

THE FOOD SECURITY ACT OF 1985
A SUMMARY OF SELECTED PROVISIONS OF INTEREST TO OHIO AGRICULTURE

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Attached is a brief summary of selected provisions of the 1985 Farm Bill, The Food Security Act of 1985. These provisions were selected for their potential interest and relevance to the Ohio food and agriculture sector. They are not an exhaustive list. Also, the provisions have been checked against the farm bill language, but the exact interpretation of any provision should be checked with the local Agricultural Stabilization and Conservation Service, Small Business Administration, and food stamp offices.

THE FOOD SECURITY ACT OF 1985

CORN AND WHEAT

- o Reduces BASIC LOAN RATE to \$2.40 for corn and \$3.00 for wheat in 1986 (\$2.55 and \$3.30 in 1985). Thereafter, 75-85% of 5 year moving average, excluding high and low, but loan may not be reduced more than 5% per year.
- o FINDLEY LOAN RATE: Secretary may reduce loan rates by 20% in any year in which average market price of previous year is less than 110% of loan rate or if necessary to make exports competitive. Ten percent Findley required in 1986: makes corn loan at most \$2.16 and wheat loan \$2.70.
- o Authorizes but does not require MARKETING LOAN with repayment at prevailing world market price but not less than 70% of basic loan rate.
- o Reauthorizes DEFICIENCY PAYMENTS based on difference between average market price first 5 months of crop year (basic loan rate if market price is lower) and TARGET PRICES. Freezes targets for 1986 and 1987 at 1985 level: \$3.03 for corn and \$4.38 for wheat. For 1988 through 1990, can not be lower than: 1988 - \$2.97 and \$4.29 (2% reduction); 1989 - \$2.88 and \$4.16 (5% reduction); and 1990 - \$2.75 and \$4.00 (9% reduction).
- o UNDERPLANTING: Producer who plants at least 50% of his permitted acres (base acres minus any required set aside) and devotes more than his required set aside percentage plus 8 percentage points to conservation uses or nonprogram crops shall be eligible to receive deficiency payments on 92% of his permitted acres. This amounts to a paid land diversion.
- o Maintains \$50,000 PAYMENT LIMITATION on deficiency payments but excludes any payments caused by the use of Findley loan and marketing loan.
- o SET-SIDES: For corn, if stocks at end of crop year exceeds 2 billion bushels, a minimum 12.5% of base acreage must be set aside. The Secretary may require a maximum unpaid set aside of 17.5% in 1986 and 20% in 1987-1990. In 1986, a paid diversion is required for an additional 2.5% of the base, with payment in kind. If stocks are less than 2 billion bushels, maximum unpaid set aside is 12.5%. For wheat, if stocks at end of crop year exceeds 1 billion bushels, minimum unpaid set aside of 15% is required in 1986 and 20% in 1987-1990. The maximums the Secretary may require are 22.5% in 1986, 27.5% in 1987, and 30% in 1988-90. In 1986, a paid diversion is required for an added 2.5% of the base, with payment in kind. For wheat, a producer who planted prior to program announcement would be offered a paid diversion for setting aside up to 10% additional acreage beyond the amount set by the Secretary. If wheat stocks are less than 1 billion bushels, the maximum unpaid set aside the Secretary may offer is 15% in 1986 and 20% in 1987-1990. Lastly, the Secretary must offer a paid diversion for any required set aside above the maximum level.

- o If requested by the State Committee, the Secretary shall allow HAYING and GRAZING in 1986 on wheat acres diverted from production, and grazing for 1987-1990. Haying is discretionary for 1987-1990. The State Committee may establish a consecutive 5 month period during which haying and grazing shall not be permitted.
- o BASE ACREAGE is the average acreage planted or considered planted in the 5 preceeding crop years. Sum of base acreages for program crops can not exceed the farm acreage base on the farm, except to the extent that the excess is double cropping. For 1986 and 1987, BASE YIELD is average program yield for 1981 through 1985 (disregarding highest and lowest). For 1988-90, Secretary may recompute the base yield by taking an average of the program yields of the 5 preceeding years (discarding high and low), but using actual yields for 1987 and following years.
- o Secretary required to POLL WHEAT PRODUCERS whose bases exceed 40 acres and who produced one crop of wheat during 1981 and 1985 by July 1, 1986 to determine whether they favor using a producer referendum to decide if Secretary should implement mandatory production controls and marketing quotas for their crop. This mandatory program would result in the price of wheat not being lower than 125% of the cost of production excluding land and residual returns to management. Secretary has discretion to call for a MANDATORY REFERENDUM. An alternative wheat program is specified for 1987-1990 if a mandatory production control referendum is held.

SOYBEANS

- o BASIC LOAN RATE for 1986 and 1987 is \$5.02, same as 1985. Thereafter, 75% of a 5 year moving average, excluding high and low, but loan rate can not be reduced more than 5% per year or below \$4.50.
- o FINDLEY LOAN RATE: Secretary may reduce loan rate by 5% if a lower loan rate will made soybean exports more competitive and discourage accumulation of excessive stocks. Loan can not be reduced below \$4.50.
- o MARKETING LOAN is authorized but not required.

SUGAR

- o LOAN RATE maintained at 18 cents per pound for raw cane sugar for 1986-90. Rate for beet sugar based on raw cane sugar rate, as in past.
- o Secretary is effectively required to impose stricter IMPORT QUOTAS so as to insure the program is operated at no cost.
- o Upon demand of producers, Secretary shall make payments to producers for any nonpayment on loans due to bankruptcy or other insolvency of a sugar processor. This provision applies to nonpayments after January 1, 1985.

WOOL AND MOHAIR

- o Extends current program.

HONEY

- o PRICE SUPPORT LOAN RATE drops from 65.3 cents in 1985 to 64 cents in 1986 and 63 cents in 1987. Thereafter, rate drops 5% per year, but rate can not be lower than 75% of 5 year moving average, minus the high and low.

DAIRY

- o MILK PRICE SUPPORT remains \$11.60 per hundred pounds in 1986, drops to \$11.35 on January 1, 1987 and \$11.10 on October 1, 1987. Thereafter, on January 1 the price support is reduced 50 cents if government purchases are projected to exceed 5 billion pounds or is increased 50 cents if purchases are projected to be less than 2.5 billion pounds. In order for the 50 cent reduction to occur, at least 12 billion pounds of milk must be removed under the whole herd buyout during its 18 months or the Secretary must make a good faith effort to attain that goal.
- o A WHOLE HERD BUYOUT is required for an 18 month period beginning April 1, 1986. Producers submit bids for removing herds and facilities from production for 3-5 years. Cows must be sold for slaughter or exports.
- o To help pay for the whole herd buyout, milk producers are ASSESSED ON ALL MILK PRODUCTION 40 cents per hundred pounds from April 1 to December 31, 1986 and 25 cents per hundred pounds until September 30, 1987.
- o Secretary required to PURCHASE an additional 400 million pounds of RED MEAT during the 18 month whole herd buyout. Half goes to domestic food programs and half for export and military overseas programs. ORDERLY MARKETING of dairy herds are required so as not to disrupt the red meat markets.
- o Class I differentials in 33 of 45 regional MARKETING ORDERS are increased.
- o A NATIONAL DAIRY RESEARCH ENDOWMENT INSTITUTE is established. A deposit of \$100,000,000 from the Commodity Credit Corporation is authorized. Investment income from this deposit can be used to fund research.

BEEF AND PORK CHECKOFFS

- o A BEEF CHECKOFF of \$1.00 per head and a PORK CHECKOFF of 0.25% of sale price is established. The checkoff applies to imports and domestically produced beef and pork. A referendum must be held within 22 months on beef and 30 months on pork to determine if the checkoff will continue. The checkoff is mandatory but a refund can be claimed during the period from start of the checkoff to the referendum.

FOOD AID ASSISTANCE

- o Extends FOOD FOR PEACE (PL 480) until 1990.
- o Requires at least 10% of sales for credit under PL 480 be made in FOREIGN CURRENCIES. The foreign currency would be lent to financial intermediaries in the country to finance private enterprise investments and to enhance food security.
- o SECTION 416 commodities are expanded to include all commodities and products acquired by CCC. Secretary is required to donate at least 500,000 metric tons of CCC grain and oilseeds and 150,000 tons of CCC dairy products per year between 1986-90.

EXPORTS

- o Requires at least \$2 billion of CCC-owned commodities for an EXPORT PIK during FY 86-88.
- o Requires at least \$325 million a year of CCC funds or commodities in FY 86-90 to OFFSET UNFAIR TRADE PRACTICES of foreign countries.
- o Requires at least \$5 billion a year in SHORT TERM CREDIT GUARANTEES (3 years) in FY86-90.
- o Broadens INTERMEDIATE (3-10 YEAR) EXPORT CREDIT PROGRAM. Requires at least \$500 million a year through FY88 and \$1 billion in FY89 and FY90.
- o Secretary shall establish a PILOT BARTER PROGRAM with 2 countries during FY86 and FY87. Agricultural commodities shall be exchanged for strategic materials.
- o Any trade program which includes the payment of a bonus or incentive shall seek to expend annually 15% of the funds to enhance EXPORTS OF POULTRY, PORK, BEEF, AND MEAT PRODUCTS.
- o The President shall appoint a SPECIAL ASSISTANT FOR AGRICULTURAL TRADE AND FOOD AID.

CARGO PREFERENCE

- o EXEMPTS THE FOLLOWING COMMERCIAL EXPORT ENHANCEMENT PROGRAMS from cargo preference: blended credit, loan guarantees of less than 3 years, export PIK, export cash subsidies, and some types of barter.
- o Increases from 50% to 75%, CARGO PREFERENCE for PL 480, Section 416, Food Security Wheat Reserve, and other non-exempted programs over a three year period.
- o GREAT LAKES would receive same percentage or metric tonnage (whichever is lower) in 1986-89 of bagged, processed, or fortified commodities shipped pursuant to title II of PL 480 in 1984.

- o Provisions are REVOKED and current law reinstated if funding for cargo preference is not available to the Transportation Department within 90 days of the beginning of the fiscal year, commencing with FY87.

CONSERVATION

- o SODBUSTER provision denies price supports, crop insurance, FmHA loans and other federal benefits to farmers who plow out highly erodible land. Land cultivated or considered cultivated to produce any of the 1981 through 1985 crops is exempted until January 1, 1990 or two years after the soil is surveyed by the Soil Conservation Service.
- o Beginning with 1990 or two years after completion of the soil survey, farmers who plant highly erodible land will have to begin applying an APPROVED CONSERVATION PROGRAM on that land, and complete such plans by 1995, to remain eligible for federal benefits.
- o SWAMPBUSTER provision denies federal benefits to producers who convert wetlands to crop production.
- o SOIL CONSERVATION RESERVE of 40-45 million acres of fragile land in crop use is established. Farmers will bid for a cash or in-kind payment to take erosion-prone land out for 10-15 years. Secretary would provide aid for one half the cost of installing the cover crop. A \$50,000 annual payment limitation exists.

CLEAR TITLE

- o CLEAR TITLE is provided buyers of agricultural products against liens on those products, unless buyers were given direct notice that liens existed, or liens were listed in a state central filing system.
- o Provision takes effect after 12 months to allow states time to set up a central filing system.

CREDIT

- o Consolidates FmHA OWNERSHIP AND FARM OPERATING LOAN programs, but requires existing program ratio be retained.
- o Authorizes \$4 billion a year for FY86-88 for direct loans and guarantees. Slowly SHIFTS TO GUARANTEES, which will account for \$3 billion of loans in 1988.
- o Up to a 3 year INTEREST RATE BUY-DOWN program is established for FmHA guaranteed loans. Funded at \$490 million over 3 years. The Secretary will fund up to 50%, but not more than 2 percentage points, of any buy-down agreed by the commercial lender of the guaranteed loan.
- o RULES ON LAND FORECLOSED BY FmHA: (1) Land acquired through FmHA foreclosures could not be sold if it would depress local farm land values. (2) As far as practical, land sales must be made in family

size units. (3) Requires USDA, when operating foreclosed land, to grant leases on a competitive basis, giving priority to former owners of the land, family farmers and beginning farmers.

- o PROMPT APPROVAL OF FmHA APPLICATIONS: a loan application must be approved or disapproved within 60 days of a completed application and funds for an approved loan must be made available within 15 days.
- o A CONSERVATION EASEMENT may be obtained by the Secretary for a period of not less than 50 years on land secured by an FmHA loan. The borrower must not be able to repay the loan on a timely manner and the land must have been row cropped each year between 1982 and 1985. In return for the easement, the Secretary shall cancel a proportional amount of the outstanding loan.
- o HOMESTEAD PROTECTION: If the Secretary of Agriculture or Administrator of Small Business Administration forecloses a FmHA or Small Business loan, the Secretary or Administrator may permit a qualified borrower to retain possession and occupancy of the borrower's principal residence for a period of 3-5 years.
- o FAMILY FARM RESTRICTION: In the case of holders of a farm interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm as defined by the Secretary.

FOOD ASSISTANCE

- o STATE AND LOCAL SALES TAXES can not be collected on food stamp sales. A financial institution can not charge a fee for redeeming coupons other than any requirement related to cancellation of the coupon.
- o A series of changes are made in the deductions to income to determine eligibility for food stamps, including a provision that permits a reduction to the extent that BUSINESS LOSSES were incurred from self-employment as a farmer.
- o A series of provisions are aimed at enforcing WORK REQUIREMENTS as an eligibility requirement for food stamps. Also, requires states to set up a job training and employment program for employable food stamp recipients. Program is designed by the state.
- o AUTHORIZES FOOD STAMP PROGRAM up to \$13.0 billion in FY86, \$13.9 billion in FY87, \$14.7 billion in FY88, \$15.4 billion in FY89, and \$16.0 billion in FY90.
- o Extends TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM through FY87. Allows state matching contributions to be in-kind.
- o Extends COMMODITY DISTRIBUTION PROGRAMS through 1990.

RESEARCH AND EXTENSION

- o A new research program is established to develop NEW USES FOR FARM AND FORREST PRODUCTS. It will be funded at least at \$10 million a year between FY86-90.
- o Research to REDUCE THE COST OF PRODUCTION and DEVELOP NEW AND ALTERNATIVE INDUSTRIAL USES FOR AG CROPS are added as research priorities under competitive, special, and research facilities grants.
- o The Secretary is permitted to enter into cooperative agreements with private agencies, organizations, or individuals to share the cost of a research project or use Federal facilities on a reimbursable basis.
- o A pilot project to develop SUPPLEMENTAL AND ALTERNATIVE CROPS is required.
- o The Secretary is required to make special grants for programs to develop INCOME ALTERNATIVES for farmers who are financially stressed or displaced.
- o Studies on CALCIUM and CHOLESTEROL and human health are required.

MISCELLANEOUS

- o Extends FARMER-OWNED RESERVE AND FOOD SECURITY WHEAT RESERVE until 1990. Farmer owned reserve is capped for wheat at 30% and for corn at 15% of domestic and export use during a crop year.
- o Sets standards for the treatment and WELFARE OF LABORATORY ANIMALS.