Congress Votes

Limit on Payment; Other Farm Changes

In the closing days of the 1986 session, the Congress was active on several agricultural fronts. Among the bills passed were these:

- A bill to tighten ceilings on payments to farmers under the Farm Bill.
- A bill to allow the Farm Credit System to stretch out bad loans and take other measures to maintain the solvency of the system.
- A bill extending the funding authority for the Commodity Futures Trading Commission and revising the law under which CFTC regulates futures markets.
- A resolution for funding of export programs.
- Legislation to require advance deficiency payments for 1987 crops.

Farm Payments Limited to $250,000

Effective with 1987 crops, Congress has voted to place a limit of $250,000 on combined payments to farmers for rice, cotton, wheat, feed grains, and honey programs.

The limit for deficiency payments will stay at $50,000.

The $250,000 limit will include all payments including deficiency payments, payments for marketing loans, diversion payments, disaster payments, and payments for recreational use of land.

The new limit excludes price support loans. Loans will continue to be exempt from payment limits.

Spokesmen for the U.S. Department of Agriculture are quoted as saying the $250,000 limit will result in large farms placing more commodities under government loan and thereby driving up the cost of government programs.

The fight to place the payment ceiling was led by Senator Tom Harkin (Democrat-Iowa).

Congress approved a bill that provides, effective on May 1, 1987, dockage or any foreign material (as defined by the Secretary of Agriculture) removed from grain cannot be recombined with the grain from which it was removed or added to any grain.

The bill provides that the changes it makes in existing law cannot be construed to prohibit a number of traditional marketing and handling processes such as the treatment of grain to kill insects, the blending of grain of varying qualities, or the sale of dockage as a separate product.

The provisions of the bill apply to grain for both domestic and export markets, but the Secretary could waive them for sales to domestic final users or processors such as, for example, feedlots. Grain sold under this exemption could not be resold into either domestic or export commercial channels.

Also, the bill provides that until Dec. 31, 1987, the ban against recombining dockage and foreign material would not apply, except in the case of dust, to situations in which material removed from a single specific shipment at an export loading facility is returned to the same shipment to assure even distribution of the material through the cargo.

The bill also requires the Agriculture Department to issue a final regulation revising grain inspection procedures to more accurately reflect insect infestation levels.

CFTC Law Revised

The Congress approved the following changes in laws regulating the Commodity Futures Trading Commission:

- A three-year extension, through fiscal 1989, of funding authority for the CFTC.
- Provisions designed to tighten the agency's regulatory authority in several areas.
- A directive for a study of trading in live cattle futures by the General Accounting Office.
- And new terms for regulation of leverage transactions.

Farm Credit Changes

The new legislation for the Farm Credit System contains the following features:

- A provision under which FCS institutions could, subject to FCA approval, amortize over a period of up to 20 years the unusual loan losses they have suffered in recent years due to a combination of factors including the depression in farm income and farm asset values.
- A provision under which FCS institutions could--subject to the FCA's authority to oversee their fiscal soundness--determine interest rates charged to their borrowers in order to keep the system competitive with other private agricultural lenders.

Export Credit Guarantees

Under a Continuing Resolution, the Agriculture Department will be required in fiscal 1987 to make available not less than $5 billion in credit guarantees under its program of short-term export credit guarantees. In addition, the department would be required to make available not less than $500 million in intermediate term export credit guarantees. Both programs are designed to encourage increased export sales of American farm products. The bill restates floors originally provided in the 1985 farm bill.

Advance Deficiency Payments

Under the Budget Reconciliation bill, the Agriculture Department would be required to offer farmers the chance to get part of their projected 1987-crop deficiency payments (for wheat, feed grains, cotton, and rice) at the time they enroll in the programs instead of waiting until after harvest. The bill requires that producers be allowed to get not less than 40 percent of their payments in advance for wheat and feed grains and not less than 30 percent for cotton and rice.