Agriculture Budget

A prolonged battle over farm programs

by Susan B. Cohen

The Senate's Republican leadership decided not to bring the 1981 four-year farm bill to the floor as intended for the week following the Fourth of July holiday. Official explanation of the move cites the urgency of action on the President's tax program, but observers note that even after the budget reconciliation process forced both House and Senate Agriculture Committees to pare down their farm proposals considerably, neither bill conforms to the destructive Reagan-Block specifications.

Already unsatisfactory to producers, any attempts to undercut the farm programs further will certainly meet stiff resistance that may in any case include a filibuster and a host of pro-producer amendments. While Senate spokesmen aren't saying publicly, it is unlikely that the bill will receive floor consideration until September, after the August recess.

Just a week before Senate leaders announced the change in plans, Agriculture Secretary Block had issued a second warning in as many months that he would recommend a presidential veto of the farm legislation if it contained unacceptable provisions—in particular a dairy price-support program at any higher than 70 percent of parity, maintenance of the target price program, and several other items.

The first farm policy move the new administration made last April, was to freeze dairy price-support levels. The dairy program has been the best and strongest of the farm programs, with its price-support level at 80 percent of parity and adjusted semi-annually—compared to the other major programs which "support" grain prices at below 50 percent of parity. For the administration's "free market" ideologues and the budget-cutters, the dairy program was like a red flag. And during the past year the combined effect of the weakness of the other commodity programs, combined with the effects of the high interest rates, distorted the dairy economy such that more government intervention than usual was required. Opponents of the dairy program were handed the pretext to attack.

Having won its April bid to freeze dairy prices, the administration insists that the dairy program be set at 70 percent of parity, with discretion in the hands of the secretary to adjust support levels according to the projected accumulation of government stocks. The price-support level would only be adjusted once a year. While the Senate Agriculture Committee conformed on this issue, the House has so far backed the dairy industry and set 75 percent of parity as the baseline.

But the April 1 fight was won at a price—Sen. John Melcher (D-Mont.) was only persuaded to withdraw a winning amendment mandating government quotas on casein imports that were flooding the U.S. dairy market with the promise that the casein issue would be investigated. The administration has been "investigating" the issue, as promised, but the action is strictly pro forma. Melcher will bring up his amendment again from the floor to force action on the matter. The senator, who proposed his own farm bill centered on an across-the-board price-support program at 75 percent of parity for all major farm commodities, has already announced that he intends to vote against the farm bill as it now stands.

The administration also wants to eliminate the target-price program under which producers are guaranteed checks from the Treasury for the difference between the target price and the average free-market price over the year for their commodities. With crop loan rates set at 50 percent of parity or less, the target-price program is producers' only backstop for low prices. Both the Senate and House have retained and extended the program.

There are also indications that the administration will seek a reduction in price-support loan rates, already dangerously low at \$3.50 to \$3.55 for wheat and \$2.60 to \$2.65 for corn. These rates, which act to set a price corridor for the major grains, amount to about 50 percent of the cost of production as calculated by the USDA!

The administration's miserly approach overall, a combination of "free market" stupidity and austerity, was exemplified in legislation passed in the Senate and House and sent to the White House in a rush on July 9. The bill repeals the existing waiver of first-year interest charges on 1981 grain that producers place under three-year reserve loan. Wheat prices have tumbled over the past six months

another bumper crop. They are anxious to be able to get some of their crop off the market to bolster prices. And the government stands to lose as much as \$500 million in deficiency payments if the present low market prices prevail.

Nonetheless the administration decided to play on producers' desperation to siphon an extra \$165 million in interest payments out of their pockets: Secretary Block declared that the reserve program would not be opened to any 1981 grain until the interest rate waiver was repealed.

The same bill also rescinds provisions of the 1949 law which would require USDA to hold a referendum among farmers on wheat price-support provisions on August 1 if legislation hasn't been passed by then.