



Current Report

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The Food and Agriculture Act of 1977 - Public Law 95-113

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The Food and Agriculture Act of 1977 became law on October 1, following President Carter's signing on September 20. This comprehensive legislation covers not only farm price and income provisions, but also many related issues such as domestic food distribution among the poor, agricultural exports, education, research and Rural Development. This report provides a brief summary of each of the nineteen sections of the law. Details of specific crop programs are provided in separate reports you can find at local Extension Centers.

The program concepts for wheat, feed grains, and cotton are basically similar to those in the 1973 legislation which have been in effect the past four years. While support prices have been revised upwards, the programs still provide for both deficiency payments and disaster payments keyed to target prices established by the Congress. Price supports for soybeans, sugar crops, honey, wool, dairy products and other commodities were added at specified levels or at specified relationships to parity prices. The Secretary of Agriculture is given the responsibility of determining support levels in most cases within boundaries established in the law for most commodities.

Instead of basing allotments for grain on historical acreages on each farm for each crop, the new law provides only for a "Normal Crop Acreage" for the total of all crops designated as NCA crops and thereby allows the farmer flexibility to choose which crops he will grow based on his judgment regarding growing conditions and expected market prices. Farmers who produce a crop which the Secretary judges to be in excess supply are required to set aside a portion of their acreage to be eligible for crop loans and deficiency and disaster payments. The amount of deficiency payments may be reduced by up to 20% on those farms which do not reduce their acreage by the requested amount if the acreage finally harvested by all growers turns out to be greater than the acreage announced as the "National Program Acreage". This reduction factor is a new term in farm program administration--called the "Allocation Factor".

Loan and Target Prices for 1978 are:

| | <u>Loan Rate</u> | <u>Target Price</u> |
|-----------------------------------|---|---------------------|
| Wheat (\$ per Bu.) | \$2.25 | \$3.00 |
| Corn (\$ per Bu.) | 2.00 | 2.10 |
| Upland Cotton (\$ per lb.) | .44 | .52 |
| Peanuts (\$ per lb.) | .21 | N/A |
| Grain Sorghum, Barley, Oats & Rye | (Fair and reasonable relation to corn, to be set by Secretary of Agriculture) | |

Brief Features of the 1977 Food and Agriculture Act, by Title

Title I Payment limitation for wheat, feed grains, and upland cotton raised from \$20,000 per person in 1973-77 to \$40,000 for 1978 and \$45,000 for

1979 and \$50,000 for 1980 and 1981. Maximum for rice set at \$52,250 for 1978 and \$50,000 for 1979. A report to Congress on the status of family farms by the Secretary of Agriculture is also ordered.

- Title II Dairy and Beekeeper Programs: Provisions for continuing these programs through 1981 and requiring support at at least 80% of parity price.
- Title III Wool and mohair: Extending wool support through 1981 at a minimum of 85% of parity price
- Title IV Wheat: Provides for 1978 loan of \$2.25-2.35 and target price of \$3.00-3.05 with adjustments for following years. Loan rates to be adjusted according to prices received with the maximum adjustments to be 10% per year and a minimum of \$2.00 per bushel. Target prices to be adjusted according to changes in cost of production. Provides formula for computing deficiency payments based on difference between the prices received by farmers during the five months following harvest and the target price. Established procedure for calculating the national program acreage and for payment allocation factor when plantings exceed the national program acreage which shall not apply to producers who reduce plantings from the previous year by the amount of the announced setaside requirement. For more details on the wheat program, see Current Report No. 145, "The 1978 Wheat Program". Provides disaster payments for 1978 and 1979.
- Title V Feed Grains: Sets 1978 corn loan rate at \$2.00 per bushel with allowance for adjustment in later years according to market prices, but a minimum of \$1.75 per bushel. Corn target price for 1978 set at \$2.10 with adjustments for following years based on changes in the costs of production. Target and loan rates for other feed grains to be set in relation to corn. Disaster payments for low yields or prevented planting provided for 1978 and 1979 crop years. Requires Secretary of Agriculture to announce national program acreage and to determine payment allocation factor to apply to farms which do not reduce planting by the amount of the announced requirement. For details of the Feed Grain Program see Current Report No. 146, "The 1978 Feed Grain Program".
- Title VI Upland Cotton: Substitutes setaside provisions for the former acreage allotments. Provides procedure for determination of cotton loan rates based on the prices received for the previous four years. Target price established at minimum of \$.52 per pound for 1978 and \$.51 per pound for 1978-1981, and deficiency payments to be based on the difference between prices for the first five months of the marketing year or the loan rate (whichever is higher) and the Target Price. Also provides for establishment of a setaside requirement when needed. For details of the Cotton Program, see Current Report No. 147, "The 1978 Cotton Program."
- Title VII Rice: Provides for loan rates, target prices, setasides for rice. (Minimum loan = \$6.31 per cwt., 1978 target price.)
- Title VIII Peanuts: The peanut program provided is substantially different from those for other commodities, providing for a poundage quota for each farm based on previous acreage allotments and average yields for the best three of the previous five crop years. The national quota is specified at minimum to be 1,680,000 tons for 1978 and gradually decreased to 1,440,000 tons for 1981. Production above the farm poundage quota

marketed as "additional" peanuts subject to a penalty of 120% of the loan rate. Provision for transfer of quotas to other farms requires adjustments for yields on both farms involved.

- Title IX Soybeans and Sugar: Provides for soybean loans and purchases at loan rates to be established by the Secretary, but specifies that there be no setaside required for soybeans. Sugar to be supported at between 52.5 and 65% of parity but no lower than 13.5 cents per pound.
- Title X Miscellaneous: This title is devoted to several unrelated items.
1. When a setaside is required for crops, the acreage normally planted to crops must be reduced by the amount of the setaside.
 2. Requires all crop loan rates to be raised to 90% of parity when executive action suspends commercial export sales.
 3. Limits budget outlays to \$50 million for certain non-basic commodities.
 4. Special Grazing and Hay Program for wheat is authorized, giving the Secretary of Agriculture authority to establish a program where producers may graze or harvest hay from an acreage up to 40% of the acreage of wheat and other specified crops, or 50 acres, whichever is greater, with a payment to be made in lieu of deficiency payments which is determined to be fair and reasonable.
 5. Amends the Agriculture Act of 1970 to require public release of daily export sales reports whenever they are required by the Secretary.
- Title XI Grain Reserves: Provides for farmer-hold grain reserve through extended CCC loans in such a way that wheat and feed grains held under the program will not unduly depress or curtail the free market. Sets rules for redemption of loans when market prices reach between 140 and 160% of the support price and for when market prices reach 175% of the support price. This section also provides for emergency food reserves and for a disaster reserve of grains and hay.
- A Farm Storage Facility Loan section provides for secured loans for either dry or high-moisture storage facilities. Loan terms are for up to ten years at an interest rate based on the rate charged the CCC by the U.S. Treasury.
- Title XII Public Law 480 is continued with some changes in rules for loans to other countries for purchase of U.S. commodities.
- Title XIII Food Stamp and Commodity Distribution Programs: Short title to be "Food Stamp Act of 1977" specifies new rules for eligibility for food stamps and new operating rules. (Basic eligibility requires an individual to have resources of less than \$1,750 or \$3,000 for a couple). This lengthy section also covers commodity distribution to institutions, etc.
- Title XIV National Agricultural Research, Extension, and Teaching Policy Act of 1977 provides for support and studies of land grant universities, veterinary medicine, the Agricultural Extension Service and related activities.
- Title XV Rural Development and Conservation: Provides new regulations for soil conservation, rural community fire protection, etc.

Terms and Definitions - Food and Agriculture Act of 1977

Allocation Factor - The multiplier used to reduce deficiency payments on farms which participate in the program but do not reduce acreage of a crop by the amount announced by the Secretary of Agriculture. It is computed by dividing the National Program Acreage for that crop by the acreage of the crop harvested.

Deficiency Payment - Payment made to participating farmers computed as the Acres for Harvest times the Normal Farm Yield times the difference between the Target Price and the Five-Month-Average Price (or the loan rate, if greater). This payment primarily compensates for market prices below the Target Price. It is subject to the Allocation Factor when it applies and is reduced when disaster payments are made.

Disaster Payment - Payment made to participating farmers if actual yields are less than 60% of the Normal Farm Yield for their farm or if weather conditions prevent planting.

Five-Month-Average Price - The average price received by farmers during the five months following harvest of a particular crop which is used to compute Deficiency Payments.

Loan Rate - Price at which participating farmers may obtain loans on covered crops. These loans may be redeemed by repaying the loan and interest or may be allowed to mature at which time the commodity becomes the property of the Commodity Credit Corporation with no interest charge.

National Program Acreage - The acreage of a supported crop which the Secretary of Agriculture announces prior to planting time for each crop as the acreage he determines needed to meet national needs for the next year. It is used to compute the Allocation Factor for adjusting deficiency payments.

Normal Crop Acreage - The acreage determined for each farm and the amount qualified for use in producing designated crops and setaside acreages. The total acreage of designated crops plus setaside may not exceed the NCA on a "participating farm" or farms in which the individual holds an interest.

Normal Farm Yield - The yield for each crop used for computing deficiency and disaster payments. It is usually set by county ASCS Committees but may be adjusted when documentary evidence of five-year's production is presented to the County Committee.

Setaside - An acreage equal to the percentage of a crop for harvest determined by the Secretary of Agriculture to be used only for approved purposes as a Condition for participation in the farm program.