THE 1985 U.S. FARM ACT AND ITS IMPACTS ON THE WORLD CROP MARKET

KOO WON-WHOE*
PARK CHANG*

The new U.S. agriculture act, which will govern major farm programs up to 1990, was passed by the U.S. Congress after year-long debates. During the legislation period, the public's concerns on the bill were higher than ever for the following two reasons: (1) the proposed farm bill was intended to alter the fifty-year-long farm policy direction by reducing the government's role in the agricultural sector and (2) farmers were in the most difficult financial situation since the depression of the 1930s.

The current U.S. farm crisis is based on two major interrelated problems, reductions in farm income and an increase in farmers' debt/asset ratio, which were mainly caused by the administration's economic policy. A tight monetary policy coupled with lowering federal income tax rates resulted in a federal budget deficit of $200 billion in 1985. As a result, prime interest rates were about 13 to 15 percent in 1985 while the rate of inflation remained at approximately 3 to 5 percent. This economic situation in the United States (high interest rates and low inflation) provided an opportunity to gain high net returns from the capital investment in the United States. This, in turn, stimulated demand for U.S. dollars in most foreign exchange markets and resulted in the high value of U.S. dollars compared to other currencies. The high value of U.S. dollars caused reductions in U.S. crop exports since the crops were more expensive in foreign countries in terms of their currencies compared to crops produced in other exporting countries (Canada, Argentina, Australia, etc.). Consequently, farm income was reduced, and huge grain stocks were accumulated in most exporting countries, especially in the United States. This surplus resulted in a decrease in grain prices and triggered further reduction in farm income. In addition, the high interest rate resulted in increased production costs because farmers' interest payments on their loans for farm operation increased about 20 to 30 percent. The increase in production costs coupled with depressed grain prices resulted in reductions in the value of farmland and, consequently, an increase in debt/asset ratio. About 25 percent of the farmers in the United States are carrying debt/asset ratios

* Koo is professor and Park is graduate research assistant, Department of Agricultural Economics, North Dakota Stata University, Fargo.

exceeding 40 percent.

The spirit of the 1985 farm bill was to make agricultural products (mainly grain) produced in the United States more competitive in the depressed world grain market by lowering loan rates. At the same time, the farm bill offers moderate income portection to farmers who participated in the farm program by setting the target prices much higher than the market prices of grain. Also, the farm bill was aimed to reduce the current grain stocks as much as possible. The objective of this paper is to analyze the 1985 U.S. farm bill and evaluate the impacts of the farm bill on the world grain market. The following sections will first review major government farm programs from 1948 to 1982, then analyze the 1985 farm bill and evaluate its impacts on the world grain market.

Review of Major Government Programs

In general, government farm programs are divided into acreage control programs and income support programs. Acreage control programs consist of acreage allotment, set-aside, and diversion programs while income support programs are executed by using loan rates and target prices. In addition, farmer-owned reserve programs were recently introduced to stabilize the prices of grain.

Acreage Control Program

The national acreage allotment is the number of harvested acres of a commodity, based on estimated average yield, that would provide a supply equal to a normal year's domestic consumption and exports, plus an allowance for reserve. States, counties, and farms are apportioned the national allotment based on past production and some other factors. Compliance with allotments was usually required as a condition for obtaining price supports, but penalties were not imposed for noncompliance unless marketing quotas were in effect.

Each year the Secretary of Agriculture would proclaim allotments for specified crops unless he suspended the program under emergency powers. The main purpose for using this program was to control the output of specific commodities.

Acreage allotments, not accompanied by marketing quotas, were imposed on wheat and corn in 1950 for the first time since World War II. Allotments were discontinued for the 1951 to 1953 crop years due to the Korean War emergency. Beginning in 1954, allotments were reimposed on both commodities. However, only the wheat allotment was accompanied by marketing quotas. When marketing quotas apply, producers who exceed their allotment are penalized with fines and a reduction in future allotment acres.

From 1954 through 1959, corn acreage allotments without marketing quotas were in effect. Under new legislation in 1959, the authorization for corn acreage allotments was terminated. Instead of using allotments to control output and to allocate governmental payments, a feed grain base from historical planting practices was instituted.

Wheat acreage allotments with marketing quotas were in effect from 1954 through 1963. Quotas were voted out in 1964, but the allotment program was continued through the 1970 crop year.

Under the Agricultural Act of 1970, national acreage allotments for wheat were suspended for the 1971 to 1973 crop years. An allotment for domestic food use only was specified for those years to compute set-aside acreage requirements and marketing certificate payments.

The Agriculture and Consumer Protection Act of 1973 brought about a change in the national acreage allotment program. Wheat acreage allotments were reinstated for the 1974 to 1977 crop years. However, they did not restrict the wheat acreage a farmer could produce on his land. They were used only to determine payments to a producer in the event that they were due.

Another change brought about by the Act of 1973 was that the term *feed grain base* for corn was to no longer be used. Instead the term *allotment* was used so the terminology of the feed grain program coincided with the wheat program. Allotments were reimposed for the 1974 to 1977 corn crop years and were used solely for determining payments and not for restricting planted acreage.

A second change in terminology came about under the Food and Agriculture Act of 1977. The national acreage allotment was renamed national program acreages for wheat and corn. National program acreages were in effect for the 1978 to 1982 crop years for both commodities.

Acreage withdrawn from crop production and devoted to approved conservation practices under production adjustment programs is termed *set-aside*. Program participants have been required to meet set-aside requirements to become eligible for price support loans and program payments.

Acreage diversion also has involved withdrawing acreage from crop production and devoting it to conserving uses for producers to be eligible for price support loans and program payments. Although these programs appear to be similar, a major difference is that the diversion program limited allotment acres while the set-aside program idled acres from total cropland on the farm as a unit. The main purpose of both programs, when used, was to reduce the supply of specific commodities by reducing acreage planted.

The acreage diversion program was in effect for the 1961 to 1970 corn crop years. The amount of land diverted each year was based on a percentage of a farm's base acreage, which was determined from historical

planting practices. To induce compliance, an acreage diversion payment was made to farmers for idling this land.

The acreage diversion program for wheat was enacted in 1962. Acreage to be diverted was based on a percentage of a farm's allotment. Payments to farmers were made to induce program compliance. In 1967 and 1968 the program was discontinued to stimulate wheat output. However, the program was reinstated for 1969 and 1970 in order to reduce acreage planted.

Under the Agricultural Act of 1970, marketing quotas, acreage allotments, and base acreages for wheat and corn were suspended and replaced with the set-aside program for the 1971 to 1973 crop years. Acreage idled for wheat was based on a percentage of the domestic allotment for that year while corn acreage idled was based on a percentage of the farm's base acreage in 1959 and 1960.

Both corn and wheat producers could divert additional acreage in 1972 and 1973 crop years on a voluntary basis. They were eligible for payments on this additional acreage diverted.

Under the Agriculture and Consumer Protection Act of 1973, the corn and wheat set-aside and acreage diversion programs were discontinued for the 1974 to 1977 crop years.

The Food and Agriculture Act of 1977 reinstated the set-aside program for corn and wheat for the 1978 to 1979 crop years. Compliance, although on a voluntary basis, was required of producers to be eligible for price support loans and payments. After 1979 the set-aside program was discontinued for the 1980 to 1982 corn and wheat crop years.

Price and Income Support Program

Commodity loans have been made to farmers by the government to provide floors under market prices. Because of this, loans have served as a market price support program for commodities.

Loans are secured by storing a commodity in an approved facility, either on or off the farm. Loans typically perform several functions: (1) they provide farmers a cash return for the commodity at the support level; (2) they strengthen market prices of the commodity through withdrawal of supplies from the market, especially at harvest; and (3) they tend to even out marketing because farmers who obtain loans on their crop at harvest time can market the crop over the season.

The target price concept is an income support program, utilized by the government under the Agriculture and Consumer Protection Act of 1973, which provided farmers with a guaranteed return on the portion of the crop produced on his allotment acres. This guaranteed return is called a deficiency payment. If the national weighted average market price recieved by farmers is below the target price for the first five months of the marketing year, deficiency payments are made to eligible producers.

The payment rate is the difference between the established target price and the higher of the five-month weighted national average price received by farmers or the national loan level. A target price was established each year for corn and wheat during 1974 to 1982 crop years. There was no target price for soybeans during this time.

The primary means of supporting wheat, corn, and soybean prices during the 1948 to 1962 crop years was nonrecourse loans. In most years loan rates were set at the minimum legal level.

Support of soybean prices by means of nonrecourse loans was continued during the 1963 to 1974 and 1976 to 1982 crop years. There was no national loan rate to support soybean prices in 1975.

The loan rate for corn and wheat was lowered slightly in 1963. To make up for the loss in income this reduction could cause, a price support direct payment was offered to participants increasing the level of total support.

This combination of a price support loan with a price support direct payment was continued through the 1970 corn crop year. However, in 1964 the wheat program made some significant changes in the method of supporting prices. The price support payment was eliminated and replaced by a domestic certificate payment and an export certificate payment. These two payments along with a price support loan were continued through the 1970 wheat crop year.

Support of corn prices during the 1971 to 1973 crop years was accomplished by using a price support loan in combination with a set-aside payment. Wheat prices during the 1971 to 1973 crop years were supported by a price support loan along with a domestic certificate payment.

Price support loans continued to be a part of the wheat and corn program during the 1974 to 1982 crop years. However, the corn set-aside payment and wheat domestic certificate payment were discontinued as a price support mechanism.

Farmer-Owned Reserve Program

The most notable innovation in farm policy in the late 1970s was the development and implementation of the farmer-owned reserve program. The farmer-owned reserve (FOR) was designed to stabilize prices and to provide increased supply assurance to domestic and foreign customers.

The FOR is, in essence, an extended loan program covering a period of up to three years. In return for placing commodities in the FOR, farmers receive a higher loan rate than the regular price support loan. This loan can be interest free during the first year with the possibility of interest in subsequent years being waived. A payment approximating the average cost of storage is also provided by the USDA. In return for the higher reserve entry price, interest subsidy, and storage payment, a farmer agrees not to market the grain until the market price reaches a specified level

referred to as the release price. At the release price a farmer is free to sell his FOR grain.

The farmer-owned reserve program was developed under the Food and Agriculture Act of 1977. FOR was first implemented during the 1978 crop year for corn and wheat. Its use was continued through the 1979 to 1982 crop years for both commodities. FOR was not used as a price support mechanism for soybeans during this time period.

In summary, the wheat and corn industry since 1948 has experienced marked changes in governmental programs. However, even with these changes the overall goal of the programs tends to remain the same—to contribute to economic stability of the food supply of domestic markets and to protect farmers from potential income loss due to economic difficulties or from rapid increases in supply.

The post 1948 period can be divided into two separate periods. The first, 1948 to 1963, was characterized by the war in Korea and then by a time of mounting surpluses. Marketing quotas were in effect and participation in government programs was mandatory.

The second period covers the years 1964 to 1982. During this period participation in government programs was voluntary since in 1963 farmers voted down mandatory controls over wheat and corn. Loan levels were set low, and the primary inducement to participate was direct payments.

While there have been a variety of programs affecting the corn and wheat industry, the only program used in the soybean industry has been the national loan rate. No other programs have been utilized for soybeans.

1985 Agricultural Act

The long debates over the 1985 farm bill ended with a considerable reduction in loan rates and a moderate downward adjustment in target prices after freezing them at the current level for two years. The main reason for reducing the loan rates is to make crops produced in the United States more competitive in the world market.

As long as a loan is available to most farmers, the loan rates serve as a floor price on the market whenever market price is lower than the loan rate. For example, those who reserved grain on the loan program will default the loan and give up the reserved grain when the market price is lower than the loan rates. Thus, the loan rates will be the floor price in this case and will maintain the prices of U.S. agricultural products at a level higher than world market price. As a result, the United States has remained as a residual supplier in the world market. On the other hand, the U.S. prices of agricultural commodities supported by the loan program provided a price umbrella for competing exporters. Those countries expanded their production because they could export all the quantities of

agricultural products at the prices slightly lower than the U.S. loan rates Consequently, the United States has been losing its market share under the fixed loan program in the world market.

In the 1985 farm bill the Secretary of Agriculture has the discretionary authority for further reduction in loan rates when the market price of the previous season fails to top 110 percent of the previous year's loan rates and when reduction in the loan rates is needed to compete with other exporters in the world market. This indicates that loan rates could be lower than the announced rates.

The target price in the 1985 farm bill is also lowered after freezing it for two years until 1986. Since the target price guarantees an income level regardless of the market prices, farmers' production decisions are dependent upon the target prices rather than market prices. The new farm bill freezes the target prices at the current level for two years to improve the depressed farm economy. The target prices set by the 1985 farm bill will create the highest deficiency payments in 1986 and reduce the payments gradually thereafter.

The loan rates, target prices, and deficiency payments for wheat are shown in Table 1. The farm bill decreases the target price from $4.38 in 1986 to $4.00 in 1990, 38 cents per bushel. The loan rate in 1986 is $2.70 per bushel under the new farm bill; this is substantially lower than that in 1985, and it will gradually decrease to $2.44 per bushel by 1990. As a result, the new farm bill offers much larger deficiency payments to those who participate in farm programs. Again, this indicates that the new farm bill lowers loan rates to make wheat produced in the United States more competitive in the world market, yet offers high deficiency payments to protect the farm economy. Table 2 exemplifies the income support provided by the government under the new farm bill. This example is based on an assumption that a farmer has 100 acres of farmland and his average yield is 50 bushels per acre. Because of lowering loan rates, the loan pay-

TABLE 1 Estimated Target Price Loan Rates, and Deficiency Payments under the 1985 Farm Bill

Unit: dollars/bushel

	1985	1986	1987	1988	1989	1990
Target price	4.38	4.38	4.38	4.29	4.16	4.00
Loan rate (minimum)						
without discretionary cut	3.30	2.70	2.85	2.71	2.57	2.44
with discretionary cut	—	2.40	2.28	2.17	2.06	1.95
Deficiency payment (maximum)						
without discretionary loan cut	1.08	1.68	1.53	1.58	1.59	1.56
with discretionary loan cut	—	1.98	2.10	2.12	2.10	2.05

Notes: A base price of $3.00 per bushel was used to calculate the loan rate for 1986.
Loan rates for 1986 crop has been determined to be $2.40 per bushel rather than $2.70 per bushel.

ment gradually decreases, but total payment to the farmer (loan payment and deficiency payment) stays over $20,000 for this farm. This is due mainly to a substantial increase in deficiency payments under the new farm bill.

Tables 3 and 4 show the estimated loan rates, target prices, and deficiency payments for corn and barley, respectively. Changes in loan rates and target prices for corn and barley are similar to those for wheat. As a result, deficiency payments are substantially increased from 48 cents in 1985 to 87 cents in 1986 for corn and increased from 52 cents in 1985 to 84 cents in 1986 for barley to protect the depressed farm economy.

Another part of the 1985 farm bill is the acreage reduction program. The farm bill was carefully designed to reduce total acres engaged in crop production. Acreage reduction is about 20 percent for wheat, 15 percent for feed grain, and about 35 percent for rice (see the appendix for details). Those farmers who participate in the acreage reduction program are eligible for the income support program discussed earlier. It is expected that most farmers will participate in the acreage reduction program. This indicates that there will be substantial reductions in crop production in the United States. In general, other crop exporting countries expanded their production whenever the United States reduced its production under the

TABLE 2 CALCULATED TOTAL LOAN AND DEFICIENCY PAYMENTS TO A FARMER

Unit: dollars

	1985	1986	1987	1988	1989	1990
Loan						
without discretionary cut	16,500	13,500	14,250	13,550	12,850	12,200
with discretionary cut	—	12,000	11,400	10,850	10,300	9,750
Deficiency payment						
without discretionary cut	5,400	8,400	7,650	7,900	7,950	7,800
with discretionary cut	—	9,900	10,500	10,600	10,500	10,250
(Loan) & (deficiency payment)	21,900	21,900	21,900	21,450	20,800	20,000

Note: The payments are calculated under an assumption that the farmer has 100 acres of farmland and produces 50 bushels of wheat per acre.

TABLE 3 ESTIMATED TARGET PRICE, LOAN RATES, AND DEFICIENCY PAYMENTS FOR CORN UNDER THE 1985 FARM BILL

Unit: dollars/bushel

	1985	1986	1987	1988	1989	1990
Target price	3.03	3.03	3.03	2.97	2.88	2.75
Loan rate (minimum)						
without discretionary cut	2.55	2.16	2.28	2.17	2.06	1.96
with discretionary cut	—	1.92	1.81	1.74	1.65	1.57
Deficiency payment (maximum)						
without discretionary loan cut	0.48	0.87	0.75	0.80	0.82	0.79
with discretionary loan cut	—	1.11	1.22	1.23	1.23	1.18

Note: A base price of $2.40 per bushel was used to calculate the loan rate for 1986.

TABLE 4 ESTIMATED TARGET PRICE, LOAN RATES AND DEFICIENCY PAYMENTS FOR BARLEY UNDER THE 1985 FARM BILL

Unit: dollars/bushel

	1985	1986	1987	1988	1989	1990
Target price	2.60	2.60	2.60	2.55	2.47	2.35
Loan rate (minimum)						
without discretionary cut	2.08	1.76	1.86	1.77	1.68	1.60
with discretionary cut	—	1.56	1.48	1.40	1.33	1.27
Deficiency payment (maximum)						
without discretionary loan cut	0.52	0.84	0.74	0.78	0.79	0.75
with discretionary loan cut	—	1.04	1.12	1.15	1.14	1.08

Note: A base price of $1.96 per bushel was used to calculate the loan rate for 1986.

previous loan program. Under current loan rates in the 1985 farm bill, which are much lower than those under previous farm bills, reductions in crop production in the United States may not be followed by expansion of production in other exporting countries.

Impacts on the World Market

The 1985 farm bill has the potential to affect the domestic farm sector as well as the world agricultural market more than the previous farm bill. In general, crops produced in the United States will be more competitive in the world market because the loan rates are lower than the previous level. Also, there will be reductions in crop production in the next four years because most farmers will participate in the farm program to get income support provided by the farm bill. For the last decade whenever the United States reduced crop production through the acreage control program, other exporting countries expanded their production, resulting in almost no change in the total world crop supply. However, this will not likely be the case under the 1985 farm bill for two reasons. First, the new loan rates set by the United States are lower than the world market prices and could be reduced even further by the U.S. Secretary of Agriculture. Under this condition, production expansion by other exporting countries can not grow at the same rate as that we have experienced. Second, acreage control programs will be much more effective with low crop prices than with high crop price. If market price of the crop is high compared to production costs, a limited number of farmers will participate in the farm program to protect their income, and the farmland retired under the farm program is more likely marginal land. As a result, there are not many changes in total production. Conversely, if the market price of the crop is lower than the loan rates, most farmers will participate in the farm program to protect their income.

Reductions in crop production in the United States and export ex-

pansion by lowering loan rates will result in gradual reductions in total crop stocks which might be significant enough to raise crop prices in the world market in the next four years. In addition, the farm bill could increase price uncertainty in the world market due mainly to market oriented production and expected restrictions in grain stocks under the new farm bill.

There has been a strong belief that supply of crops will grow much faster than demand for the crops because of the development of new farming technology. This is especially true for food grain. According to empirical research, demand for food grain grows at a rate of about 2 percent annually, slightly higher than the growth rate of the world population, while food production has increased over 15 percent annually for the last decade. This indicates that there will be much stronger competition among grain exporting countries in the world market. The competition could be even stronger under the new farm bill. As a result, crop production in the United States, as well as other exporting countries, will be more efficient than ever and will be highly specialized on the basis of the principle of comparative advantage. This improvement in crop production through production specialization could lower production costs in exporting countries and could also make importing countries more import dependent rather than self-sufficient. Main reasons are (1) relatively inefficient domestic production in importing countries will not be economically justifiable and (2) it will be too expensive to protect domestic production. Under this circumstance, importing countries must specialize in production of a few crops which give them the greatest advantage.

Concluding Remarks

World crop prices would be more volatile under the new farm bill. There are currently a large amount of crop stocks in the United States and other exporting countries. This has resulted in depressed crop prices in the world market. The new farm bill attempted to reduce crop stocks as much as possbile and to stimulate U.S. exports of agricultural products. In the next few years, it is expected that there will be a moderate increase in crop prices.

The 1985 farm bill recognizes that supply of crop has grown much faster than demand for crop mainly due to development of farming technology and could stimulate competition among exporting countries in the world market. This, in the long-run, improves farming practices by production specialization based on the principle of comparative advantage. Importing countries may not be able to economically justify domestic crop production and recognize that protecting domestic production is too expensive to maintain. Under this circumstance, importing countries

should also improve their farming practices by specializing crop production based on the principle of comparative advantage.

The new farm bill also produces greater price uncertainty in the world crop market than before. Importing and exporting countries should maintain an adequate level of contingency stocks to stabilize domestic prices of crops.

APPENDIX: Summary of Food Security Act of 1985 Wheat

Target Prices	
1986 & 1987	Frozen at $4.38/bu.
1988	Secretary may reduce 2 percent
1989	Secretary may reduce 3 percent
1990	Secretary may reduce 5 percent
Loan Rate Formula	
1986	$3.00/bu.
1987 through 1990	Set at 75 percent to 85 percent of average market prices disregarding the high and low years with declines limited to 5 percent annually. Secretary also has discretion to further cut by 20 percent if (1) market prices in previous season fail to top 110 percent of previous loan rate, or (2) Secretary determines further cuts needed to compete on world markets (for 1986 only, Secretary required to use this authority to drop loans at least 10 percent). Secretary has discretion to allow repayment as low as 70 percent of loan rate.
Deficiency Payments	Five percent of the total deficiency payment may be paid in-kind. Cuts in the loan rate below formula levels that result in increased deficiency payments are not subject to the payment limit (for 1986 only, Secretary is required to pay part of projected target price payment in advance; this can be paid in-kind, at not more than 50 percent of advance, or in cash.)
Acreage Reduction Program	
1986	If wheat carryout is expected to exceed 1 billion bushels, the ARP is set at 15 percent plus a 2.5 percent PIK diversion and an optional

	7.5 percent at Secretary's discretion.
1987	ARP is set at 20 percent with a further 7.5 percent at Secretary's discretion.
1988 through 1990	ARP is set at 20 percent with an additional 10 percent at the Secretary's discretion.

(For 1986 wheat crop only, Secretary is required to offer growers who planted before announcement the option to idle an additional 10 percent at a payment rate of $2.00/bu.).

Feed Grains

Target Prices	
1986 and 1987	Frozen at $3.03/bu.
1988	Secretary may reduce 2 percent
1989	Secretary may reduce 3 percent
1990	Secretary may reduce 5 percent
	Other feed grains are set according to their feed value relation to corn.
Loan Rate Formula	
1986	Set at $2.40/bu.
1989 through 1990	Set at 75 percent to 85 percent of average market price disregarding high and low years with declines limited to 5 percent annually.
	Secretary also has discretion to further cut by 20 percent if (1) market prices in previous season fail to top 110 percent of previous loan rate, or (2) Secretary determines further cut needed to compete on world markets (for 1986 only, Secretary required to use this authority to drop loans 10 percent). Secretary has discretion to allow repayment as low as 70 percent of loan rate. Other feed grains are set at their feed value relative to corn.
Deficiency Payments	
	Five percent of the total deficiency payment may be paid in-kind. Cuts in the loan rate below formula levels that result in increased deficiency payments not subject to the payment limit (for 1986 only).
Acreage Reduction Program	
1986	If corn carryout is expected to exceed 2 billion bushels, the ARP for corn will be set at 15 percent (of which 2.5 percent would be PIK diversion) and an additional optional 5 percent at Secretary's discretion.

1987 through 1990	Set at 12.5 percent with an additional 7.5 percent at the Secretary's discretion.

Rice

Target Prices	
1986	Set at $11.90/cwt
1987	Secretary may reduce 2 percent
1988	Secretary may reduce 3 percent
1989	Secretary may reduce 3 percent
1990	Secretary may reduce 2 percent
Loan Rate Formula	
1986	$7.20/cwt
1987 through 1990	Set at 85 percent of an average of past market prices disregarding the high and low years with adjustments limited to 5 percent annually and no lower than $6.50/cwt.
Market Enhancement	Secretary must offer a full marketing loan for the 1985 crop with repayment at the world market price. The Secretary may set minimum loan repayment at up to 50 percent of the loan rate in 1986 and 1987 and scaled up to 70 percent by 1989 and 1990 with up to one-half of the gap covered by negotiable PIK certificates. If market price is below repayment level, Secretary shall issue in-kind marketing certificates valued at the difference between the loan repayment rate and the world price.
Deficiency Payments	Five percent of the total deficiency payment may be paid in-kind. Marketing loans repaid at less than the loan rate are not subject to the $50,000 payment limitation.
Acreage Reduction Program	In periods of heavy supply the Secretary could require acreage reductions in rice of up to 35 percent as necessary to achieve a 30 million cwt carryover.

Dairy

Dairy at a Glance

Calendar Year	1/1/86	4/1/86	1/1/87	10/1/87	1/1/88	1/1/89	1/1/90
Support Price ($/cwt)	11.60	11.60	11.35	11.10	(based on trigger levels)		
Assessment ($/cwt)		.40	.25	.00	.00	.00	.00

Support Price

Continued at $11.60/cwt for calendar year 1986, lowered $0.25/cwt January 1, 1987, and lowered $0.25/cwt on October 1, 1987. Beginning January 1, 1988, Secretary required to make $0.50/cwt annual cuts if surplus purchases are expected to exceed 5 billion pounds per year or $0.50/cwt annual increases if surplus pruchases are expected to be under 2.5 billion pounds.

Assessment

Producer assessment is $0.40(cwt beginning 4/1/86, on 1/1/87 drops to $0.25(cwt and ends on 10/1/87.

Whole Herd Buyout

Begins 4/1/86 and is a voluntary, partially producer-funded program that runs 18 months. Farmers must submit bids to retire whole herds from dairy production.

Livestock Protection

Requires government purchases of additional 400 million pounds of red meat during duration of whole herd dairy buyout program.

Soybeans

Loan Rates

1986 and 1987 — Set at $5.02/bu.

1988 through 1990 — Based on 75 percent of a five-year average of market prices disregarding the high and low years with declines limited to 5 percent per year and a floor of $4.50/bu.

Market Enhancement

In all five years, the Secretary would have authority to reduce the loan rate an additional 5 percent (maintaining the floor of $4.50/bu.) if necessary to make soybeans competitive in

world markets. In addition, if soybeans remain uncompetitive in world markets, the Secretary may initiate a marketing loan program.

REFERENCES

Cochrane, Willard W., and Mary E. Ryan. 1976. *American Farm Policy*, University of Minnesota Press, Minneapolis.

Cramer, Gail, and Walter G. Heid. 1983. *Grain Marketing Economics*, John Wiley and Sons Inc., New York.

Knutson, Ronald D., and J. B. Penn. 1983. *Agricultural and Food Policy*, Prentice-Hall Inc., New Jersey.

Koo, Won W., and James R. Lehman. 1984. *Effects of Government Programs on Corn, Soybean, and Wheat Production in the U.S.*, Agricultural Economics Report No. 193, North Dakota Agricultural Experiment Station, North Dakota State University, Fargo.

Tomek, William C., and Kenneth L. Robinson. 1981. *Agricultural Product Prices*, Cornel University Press, New York.

United States Code Service. 1986. *Food Security Act of 1985* (PL 98–188), Lawyers Cooperative Publishing Company, Rochester, New York.

U.S. Department of Agriculture, Statistical Reporting Service. 1985. *Agricultural Statistics*.

빈 면