ILLINOIS FARM AND FOOD OUTLOOK
COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801 *June 1, 1977*

PROSPECTS FOR 1977 FARM LEGISLATION

THE SENATE HAS PASSED A 1977 FARM BILL and the House is working on one. After the House completes its work, a House-Senate conference committee will have to resolve the differences. Final action in Congress is expected by late August or early September.

Certain issues are still unsettled. How they are resolved will set the direction of U.S. farm and food policy for the next four to five years as well as the course of policies relating to international trade, public welfare, the federal budget, and the authority of the Secretary of Agriculture.

Although 1977 crops are covered under the 1973 Act, new legislation could affect support and loan rates for the 1977 crops as well as later years. For wheat, the President has suggested a 1977 target price of $2.47 per bushel. The House proposed $2.65 and the Senate $2.90. For 1978, the President wants a target price for wheat of $2.90; the House, $3.00; and the Senate, $3.10. For corn, the President and the Senate have proposed a $1.70 target price for 1977 and the House $1.85. For 1978, the President suggests $2.00, the House $2.10, and the Senate $2.28.

The proposed wheat loan rate for 1977 is $2.25 per bushel; for 1978, from $2.35 to $2.47. The proposed corn loan rate would be $1.50 to $1.75 for 1977 and $2.00 for 1978. The compromise will need to be near the lower end of the range if the President is to sign the bill.

The target prices will have a major effect on the cost of the program, especially if market prices drop below the established prices. It appears that wheat prices will drop below the target price during the first part of the 1977 marketing year. Corn prices will depend greatly on the size of this year's crop.

The program cost estimates range from $2.3 billion for the House version to $3.9 billion for the Senate bill. With a stated desire to hold costs down, the Administration favors the House bill over the one in the Senate.

Cost estimates made by government economists must assume certain growing conditions, production levels, and patterns of demand at home and abroad. Depending on what actually happens, these estimates could be too high or too low.

The loan rate and its relation to market price will determine whether farmers take out a loan or sell their grain. Acquiring grain stocks by the government or paying farmers to hold grain under loan would add considerably to the program costs.

How target prices and loan rates are set adds a new issue in 1977. Production cost data are available from studies authorized under the 1973 Act. Yet, costs vary among regions and farms, so major questions remain as to how the data should be used. The House would give the Secretary some discretion in setting target prices and loan rates. The Senate favors loan levels with a cost-of-production formula including land costs and a return for management. Guaranteeing production costs could result in overproduction, followed by efforts to restrict output.

In addition to price supports, the Food Stamp program represents a major cost. In the 1976 fiscal year, the food stamp outlay was $5.7 billion. Although attempts are underway to tighten eligibility requirements and to reduce costs, such efforts are likely to fail. Although some proposals have been made to eliminate purchase requirements and even to use cash grants, no major changes are likely in 1977.

As in past policy decisions, the final outcome will be a compromise. Unless some new developments occur by late summer, the 1977 Farm Act probably will set target prices and loan rates at somewhat higher figures than those proposed by the Administration, increase the authorization under Public Law 480, make little change in the Food Stamp program, and give the Secretary of Agriculture about as much discretionary authority as he has had in the past.

Harold D. Guither

Harold D. Guither, Extension Economist, Public Policy

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, $300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

FIRST CLASS