between 1973-75. Net farm income soared to a record \$34.4 billion in 1973 and remained at historically high levels for the next 2 to 3 years. Government payments to farmers fell to just \$530 million in 1974, the lowest level (in current dollars) since 1955. There were clouds on the horizon, however. High farm prices set off a scramble for farmland that drove land values up and left many farmers overcapitalized. Greater dependence on export markets made commodities more vulnerable to sudden price swings due to economic or political events in other parts of the world. And continued food price inflation brought stronger consumer demands that support for agriculture be scaled down. Signs of this new situation appeared in 1974-75. In 1974, sugar producers were unable to renew their 40-year old program which set foreign quotas and made payments to domestic producers. In 1975, President Ford vetoed a bill that would have raised target prices for grain and cotton and made more frequent adjustments in dairy supports, steps that farmers wanted taken because prices were beginning to decline from their 1973-74 peaks. Also that year, the White House instituted a brief grain embargo against the Soviet Union and Poland because of the effects those sales were having on domestic prices.

FOOD AND AGRICULTURE ACT OF 1977

By 1977, when both the Agriculture and Consumer Protection Act of 1973 and the Rice Production Act of 1975 were scheduled to expire, farm income had once again become a problem, this time complicated by the price instability caused by greater reliance on export sales. Despite advancing exports, substantially higher grain production in the mid-1970s depressed prices: corn from \$3.02 to \$2.02 a bushel between 1974-77 and wheat from \$4.09 to \$2.33 a bushel in the same period. Total net farm income fell to \$19.8 billion in 1977, 42 percent below its 1973 high. The new Carter administration proposed a farmer-owned grain reserve to temper price fluctuations, replacement of the old acreage allotments with a current plantings concept that better reflected shifts in planting during the 1970s, and price supports that could be adjusted downward to keep them closer to world prices. The Senate bill, however, mirrored the concerns of farmers about falling income and, while incorporating other features of the administration's plan, set loan rates and target prices much

higher. The House bill was closer to the administration's. Secretary Bergland submitted a revised proposal that raised supports for wheat, corn, cotton, and rice, but it came with the warning that the President would veto any bill with supports too high. The compromise that emerged as the Food and Agriculture Act of 1977 set price and income supports substantially above the administration's original bill. This represented a return in part to the relatively high levels of support of the 1960s. Moreover, the Carter administration in 1977 announced the first acreage allotments since 1973 in a move to restrain production. Nevertheless, the new act continued to allow farmers the flexibility in production that they had received when set asides replaced diversions in 1970.

The Food and Agriculture Act of 1977 (September 29, 1977) continued the dual system of target prices at higher rates than loan levels to allow crops to move freely in international trade. As in the 1973 Act, deficiency payments were to be used only when market prices fell below target levels. Payment rates would be the difference between the target price and the higher of the 5-month weighted national average price received by all farmers, or the national loan level. There were to be no payments (as there had been before enactment of the Agriculture and Consumer Protection Act) when market prices were high. Target prices for wheat and corn in 1977 were increased above those set by the 1973 legislation. Wheat was raised from \$2.47 to \$2.90 per bushel and corn from \$1.70 to \$2.00. For 1978, the target price for wheat was set at \$3.05 if production were not more than 1.8 billion bushels or \$3.00 if production were above 1.8 billion bushels.

The 1978 target price for corn was set at \$2.10 per bushel with the other grains set according to the law at a "fair and reasonable level" in relation to corn's target price. Target prices for oats and barley were optional but were mandated for corn and sorghum. Wheat and feed grain target prices for 1979-81 crops were to be adjusted to reflect any change in the moving 2-year average of variable costs, machinery ownership, and general farm overhead costs, which included in addition to cost of production expenditures for interest, taxes, insurance and replacement for machinery, and such costs as recordkeeping and utilities. The nonrecourse loan established a price floor and provided a source of credit for farmers. For the 1977 crop of wheat, minimum loan levels were left unchanged at \$2.25 a bushel, the same as previously announced. The minimum loan rate for 1978-81 was set by the act at \$2.35 a bushel. A special provision in the law allowed a lower loan level under certain circumstances, such as a 10-percent drop if the market price did not exceed the loan level by at least 5 percent in the previous year. However, the loan level could not fall below \$2.00 nor exceed 100 percent of parity regardless of special circumstances.

The minimum loan level for corn was to remain at \$2.00. However, the Secretary could drop it as much as 10 percent in 1 year if the national average price were less than 105 percent of the prior year's loan. But the loan level could not go below \$1.75. No maximum loan level was set for feed grains.

The loan levels for the grains could be raised at the Secretary's discretion. The deficiency payment rate for corn was to be computed by one of two ways: either the difference between the target price and the national weighted average market price received during the first 5 months of the marketing year, or the difference between the target price and the loan level. The Secretary was directed to use the smaller of the two, but payments would be made only if the market price were below the target price for the first 5 months of the

marketing year. If the Department should set the loan level below the normal minimum of \$2.00 for corn or \$2.35 for wheat, compensation would be made by an increase in the deficiency payments. The 1977 Act, beginning with the 1978 program, substituted current planted acreage for allotments on a historic base. National program acreages for wheat, feed grains, and upland cotton were to be determined by the Secretary to represent estimated acreage needed to meet domestic and export needs plus any desired adjustments in stocks. A farmer's acreage eligible for deficiency payments was to be determined by multiplying acreage planted for harvest by an allocation factor.

The Food and Agriculture Act of 1977 directed the Secretary to administer a farmer-owned reserve program for wheat and, at his discretion, for feed grains through an extended price support loan program of 3 to 5 years duration. To provide a special inducement, the Secretary was authorized to pay the annual storage costs of the grain, as well as to waive or adjust interest rates. Feed grain producers, for example, were to receive 25 cents a bushel for storage, except for oats, where the payment was 19 cents a bushel. The quantity of wheat held was to be not less than 300 million nor more than 700 million bushels, but the upper limit could be adjusted to meet any commitments assumed by the United States to an international grain reserve. Since no minimum amount was specified for producer-held feed grains, the Secretary was given the option of implementing either a resale program or an extended loan program. Storage payments could be discontinued for wheat whenever the average market price reached between 140 and 160 percent of the current loan for wheat. The loan could be called whenever the market price for wheat reached 175 percent of the current loan.

Disaster reserves for the purpose of alleviating distress caused by natural disaster were again authorized. The Secretary was also authorized to implement an emergency feed program to preserve and maintain livestock in case of natural disaster.

The law required the Secretary to make storage facility loans, with a maximum repayment period of 10 years, available to producers of dry or high-moisture grain, soybeans, rice, and high-moisture forage and silage.

On August 29, 1977, even before the 1978 crop year had begun, the administration expanded its commitment to a food and feed grain reserve of between 30 to 35 million metric tons. It was anticipated that the farmer-owned grain reserve would have 330 million bushels of wheat by June 1, 1978, and 550 million bushels in the feed grain reserve. In addition, the President was authorized to negotiate with other countries to establish an International Emergency Food Reserve and to maintain a U.S. reserve as part of it, although not until the Agricultural Act of 1980 was a 5-year food security wheat reserve set up. Farmers were not to make the wheat available on the market until the farm price exceeded \$3.29 a bushel. Corn was to be withheld from the market until the farm price exceeded \$2.50 a bushel.

The 1977 Act revised the payment limitation upward for wheat, feed grains, and upland cotton, but reduced it for rice. Under the 1973 legislation, the limit was \$20,000. The limit for the 1978 crop of wheat, feed grains, and cotton was \$40,000. For 1979, the limit was raised to \$45,000. For rice producers, the payment limit was decreased from \$55,000 in 1977 to \$52,250 in 1978 and \$50,000 in 1979. For the 1980 and 1981 crops, the annual payment limit for wheat, feed grains, upland cotton, and rice combined was to be \$50,000. Payments for disaster loss, CCC purchases, commodity loans, or payments for public access for recreation were excluded from the payment limitation beginning in 1978.

A set aside program was authorized in the 1977 legislation if the Secretary of Agriculture determined that supplies were likely to be excessive. The set asides were to be based on a percentage of the farmer's acreage planted for harvest in that year. Under the 1973 legislation, they were based on a percentage of allotment.

The disaster payment program, extended with provisions for 2 additional years to allow more time to develop an alternative, could be an expanded and effective Federal crop insurance program. Prevented plantings and low-yield provisions were extended through the 1979 crop year and revised to be more equitable among crops and among producers.

Marketing quotas for cotton were discontinued in the 1977 legislation, and all benefits were tied to planted acreage. The 1977 target price continued to be 47.8 cents per pound as based on the 1973 legislation. The minimum target price for the 1978 crop cotton was set at 52 cents per pound. For 1978 and beyond, target prices were to be determined by the same formula used for wheat and feed grains. However, the target prices for 1979 and later crops were not to fall below 51 cents a pound. Nonrecourse loan levels for cotton (beginning with the 1978 crop) were to be set either at 85 percent of market price for the preceding 4-year period or 90 percent of the average adjusted price for the first 2 weeks of October. The Secretary was directed to base supports on the lower of the two calculations and make the announcement by November 1 of the year preceding the crop year. A special limited global import quota was authorized under certain conditions. Minimum cotton program acreage was reduced from 11 million acres to 10 million acres. The Secretary could require a set aside but it was to be limited to 28 percent of the planted acres. Unless otherwise instructed, farmers had to use their set aside land for approved conservation practices and not for other crops.

The 1977 Act extended the Rice Production Act of 1975 through 1981 with historical acreage allotments continuing to apply, but for payment and loan purposes only. Target prices were to be adjusted, beginning with the 1978 crop, in much the same way as prices for wheat, feed grains, and cotton.

The new legislation made substantial changes in the peanut program with the aim of reducing its cost. CCC stocks of peanuts had broken records in 1974 and 1975, which substantially raised storage expenses. The 1977 Act required the Secretary to announce a national acreage allotment of at least 1,614,000 acres no later than December for the following year. Poundage quotas were continued but they would gradually drop from 1,680,000 tons in 1978 to 1,440,000 tons in 1981. The Secretary was given discretion to increase poundage quotas above the minimum if he determined that the quota for 1 one year was too low to meet domestic edible use and carryover requirements. The quota for an individual farm was to be set through a formula. Base production poundage would be used to determine the farm poundage quota.

Peanuts grown within allotments would be supported by a new two-tier structure. For peanuts produced within the poundage quota, the minimum support rate would be \$420 a ton for each of the 1978-81 crops. The second tier support was for peanuts produced in excess of the amount of quota peanuts that could be sold, but not in excess of the production limits on a farm's allotment. For these additional peanuts, many of which would be exported, USDA could use loans, purchases, or other operations to provide price support. In practice, these supports were far lower than for quota peanuts. Prices for the additional peanuts were to be announced by February 15 of each year.

The milk support program was changed to reflect rapid increases in milk production costs. Until March 31, 1981, the Secretary of Agriculture would determine the support price twice yearly instead of once so that production costs could be reflected more accurately. Until March 31, 1979, the support price had to be offered at a level between 80 and 90 percent of parity. Quarterly alterations could be made by the Secretary to reflect substantial change in the parity price index. If nuclear fallout, radiation, or chemical residue affected a herd so that its milk had to be ordered off the market, farmers were to be given Government payments. New standards were imposed for ice cream.

In addition to a continuing indemnity program for beekeepers, a loan and purchase program for soybeans became mandatory under the Food and Agriculture Act of 1977. Soybeans had been previously considered nonbasic with loan and purchase programs dependent upon the discretion of the Secretary. With the establishment of a loan and purchase program for 1977 and 1978 crops of sugarcane and sugarbeets, support prices could not be less than 13.5 cents per pound.

The National Wool Act was extended to December 31, 1981. Support rates for shorn wool were boosted to 85 percent of the formula rate.

EMERGENCY ASSISTANCE ACT OF 1978

As a further response to weak prices and low farm income in 1977, Congress passed the Emergency Assistance Act on May 15, 1978. It gave the Secretary of Agriculture discretionary authority to increase the target prices for wheat, feed grains, and upland cotton for the 1978 through 1981 crops whenever a set aside was in effect for one or more of these crops. If the target price were increased for a commodity for which a set aside was in effect, the Secretary could then at his discretion increase the target price for any other commodity. A flexible parity proposal that would have increased Government costs substantially nearly passed as part of the act. The act also established a raisin marketing order program to authorize research in raisin production and marketing and development projects, including paid advertising for raisins. Finally, farmers won a \$4 billion emergency loan program and a moratorium on Farmers Home Administration foreclosures. Rice was added to the commodities covered on August 4, 1978, by the Agricultural Credit Act of 1978.

The Emergency Assistance Act made certain technical changes in the formula contained in the 1977 farm act for computing the loan level for upland cotton and set a minimum loan level of 48 cents per pound regardless of the formula for the 1978-81 crops. The legislation also increased the borrowing authority of the CCC from \$14.5 to \$25 billion effective October 1, 1978.

As a result of the enactment of the Emergency Assistance Act, USDA announced on May 16, 1978, that the target price for wheat would be increased from \$3.05 to \$3.40 per bushel with no qualification with respect to the size of the crop. Target prices for corn, however, remained at \$2.35. The minimum loan rate for upland cotton was increased from 44 cents to 48 cents a pound as required by the legislation. The signup period for wheat, feed grain, and upland cotton programs was extended until May 31, 1978, 2 weeks from the signing of 1978 Act into law.

Between 1978 and 1980, prices for the major supported commodities recovered, in some cases exceeding their 1973-74 levels by 1980. Exports continued to

expand. However, consumer food prices also increased by over 20 percent between 1978-80 and Congress reacted negatively to farm bills that might further raise prices or increase Government outlays. Attempts in 1978 and 1979 to impose import quotas on sugar and put it under the target price system failed. The International Sugar Agreement was ratified in 1980 with a proviso that the President protect consumers in the event of major price increases. The Meat Import Act of 1979 similarly gave the President some flexibility to suspend quotas to keep prices from going too high.

By the early 1980s, conditions had again turned downward for farmers. On January 4, 1980, President Carter began a partial suspension of agricultural exports to the Soviet Union as retaliation for that country's invasion of Afghanistan. To protect farmers, USDA raised loan rates for wheat and corn, bought the grain that had been intended for export to the Soviets, raised the release and call levels of grain in the farmer-owned reserve, and waived the interest on first year loans on grain in the reserve. In a previously planned move, Congress raised target prices on grain by 7 percent in March. On April 11, a new law reopened the farmer-owned grain reserve to all producers in order to shield the market from grain that would otherwise have been sold to the Soviets. The administration, however, decided against a paid diversion program. Later in the year, Secretary Bergland raised loan rates again for wheat, corn, and soybeans, but opposed bills in Congress to raise them even higher. Agricultural exports, including grain, actually rose during 1980 but the embargo unsettled foreign markets and gave an advantage to foreign grain exporters. Farmers were also disturbed by a sharp rise in interest rates during the 1980 planting season and continuing high inflation in farm inputs. In March, the Emergency Agricultural Credit Adjustment Act was extended for 2 years, but farmers had to pay regular commercial rates rather than subsidized rates. The amount of money available for loan was increased from \$4 billion to \$6 billion. During the summer, drought hit most of the country, sharply reducing yields for feed grains, cotton, and peanuts. Prices for these commodities rose but total net farm income dropped by a third to \$21.5 billion. In the Federal Crop Insurance Act of 1980, Congress terminated most disaster payments and substituted an expanded Federal crop insurance program with subsidized payments. Further price support relief came when on December 3 the farmer-owned reserve was made more attractive by the establishment of a two-tiered loan system that granted higher loan levels to farmers in the reserve: \$3.50 a bushel for wheat and \$2.40 for corn. Interest charges on these loans were waived.

AGRICULTURE AND FOOD ACT OF 1981

The Agriculture and Food Act of 1981 was thus written at a time when farmers were greatly concerned about export embargoes and farm income. Another issue that received a lot of attention in the Carter administration's planning was the effect of price support policies on farm structure. However, growing Federal deficits and the inauguration of the Reagan administration in January 1981 with John R. Block as Secretary of Agriculture, brought budgetary issues to the fore. Congressional reforms in the mid-1970s had given the budget committees a considerable role in approving programs, but 1981 was the first year in which the budgetary process was a truly critical issue in the writing of a major farm bill.

In March 1981, Secretary Block proposed a farm bill that agreed with the intent of the Office of Management and Budget to reduce the role and expense of Government in agriculture and rely more on export promotion. Block's

proposal eliminated target prices and disaster payments, reduced minimum dairy supports to 70 percent of parity, suspended peanut and rice acreage allotments, cut back on the food stamp program, changed the farmer-owned reserve by replacing release and call prices by a single trigger price, and gave the Secretary more discretion to determine loan levels. Shortly after Congress received this proposal, each house passed a budget resolution calling for major cuts in spending, including agricultural programs. This affected writing of the 1981 farm bill throughout its course, putting pressure on the agricultural committees to reduce the expense of their proposals. The committees, however, were also getting pressure from farm groups to provide greater income protection. The farm sector performed worse than expected in 1981, with prices of most supported crops dropping well below 1980 levels. The Soviet embargo was not lifted until April. The major farm organizations asked for a continuation of existing programs (including target prices), higher loan and target levels (in most cases), and better embargo protection. Budgetary limitations, however, made it harder than usual for farm groups to stick together. When the Reagan administration succeeded in getting Congress to cancel a scheduled April 1 dairy price support increase, the message was clear that the budget would have a serious impact on farm programs.

Neither the House nor Senate agriculture committees fully accepted the administration's proposals. The Senate Agriculture, Nutrition, and Forestry Committee, under Republican leadership for the first time since 1955, came closest to the Secretary's recommendations. The Senate committee refused to do away with target prices, disaster payments, and peanut acreage allotments but did give the Secretary greater discretion in adjusting target prices. It made cuts in major commodity programs and agreed not to raise milk supports if the CCC had to buy over \$500 million in surplus production. The House agriculture committee produced a more expensive bill closer to the traditional omnibus farm bill. Both bills were well over budget as reported and floor action was intense as each commodity group tried to prevent further cuts in its program. The Senate cut the cost of its bill by about one-third on the floor; the House made smaller cuts in its bill. The conference committee report was a victory for the Senate version and was only narrowly approved by the House with all the general farm groups except the Farm Bureau in opposition. President Reagan signed the act on December 22, 1981. The final bill was a less expensive version of the 1977 Act and, like its predecessor, ran for 4 years. The two-tiered system of target prices and loans continued, as did acreage controls and the farmer-owned grain reserve. A new sugar price support program was included in the bill and farmers received the embargo protection they had wanted in a provision that called for higher supports in the event of an agricultural embargo. But in most respects, framers of the Agriculture and Food Act of 1981 believed they had produced a bill that would cost substantially less than the 1977 Act. The tie between target prices and inflation indices was broken and specific levels (lower than what many farm groups had wanted) were mandated for each year between 1982 and 1985 on the assumption that high inflation would continue. The same was true of dairy supports. Wool and mohair payments were reduced and acreage allotments for peanuts were suspended through 1985 and abolished for rice, opening the growing of those crops to all farmers.

The grain provisions of the 1981 Act were similar to those of 1977, with the exception that target prices were set for each year. In the case of wheat, the 1982 target price was to be \$4.05 per bushel with increases in the following 3 years to \$4.30, \$4.45, and \$4.65. The Secretary could raise target levels if warranted by increasing costs of production. Nonrecourse loan levels for the 4-year period were set at a minimum of \$3.55, up from

1981's \$3.20. Again, the Secretary could raise loan levels to keep wheat prices in balance with other grains, but he could also reduce them by up to 10 percent a year when the average market price was 105 percent of the loan level or less. This was similar to a provision in the 1977 Act. In no case could the wheat loan drop below \$3.00. For corn (and other feed grains in proportion), target prices began at \$2.70 per bushel in 1982 and rose in steps to \$2.86, \$3.03, and \$3.18 by 1985. The minimum loan level was \$2.55. As with wheat, the Secretary had the authority to raise target prices to meet rising production costs and lower loan rates by 10 percent in years when the market price was 105 percent or less of the loan level. The minimum loan for corn was set at \$2.00.

Acreage reduction programs for grains continued along the same lines as in the 1977 Act. As before, the Secretary could require that farmers place a certain percentage of their base acreage of a crop into conservation uses in order to qualify for price and income supports. Part of the acreage taken out of production could be in the form of a paid diversion, although participation in that could not be required. In addition, the Secretary also had the option to substitute a more general set aside program for reduction in the acreage of specific crops. The 1981 Act, however, figured acreage limits somewhat differently, using a newly established crop acreage base rather than the current plantings concept. The normal crop acreage, as defined in the 1977 Act, could be used only when set asides were in effect. The farmer-owned grain reserve established in 1977 was continued under the act through 1985, not just for wheat and corn but for all feed grains. Loans on commodities in the reserve could be at the same level as regular loans or higher and could extend for periods of 3 to 5 years. The Secretary had discretion to adjust interest charges and storage payments to encourage participation. The upward limits on how much wheat and corn could be in the reserve were higher than in 1977: at least 700 million bushels for wheat and 1 billion bushels for corn. Interest rates charged to participants had to be at least as high as for regular CCC loans. Once market prices had reached the trigger level, the Secretary could raise loan interest rates to encourage sales from the reserve. But, while a reserve loan program was in effect, Government-owned grain could not be sold at less than 110 percent of the release level.

The rice program was modified in 1981 to eliminate acreage allotments and marketing quotas entirely, opening the benefits of the Government's support programs to all producers. Target prices were set at \$10.85 per hundredweight in 1982 and \$11.40, \$11.90, and \$12.40 in subsequent years, with further increases possible to reflect the cost of production. The loan rate was to increase in proportion to the target price but could also be reduced if the Secretary determined that the current rate made exports difficult or encouraged excess Government stocks. The minimum loan level was set at \$8.00. The Secretary could require an acreage reduction or offer a paid diversion but cross-compliance with other programs was not required. Rice was no longer included under set asides.

The dairy program underwent considerable revision in 1981. As with wheat and feed grains, support levels were set down specifically in the act: \$13.10 for fiscal 1982, and \$13.25, \$14.00, and \$14.60 for the 3 fiscal years through 1985, respectively. This represented just 70 percent of parity for 1982 and was expected to be an even lower percentage in later years. The 1977 law had guaranteed at least 80 percent of parity. However, if the Secretary determined that Government purchases of dairy products for the next fiscal year would be under \$1 billion, then the minimum price support would be 70 percent of parity for that year. Furthermore, if the Government were expected

to purchase less than 4 billion pounds of milk (or the equivalent) in fiscal 1983, 3.5 billion pounds in 1984, or 2.69 billion pounds in 1985, then the minimum support would be 75 percent of parity. The Secretary could, at his discretion, raise price supports further, though adjustments did not have to be made semiannually as in 1977. In order to reduce Government storage expenditures, the Secretary was required to dispose of enough of the Government's dairy stocks to keep expenditures in line with congressional estimates. Programs to indemnify farmers required to remove from market milk contaminated by chemical or nuclear residues and to donate dairy products to the military were continued through 1985.

The peanut program also went through some major changes. Peanut producers managed to stave off attempts to abolish the program altogether, but the 1981 Act eliminated peanut acreage allotments through 1985. The quota system, however, remained. All farmers were now eligible to grow peanuts, but new peanut farmers were restricted to growing "additional" peanuts for export or excess domestic demand which were supported at a lower rate. The 1981 Act continued the gradual downward adjustment of poundage quotas in the 1977 Act, setting them at 1.2 million tons in 1982, 1.17 million tons in 1983, 1.13 million tons in 1984, and 1.1 million tons in 1985. Quota producers were those who had historical acreage allotments and qualified for support on their quota portion at \$550 per ton in 1982. In future years, the price support was to be increased according to the cost of production. "Additional" peanut support levels were left to the Secretary. The 1981 Act made it easier to transfer quotas from one farm to another.

Upland cotton target prices were set at minimums of 71, 76, 81, and 86 cents per pound between 1982 and 1985 but could be raised to 120 percent of the loan level, if this were higher than the specified amounts, and could also be adjusted further for increases in the cost of production. Loan levels were based on an average of market prices over several preceding years but no lower than 55 cents per pound. Loan levels for extra-long staple cotton were reduced to 75 percent higher than the upland cotton level (down from 85 percent in 1977) when marketing quotas were in effect and otherwise were to be 50 percent higher than upland cotton. The acreage reduction programs of 1977 continued for upland cotton, including required reductions for participation and voluntary paid diversions. However, reductions were to be figured on the newly established average base concept instead of current plantings and the normal crop acreage provision was eliminated. Producers no longer had to comply with the provisions of other commodity programs to participate in the upland cotton program.

A new 4-year sugar program was set up by the 1981 Act to revive support for sugarcane and sugarbeets. From passage of the act through March 31, 1982, the Secretary was required to make market purchases that would keep the price of raw cane sugar at 16.75 cents per pound. For the 1982 through 1985 crops, sugar supports were to be 17, 17.5, 17.75, and 18 cents per pound. The Secretary was to set nonrecourse loan levels for sugarbeets in relation to the raw sugarcane levels.

The 1981 Act also reduced wool and mohair supports to 77.5 percent of a formula based on a parity index from the 1977 Act's requirement of 85 percent. Soybeans continued to be supported at a minimum level of \$5.02 per bushel, although this amount could be lowered 10 percent a year when the average market price was 105 percent of the loan rate or less, down to a minimum of \$4.50. The exact level was determined by averaging market prices for the preceding 5 years, after excluding the highest and lowest years. No

acreage reductions could be required for participation in the program. The tobacco program, which had successfully weathered attempts to repeal it in Congress, was to be subject to new regulations by the Secretary by January 1982 to insure that its net costs would be no higher than administrative expenses.

Congress continued to limit the amount that farmers could receive in payments from the Federal Government. Total payments per person, except for disaster payments, could not exceed \$50,000. Disaster payments could not go over \$100,000. The disaster payment program continued only for producers who were not eligible for crop insurance under the Federal Crop Insurance Act, except during emergencies. Export promotion was also a major consideration of the 1981 Act. A revolving export credit fund was set up for CCC use in developing and expanding markets. The Secretary was required to provide for standby export subsidies to meet the export subsidies of foreign governments. The Public Law 480 program had the ceiling on its donations abroad raised from \$750 million to \$1 billion. Finally, farmers received some protection against future embargoes. The 1977 Act had required raising loan levels to 90 percent of parity in the case of embargoes caused by short domestic supplies where other trade continued. Under the 1981 Act, protection was extended to embargoes initiated for foreign policy or national security purposes. When such an embargo began against a country receiving over 3 percent of American exports of a commodity and the embargo did not apply to all U. S. exports, then the Secretary was required to compensate producers of that commodity by either raising the loan level to 100 percent of parity or paying producers the difference between 100 of parity and an amount based on the market price in the 60 days following the embargo. The Secretary also had to submit plans to Congress for protection against embargoes not covered under this act.

RECENT LEGISLATION

Events in 1982 soon undermined the expectations of the framers of the 1981 Act. Production in 1982 was at record levels for wheat and corn and good weather helped produce bumper crops of other commodities, too. But worldwide recession dashed hopes that exports would keep expanding. Recession, along with a strong dollar, caused exports to decline in 1982 for the first time in 8 years. As a result, grain carryovers were at exceedingly high levels, even above the records set in the early 1960s. Prices fell and total net income from farming, in constant dollars, dropped to its lowest levels since 1933. Even allowing for the decreasing number of farmers, farm income per farm was lower than at any time since the mid-1960s. Loan delinquencies grew and farmland values leveled off after tripling over the course of a decade. The 1981 Act had been intended to save Government funds, but in 1982 the weak farm economy brought a sharp increase in payments to farmers, back to the levels of the 1960s.

Attention in 1982, then, shifted back to the old problem of surpluses. On January 29, Secretary Block announced acreage reduction programs for the 1982 crops of feed grains, wheat, cotton, and rice. To be eligible for price supports, feed grain producers had to cut their acreage by 10 percent; wheat, cotton, and rice producers had to cut by 15 percent. Feed grain and wheat producers received a premium on support loans for crops entered into the reserve. All farmers were allowed to graze or make hay on diverted land. However, in spite of this acreage reduction, farmers harvested record crops in 1982. For the 1983 crops, the Omnibus Budget Reconciliation Act, signed on September 8, required a somewhat larger land diversion program of 20 percent