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Bulletin on Farm Bill Compromise-the “Agricultural Reconciliation Act of 1995”  
(William H. Meyers, 515/294-1184)

As we go to press, the House and Senate Republicans have reached compromise language on most of the farm programs issues in the budget reconciliation bill. Dairy provisions remain unresolved and apparently will be decided later. Democrats were not involved in the conference, so it remains to be seen how this and other items in the reconciliation bill will be influenced by negotiations with the Clinton Administration. The authorization bill will be the final word on the farm program, but this is not likely to be completed until 1996.

Information available at this time indicates that the following decisions were made on items of most interest to Iowa farmers:

1. The “Freedom to Farm” concept of the House proposal was adopted for program payments, although specific provisions were altered. This would establish fixed payments contracts with farmers and ranchers to be signed in 1996 for a seven-year period. Payments would not be influenced by crop planting, production, or prices. For corn, transition payments plus remaining deficiency payments for the 1994 crop would be set at $3.037 billion for fiscal year 1995/96, $2.951 billion for fiscal year 1996/97, $2.681 billion for fiscal year 1997/98, and then would gradually decline to over $1.8 billion by 2002. These payments would be allocated among farmers by making payment on 85 percent of current base acres.

2. The loan rate levels would continue to be calculated by the current formula (85 percent of the five-year “Olympic” average), but the maximum permitted loan rates would be current rates. Wheat and feed grain loan rates could still be reduced based on stock/use triggers as in current law, but the seldom used discretionary reduction for “market competitiveness” has been eliminated. The soybean loan rate would remain at $4.92/bushel. The interest cost to producers on CCC loans would be one percentage point higher than under current law. Authority for the Farmer Owned Reserve (FOR) would be eliminated.

3. There would be no provisions for annual acreage idling, and farmers could plant any crop on 85 percent of base acres, except that this land could not be used for fruits and vegetables or for unlimited haying and grazing. The remaining 15 percent of base could be used for unlimited haying and grazing or fruits and vegetables.

4. Eligibility for a contract requires program participation in at least one of the last five years. Conservation plan and wetland protection compliance would continue to be required for participants. Purchase of federal crop insurance would not be required, but agricultural disaster assistance would be waived by those not purchasing crop insurance.

5. The CRP acres are capped at 36.4 million acres. Termination of contracts appears to be easier than in the past. The rental rate on renewals cannot be less than 75 percent of the county average rate at the time of renewal. There are no provisions on criteria for new enrollments or extensions of contracts, and the only specific restriction is that no new acres can be enrolled in 1997. Most specifics on the future of the program were avoided and will probably be addressed in the 1996 authorization bill.

6. The EEP expenditures would be capped at levels slightly below those proposed by the House (see table 1 on page 4). The Market Promotion Program would continue under current regulations but with 10 percent lower funding.

7. The Agricultural Act of 1949 and the permanent law provisions of the 1938 Act would be repealed, removing the threat of reversion to these provisions should Congress fail to reauthorize farm programs in the future.