

## Deficiency Payments

Deficiency payments will be made to producers of each cotton crop if the national average price received by farmers for upland cotton during the calendar year which includes the first 5 months of the marketing year is below the target price.

The payment rate is determined by the difference between the target price and the higher of the national average price received for cotton or the loan level. Deficiency payments will not be made if the market price is at or above the target price. The total amount of deficiency payment is determined by multiplying the payment rate times the farm program acreage for cotton times the farm program payment yield established for the farm. Under the 1973 Act, the maximum acreage on which deficiency payments could be made was the farm cotton acreage allotment. The 1977 Act will allow payment to be made on the cotton acreage planted as adjusted by the farm allocation factor.

The total quantity of cotton on which deficiency payments will be made to a producer in any crop year will be reduced by the quantity of cotton on which any disaster payment is made. As with wheat and feed grains, this means that a producer can not be paid twice for the same unit of production.

## Recommended Voluntary Reduction

Producers voluntarily reducing their acreage planted for harvest from the previous year in line with the percentage recommended by the Secretary when he announces the national cotton program acreage will receive any deficiency payment on 100 percent of their cotton acreage. The 1977 Act requires the Secretary to provide equitable treatment to producers who do reduce their current year's cotton acreage from the preceding year but by an amount less than recommended.

## Payments to Small Farmers

There are no special provisions for small cotton farmers in the 1977 Act. Under the 1973 Act, the payment rate to any cotton producer on a small farm was increased 30 percent. This provision was not extended.

## Set-Aside Program

Authority for the Secretary to proclaim a set-aside of cropland was continued. Set-aside acreage will be based on a percentage of the current year's planted acreage, but the required set-aside cannot exceed 28 percent of the acreage planted to cotton. The Secretary may, at his option, permit haying, grazing, and certain other crop production, as under the wheat and feed grain set-aside programs. But, unless other use is authorized, cropland set-aside must be devoted to approved conservation practices.

The Secretary can establish a procedure under which acreage permitted to be planted to cotton on farms may be limited. Penalty for knowingly exceeding this limit would be loss of loans and payments.

Land diversion payments are authorized to producers who devote to approved conservation practices an acreage of cropland in addition to any required set-aside acreage. The Secretary may also have a land diversion program without set-aside. Amounts payable to producers under this program could be determined by bids submitted by producers for diversion contracts.

Producers may be required, as a condition of eligibility for loans, purchases, and payments, to reduce acreage normally planted to crops designated by the Secretary by the amount of the set-aside. 11/

#### Disaster Program Provisions

Both prevented planting and low-yield disaster programs are amended and extended through the 1979 crop year (table 7). Producers who are prevented from planting cotton or other nonconserving crops will receive a payment equal to 33-1/3 percent of the target price on 75 percent of their farm program payment yield. Payments will be made on the smaller of (1) acreage intended to be planted in the current year, or (2) acreage planted to cotton (including any acreage the producer was prevented from planting to cotton or other nonconserving crops) in the immediately preceding year.

For low yields, producers of the 1978 and 1979 cotton crops will receive 33-1/3 percent of the target price on any loss of production below 75 percent of a production level for the farm established by multiplying the farm's program payment yield by the acreage planted to cotton. The 1977 cotton crop is covered under disaster provisions of the 1973 Act.

#### Special World Import Quota

The 1977 Act provides for a special limited global import quota, to be proclaimed under certain conditions. This authority is effective immediately. The amount of the quota is to equal a 21-day domestic mill supply of cotton and will be opened up for any month in which the average spot market price of SLM 1-1/16" cotton exceeds 130 percent of such average spot market price for the preceding 36-month period. A 90-day period from the effective beginning date of the quota will be allowed for cotton entering the United States under the quota.

If a quota has been established under this provision during the previous 12-month period, the amount of the next quota will be limited to the smaller of 21 days of domestic mill consumption or the amount of cotton required to increase the cotton supply to 130 percent of demand.

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11/ This provision is contained in Section 1001 of Title X.

### Price Support for Cottonseed and Soybeans

The Act extends through 1981 Section 608 of the Agricultural Act of 1970, which makes inapplicable Section 203 of the Agricultural Act of 1949. Section 203 requires that whenever the price of either cottonseed or soybeans is supported, the price of the other is to be supported at a level that will cause them to compete on equal terms in the market.

### Skiprow Planting

Skiprow rules for classifying acreage to cotton and the area skipped in effect under the 1973 Act are continued by the 1977 Act.

### CCC Sales Price Restriction

The Commodity Credit Corporation minimum sales price cannot be less than 115 percent of the loan rate in effect for SLM 1-1/16" upland cotton, with adjustments for grade, quality, location, and other value factors as determined by the Secretary, plus carrying charges.

### Extra-Long Staple Cotton

The loan level for extra-long staple (ELS) cotton is now set at not less than 150 percent nor more than 200 percent of the loan level established for SLM 1-1/16" upland cotton. Prior law had established the loan level for ELS cotton at not less than 150 percent nor more than 200 percent of the loan level for Middling 1" upland cotton. This was the only change made for ELS cotton.

### Rice

Generally, the 1977 Act amends and extends through 1981 the Rice Production Act of 1975. Historical acreage allotments continue to apply.

### Target Prices for 1978-81

Target prices for the 1978-81 rice crops will be adjusted on the basis of the 2-year moving average of variable, machinery ownership, and general farm overhead costs of rice production. This adjustment procedure is identical to the procedure adopted for wheat, feed grains, and upland cotton. However, the adjustment process is initiated with the 1978 rice crop, whereas the adjustment begins with the 1979 crops for wheat and feed grains. An illustration of the adjustment formula and a numerical example can be found on page 7. In the Rice Production Act of 1975, target prices were adjusted for the change in the index of prices paid by farmers and were further adjusted for changes in the 3-year national average rice yield (moving average).

### Price Support Loan Level

The loan level for each of the 1978-81 crops is to be established at a level which bears the same ratio to the prior year loan level that the current year's target price bears to the prior year target price. For instance, if the target price increased by 5 percent from one year to the next, then the loan rate would also increase by 5 percent. This adjustment procedure for rice loans is identical to that established in the 1975 Act. However, the legislation provides that the rice loan can be adjusted downward if the Secretary determines that the loan established by formula would discourage exports and result in excessive domestic rice stocks. The rice loan may not be reduced below \$6.31 per hundredweight through the use of this provision.

### National and Farm Allotments

The 1977 Act provides for a minimum national acreage allotment for rice of 1.8 million acres, which will be allocated to farms and producers in the same proportion as the 1975 farm allotments. These provisions are an extension of prior law.

### Deficiency Payments and Loans and Purchases

Deficiency payments will be made to "cooperators" if the national average market price received by farmers during the first 5 months of the marketing year for rice is below the target price. <sup>12/</sup> The deficiency payment rate is determined in the same manner as under the wheat, feed grain, and upland cotton programs.

The total amount of deficiency payments to program cooperators is determined by multiplying the payment rate times that portion of the allotment planted to rice times the yield established for the farm. <sup>13/</sup>

The total quantity of rice on which payments, if necessary, would be paid to a cooperator for any rice crop will be reduced by the quantity on which any disaster payment is made.

Loans and target prices are available to rice produced under allotment only. Producers may plant as much rice acreage as they wish; however, program benefits will be available only on rice acreage up to the level of the farm allotment.

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<sup>12/</sup> A cooperator is a producer who has set-aside any acreage required by a set-aside program.

<sup>13/</sup> The farm payment yield in any one year will be based on the farm's actual yield per harvested acre for the 3 previous years and may be adjusted by the Secretary for abnormal conditions.

### Set-Aside

The Secretary shall announce a set-aside if he determines that total rice supplies will be excessive. The acreage of set-aside cannot exceed 30 percent of the farm acreage allotment. Any cropland set-aside must be devoted to approved conservation uses. In addition, if a rice set-aside is in effect, the acreage normally planted to designated crops must also be reduced by the amount of the set-aside.

The legislation also authorizes the Secretary to make land diversion payments to rice producers who devote to approved conservation practices an acreage of cropland, whether or not a set-aside is in effect.

### Disaster Aid Programs

Disaster aid programs are amended and extended through the 1979 rice crop. Both prevented planting and low-yield payments are provided for in the legislation (table 7).

If because of a natural disaster, all or a portion of a producer's acreage allotment cannot be planted to rice or other nonconserving crop, prevented planting payments will be made to program "cooperators" on the number of acres affected. The payment calculation will be 33-1/3 percent of the target price times the farm program yield.

With respect to low yields, beginning in 1978, rice producers will receive 33-1/3 percent of the target price on any loss of production below 75 percent of the yield established for the farm on their acreage planted for harvest within their allotted acreage.

### Peanuts

The legislation establishes a two-priced peanut program with poundage quotas for the 1978-81 crop years.

### National Acreage Allotment

Beginning in 1978, the minimum national acreage allotment for the production of quota and additional peanuts is 1,614,000 acres if a producer referendum is passed. The Secretary must announce a national acreage allotment no later than December 1 for the following year. In determining the national allotment, he is to consider export and domestic use plus a reasonable level of carryover stocks.

### National Poundage Quota

The Secretary must also announce, by December 1, a minimum national poundage quota for peanuts for the following year. Minimum national poundage quotas eligible for quota support were established as follows:

1978, 1,680,000 tons; 1979, 1,596,000 tons; 1980, 1,516,000 tons; and 1981, 1,440,000 tons. Poundage quotas may be increased if the Secretary determines that the poundage quota for any year is insufficient to meet domestic edible use and carryover requirements.

#### Farm Yield

For each farm having a farm peanut acreage allotment, a farm yield will be determined. The farm yield will be equal to the average of the actual yield per acre for the farmer's best 3 years during 1973-77. If peanuts were not produced on the farm during these crop years, or if there was a substantial change in the operation of the farm, an appraisal will be made and a yield will be established based on similar farms in the area.

#### Base Production Poundage

A farm base production poundage will be established for each farm by multiplying the farm peanut acreage allotment by the farm yield.

#### Farm Poundage Quota

For each farm, a farm poundage quota will be established by the Secretary for each marketing year. A farm's poundage quota will equal its base production poundage multiplied by a factor, determined by the Secretary, such that the total of all farm poundage quotas will equal the national poundage quota. Beginning in 1979, a farm's poundage quota will generally be increased by the number of pounds by which its marketings of quota peanuts from the farm in the previous year were less than the farm's poundage quota.

#### Quota Peanuts

For any marketing year, quota peanuts are those which are eligible for domestic edible use, as determined by the Secretary, marketed or considered marketed from a farm, and which do not exceed the farm poundage quota. Domestic edible use includes peanuts used as domestic food peanuts, seed, and on-farm use.

#### Additional Peanuts

Additional peanuts in any marketing year are peanuts, sold from a farm, which are in excess of the amount of quota peanuts but grown within the farm's acreage allotment.

## Lease and Transfer of Allotments

Lease and transfer of peanut allotments within counties will be permitted under the new program and are no longer subject to the discretion of the Secretary as under previous law. Transfers will be on the basis of the farm base production poundage.

## Peanut Price Support

This legislation establishes a two-tier support system for quota and additional peanuts. The minimum support rate for peanuts produced within the poundage quota is not to be less than \$420 per ton for each of the 1978-81 crops. The Secretary is given discretionary authority to increase the minimum support price on the basis of changes in the index of prices paid for production items, interest, taxes, and wage rates and on the basis of primarily eight economic factors, as specified in previous legislation.

The Secretary may use loans, purchases, or other operations to provide price support on "additional" peanuts for each of the 1978-81 crops. To determine the price support level for "additional" peanuts, consideration will be given to the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the export demand for peanuts. The Secretary must announce the lower support price by February 15 preceding the marketing year.

Uses of "additional" peanut production are limited by law. "Additional" peanuts may be offered for loan at the lower loan rate, or the Secretary may channel "additional" peanuts into the domestic edible channels if needed at a price equal to costs to the Government for handling, plus 100 to 107 percent of the quota loan, depending on when they are purchased. Title VIII further provides that handlers may, under regulations developed by the Secretary, contract with producers for the purchase of "additional" peanuts for export, crushing, or both. They cannot be retained for use as seed or for other farm uses.

## Marketing Penalties

The penalty for marketing peanuts grown in excess of the amount grown within the farm allotment or from farms not having an acreage allotment was increased from 75 percent of the loan level for quota peanuts to 120 percent. This penalty is also applicable to violations of handling regulations.

## Soybeans

The 1977 Act requires the Secretary to establish a loan and purchase program for 1978-81 soybean crops. The Secretary is given discretionary authority in establishing the loan level. Previously, as a "nonbasic" agricultural commodity, soybeans were under a support program implemented at the discretion of the Secretary of Agriculture.

Set-aside of soybean acreage cannot be required as a condition of eligibility for price support.

Target price payments are not authorized for soybeans.

### Sugar

A price support loan and purchase program is established for 1977 and 1978 crops of sugarcane and sugar beets. Support prices are to be set at a level not more than 65 percent of parity nor less than 52.5 percent of parity. Furthermore, support prices cannot be less than 13.5 cents per pound of raw sugar equivalent.

The Secretary may suspend the sugar price support program when he determines that an International Sugar Agreement (now being negotiated) is in effect which would maintain a U.S. raw sugar price of at least 13.5 cents per pound.

In addition, this legislation authorizes and directs the Secretary to establish minimum wage rates for agricultural employees engaged in production of sugar.

### Dairy

#### Price Support

The 1977 Act provides that from the time of enactment of the 1977 Act until March 31, 1979, the price of milk will be supported at not less than 80 percent of its parity price. After March 31, 1979, the Secretary of Agriculture can support milk at a level between 75 and 90 percent of parity, as required by permanent law.

#### Price Support Adjustment

For the period beginning with the enactment of the 1977 Act and ending March 31, 1981, the milk support price is to be adjusted by the Secretary on a semiannual basis to reflect any estimated change in the parity index. In addition, the Secretary is given discretionary authority to make quarterly adjustments in milk price supports to reflect any substantial change in the parity index. Any adjustment is to be announced by the Secretary not more than 30 days prior to the period to which it is applicable.

#### Dairy Indemnity Program

The dairy indemnity program was amended to authorize the Secretary to make indemnity payments for milk, or cows producing milk, to dairy farmers who are directed to remove their milk from commercial markets as a result of chemical residues, nuclear radiation, or fallout. Payments will not be made to manufacturers. This provision became effective October 1, 1977.



## Marketing Order Authorizations and Donations

The 1977 Act extends for 4 years the provisions of the Agricultural Act of 1970 relating to milk marketing order authorizations. Existing Secretarial authorization to donate dairy products to military services and veteran's hospitals was also extended.

## Ice Cream Standards

The 1977 Act requires the Secretary to issue milk standards for ice cream within 30 days of enactment of the bill. These standards will specify solids, weight, and whey content necessary to meet USDA standards for ice cream. The Act requires ice cream standards which provide that "ice cream shall contain at least 1.6 pounds of total solids to the gallon, weigh not less than 4.5 pounds to the gallon and contain not less than 20 percent total milk solids." <sup>14/</sup> In no case can the content of milk solids-not-fat be less than 6 percent. Whey cannot, by weight, be more than 25 percent of the milk solids-not-fat. Products which meet these standards may be labeled as meeting USDA standards for "ice cream." This provision is intended to limit the displacement of milk solids-not-fat by whey, whey concentrates, and caseinates in ice cream manufacture.

## Beekeeper Indemnity

The beekeeper indemnity program was continued without change from prior law. This program authorizes the Secretary to make indemnity payments to beekeepers who through no fault of their own suffer losses of honey bees as a result of the utilization of economic poisons near or adjacent to property on which beehives are located.

## Wool and Mohair

### National Wool Act of 1954

Title III extends the National Wool Act of 1954 through December 31, 1981, and thus continues to require the Secretary of Agriculture to provide supports for wool and mohair.

### Price Support for Shorn Wool

Support rates for shorn wool were raised to 85 percent of the formula rate and are to be effective for the marketing years beginning January 1, 1977, and ending December 31, 1981. The formula rate for shorn wool is determined by multiplying 62 cents by the ratio of (1) the average of the parity index for the 3 calendar years immediately preceding the calendar year in which the support price is determined and announced to (2) the

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<sup>14/</sup> U.S. Senate, 95th Congress, 1st Session, Food And Agriculture Act of 1977, Conference Report Number 95-418, Sept. 9, 1977, p. 10.

average parity index for the 3 calendar years 1958, 1959, and 1960. The resulting amount would be rounded to the nearest full cent. The parity index is defined as the index of prices paid by farmers for commodities and services, including interest, taxes, and farm wage rates.

### Miscellaneous Provisions

#### Normal Crop Acreage

The 1977 Act establishes a normal crop acreage set-aside provision. When a set-aside is in effect for one or more of the 1978-81 crops of wheat, feed grains, upland cotton, or rice, the Secretary may require as a condition of eligibility for loans, purchases, and payments that the acreage normally planted to crops designated by the Secretary be reduced by the amount of the set-aside. In addition, whenever such a set-aside is in effect, the producer may be required to participate in, and fully comply with all requirements of the programs for wheat, feed grains, upland cotton, and rice in order to receive any benefits under any programs providing for loans, purchases, and payments.

#### Price Support for "Nonbasic" Commodities

The Secretary of Agriculture can make price supports available for the 1978-81 crops of flaxseed, dry edible beans, gum naval stores, for any other nonbasic commodity not designated in Title II of the Agricultural Act of 1949, and for the 1979-81 crops of sugar beets and sugarcane. The Secretary's authority under this provision terminates with respect to any commodity, other than those listed in the above sentence, at the end of any crop year in which net outlays for the commodity exceed \$50 million. This restriction does not apply to any price support program in effect on the day of enactment.

#### American Agriculture Protection Program

An agricultural protection program is established to protect farmers in the event of U.S. trade embargoes. The program applies to wheat, corn, sorghum, barley, rye, oats, cotton, rice, soybeans, and flaxseed. If the President or any other member of the Executive Branch of the Federal Government suspends, because of supply shortages, commercial export sales of any of the above commodities to any country or area with which other commercial trade is continued, the Secretary is required to set the loan level for that commodity, if a loan program is in effect, at 90 percent of its parity price. Loan rates at 90 percent of parity would become effective on the day of a suspension; be determined by the commodity's parity price on the day of suspension; and would remain in effect for the duration of the export suspension.

### Special Wheat Acreage Grazing and Hay Program

A special wheat acreage grazing and hay program is authorized for each of the 1978-81 crops years. Producers may be permitted to designate a percentage of the farm's acreage intended to be planted to wheat, feed grains, or upland cotton (up to a maximum of 40 percent or 50 acres, whichever is greater) for use as hay or grazing rather than for commercial grain production. No crop other than hay could be harvested from this acreage.

Producers participating in this program would receive a payment determined by multiplying the farm's program yield times the number of acres included in the program times a payment rate determined by the Secretary. Acreage included in this program would be in addition to any required set-aside acreage and would not be eligible for any other payment or price support.

### Export Sales Reporting

The Secretary can request the reporting of export sales of agricultural commodities on a daily basis. When the Secretary requires this daily reporting, information compiled from individual reports will be made available to the public on a daily basis.

### Filberts

One section of Title X adds filberts to other specified commodities-- such as oranges, raisins, and walnuts--which are presently included in the Agricultural Marketing Agreement Act of 1937, as amended. This section states, in essence, that if a domestic marketing order establishes certain grade and quality standards, then imports of that commodity must meet equivalent standards.

### Multiyear Set-Aside

The authority for the Secretary to establish multiyear set-aside contracts for wheat, feed grains, and cotton was extended (Title XV). Livestock grazing will be prohibited except in major disaster areas.

**UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250**

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