



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE

DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

February 28, 1978

SOME FARM PROGRAM ISSUES STILL UNSETTLED

THE FOOD AND AGRICULTURE ACT OF 1977 is intended to set the course of farm programs for the next four years. In recent weeks, many farmers and farm organizations have attacked the bill as inadequate in providing support for farm prices and incomes.

Farmers representing the old established organizations and the newly formed groups have converged on Washington to take their proposals to the President, the Secretary of Agriculture, and members of the Congress. Strong pressures have stimulated some actions, and others are being considered. New bills have been introduced to raise target prices, loan rates, and set-aside acreages, and to stimulate farm exports. The House and Senate Agricultural Committees have conducted hearings to consider what further actions should be taken.

The Administration has announced certain programs and efforts to improve the farm financial picture. A set-aside program of 20 percent for wheat and 10 percent for corn, grain sorghum, and barley has been announced. The normal crop acreage planted in 1977 becomes the new base on which set-aside acres and planted acres will be calculated. The previous, historic, allotments have been eliminated.

The on-farm grain reserve authorized under the 1977 Act is being set up. Storage payments have been increased from 20 to 25 cents a bushel. Wheat, oats, and barley may be placed directly into the three-year reserve beginning March 1, without waiting for loans to mature. Corn and grain sorghum will be allowed into the reserve later. Sales from the reserve cannot be made until wheat reaches 140 percent of the current loan rate and corn reaches 125 percent, or until the three-year contract period is completed.

The amount of grain moving into the reserve could have important effects on supplies and price levels during the coming year. But if the 1978 corn crop is close to last year's size, some crucial policy decisions must be made. Will the grain reserve be increased or will the set-aside acreage and incentives to participate be raised? Putting substantial stocks from the 1977 crop into the reserve this spring and summer could be of considerable help to farmers who have grain to sell. However, the size of the 1978 crop and of the export demand will be important factors in determining the future consequences of the reserve program.

The USDA has announced plans to open two new offices overseas to promote more exports. An intermediate credit plan has been devised to bridge the gap between the three-year CCC credit limit and the longer-term credit under P.L. 480.

Some Washington observers expect that Congress will make further efforts to assist farmers through 1978 farm programs, but whether such action will come in time to guide planting decisions remains uncertain. The actions being considered include raising target prices, upping loan rates, and making direct payments for set-aside acres.

Underlying the final decisions on these proposals are the long-standing issues of how much government should try to influence farmers' decisions and prices, and how much money should be spent in such efforts. As with past policy decisions, no group will achieve exactly what it wants. The final decision, as usual, will be a compromise.

Harold D. Guither

Harold D. Guither, Extension Economist, Public Policy

Agricultural Newsletter Service
College of Agriculture
Cooperative Extension Service
116-N Mumford Hall
University of Illinois at Urbana-Champaign
Urbana, Illinois 61801

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