

### **Special World Import Quota**

The 1985 Act (like the 1981 Act) provides for a special limited global import quota for Upland cotton. The quota amount equals 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 the average spot market price for that quality for the preceding 36-month period. A 90-day period from the effective beginning day of the quota will be allowed for cotton entering the United States under the quota.

### **CCC Sales Price Restriction**

The CCC 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 factors the Secretary deems appropriate, plus carrying charges. If the marketing loan provisions are in effect, the sales price minimum is 115 percent of the average repayment rate.

### **Skip-row Planting**

The 1985 Act continues skip-row rules for classifying acreage to Upland cotton and the area skipped.

## **1986 Programs**

USDA announced a target price of \$1.0248 per pound and a loan rate of \$0.854 per pound for the 1986 crop of ELS cotton on December 31, 1985. A 25-percent ARP was also announced for Upland cotton on January 13, 1986, and a 10-percent ARP was announced for ELS cotton on February 12. Also on February 12, the Secretary announced a target price of \$0.81 per pound for Upland cotton. Advanced deficiency payments (30 percent of the projected total deficiency payments) will be made in cash during the signup period (March 6-April 11) to producers who request them. The proposed formula for determining the world price, adjusted to U.S. quality and location, will be published at a later date. The loan rate and repayment rate may not be announced until after the world price is determined and announced. If the adjusted world price is determined to be below the loan rate, USDA will implement Plan A. Loan deficiency payments will be paid to eligible producers who agree to forgo obtaining loans at a rate equal to the difference between the loan rate and the repayment rate.

## **TITLE VI: RICE**

Income support, through target prices and deficiency payments, and price support, through loans and purchases, are again available to rice producers. New provisions in the 1985 Act, marketing loans and marketing certificates, are aimed at making rice more competitive in world markets.

### **Target Prices and Price-Support Loans**

The 1985 Act establishes minimum target prices that decrease from \$11.90 per cwt for 1986 to \$10.71 per cwt for 1990 (table 6). The 1981 Act established minimum target prices that increased from \$10.85 per cwt for 1982 to \$12.40 per cwt for 1985; the Agricultural Programs Adjustment Act of 1984 lowered the 1985 level to \$11.90 per cwt (app. 1).

Table 6—Rice program levels, crop years 1986-90

Item	1986	1987	1988	1989	1990
			<u>Dollars per cwt</u>		
Target price	11.90	11.66	11.30	10.95	10.71
Loan rate	7.20	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
			<u>Percent</u>		
Maximum acreage reduction	35	35	35	35	5

1/ See text for the formula that will be used to determine the loan rate for crop years 1987-90.

The 1986 loan level is \$7.20 per cwt. For the 1987-90 crops, the 1985 Act sets the minimum rates at 85 percent of the simple average of the season prices received by producers during the preceding 5 marketing years, dropping the years with the highest and lowest prices, but no more than 5 percent below the previous year's rate and not lower than \$6.50 per cwt. The rate must be announced by January 31 (March 1 under the 1981 Act) of the calendar year in which the crop is harvested. The 1985 Act limits the loan term to 9 months beginning with the month after the application is made.

Under the 1981 Act, loan rates were adjusted proportionally to changes in the target prices. For example, if the target price increased from 1 year to the next, loan rates would increase by the same amount. The Secretary could reduce the loan level to encourage exports, but not lower than \$8 per cwt.

#### Loan Repayment

The Secretary must offer producers marketing loans for their 1986-90 crops. Producers may repay their loans at the prevailing world market price, as determined by the Secretary, or 50 percent of the loan rate for 1986-87 crops, 60 percent of the loan rate for the 1988 crop, and 70 percent of the loan rate for the 1989-90 crops, whichever is higher. In no case may the loan be repaid at a rate higher than the announced loan level.

As a condition of repaying the loan at a lower level, the Secretary may require producers to purchase negotiable marketing certificates, redeemable for CCC-owned rice, for up to half the difference between the loan level and the repayment rate. If rice is not available in the State or at a location outside the State acceptable to the producer, the producer may redeem the certificates for cash. Producers, to the extent practicable, can designate the storage facility where they wish to exchange their certificates.

As with wheat, feed grains, and Upland cotton, the Secretary may offer loan deficiency payments. Producers eligible for loans would receive these payments in return for agreeing not to take out a loan. The payment rate is the difference between the loan level and the repayment rate. At least half of the payment must be made in marketing certificates. The Secretary must issue a formula for defining the world market price and a mechanism for periodic announcement of such price.

#### Marketing Loan for the 1985 Crop

Beginning April 15, 1986, producers of the 1985 rice crop may be eligible for marketing loans or loan deficiency payments. If producers have outstanding loans on April 15, 1986, they can repay the loans at the world market price, as determined by

the Secretary. Producers may be required to purchase marketing certificates for up to the full difference between the 1985 loan rate and the repayment level, redeemable for CCC-owned rice.

If producers have not sold their rice on April 15, they can receive loan deficiency payments, regardless of their eligibility for loans. The payment will be computed by multiplying the difference between the 1985 loan rate and the repayment level by the quantity of rice unsold or undelivered under a sales contract. All or part of the payment may be made in marketing certificates.

Neither the gain realized from the marketing loan nor the loan deficiency payments are subject to the \$50,000 payment limitation.

### **Marketing Certificates**

The CCC must issue negotiable marketing certificates to persons who have entered into agreements with the CCC to participate in the certificate program whenever the world price for a class of rice (adjusted to U.S. qualities and location) falls below the loan repayment rate for that class of rice. The value of each certificate is the difference between the repayment rate and the prevailing world market price for that class of rice. The certificates may be redeemed for cash, rice, or other commodities owned by the CCC. To the extent practicable, certificate owners may designate the storage facility and commodities they wish to receive. Certificates are transferable to persons approved by the Secretary. Any price restrictions on the disposition of CCC commodities do not apply to the redemption of certificates. The CCC may deduct reasonable storage costs and other carrying charges from the value of the certificates if they are not redeemed within a reasonable number of days after issuance, as determined by the Secretary. The Secretary must ensure that certificate commodities do not adversely affect income of producers.

### **National Program Acreage**

The Secretary must announce an NPA for rice by January 31, except for those years when an ARP is in effect. The NPA for rice represents the number of harvested acres needed (based on the weighted national average of the farm program payment yields) to meet domestic and export needs, less imports. This acreage may be adjusted for any desired increase or decrease in carryover stocks. The program allocation factor for rice--between 80-100 percent--is again determined by dividing the national rice program acreage by the number of harvested acres, as estimated by the Secretary. The allocation factor is not needed when an ARP is in effect.

### **Farm Program Acreage**

A farm's individual program acreage is the product of the allocation factor and the acreage planted to rice for harvest on the farm. However, if an ARP is in effect, the individual farm program acreage is the acreage planted on the farm for harvest within the permitted acreage (the crop acreage base less the percentage reduction specified by the ARP). If producers plant at least 50 and less than 92 percent of their permitted acreage to rice and devote the rest to conserving uses or nonprogram crops (any agricultural commodity other than wheat, feed grains, Upland cotton, ELS cotton, rice, or soybeans), then the individual farm program acreage is equal to 92 percent of the permitted acreage for the purposes of calculating deficiency payments. Any acreage considered planted under this provision cannot be used as conserving acreage in any ARP or PLD.

Title X establishes the formulas by which crop acreage bases and farm program payment yields are calculated under a new acreage base and program yield system for wheat, feed grains, Upland cotton, and rice.

### Deficiency Payments

USDA will make deficiency payments to participating rice producers if the national average price received by farmers for rice during the first 5 months of the marketing year is below the target price. The payment rate is again the difference between the target price and either the national average price or the loan level, whichever is higher. The total deficiency payment is the payment rate times the farm program acreage for rice times the farm program payment yield established for the farm. Up to 5 percent of these payments may be made as a payment-in-kind (PIK). The total quantity of rice on which payments will be made to a producer in any crop year will be reduced by the quantity of rice on which any disaster payment is made.

### Disaster Payments

The disaster provisions for rice are the same as those for wheat and feed grains. (See page 9.)

### Acreage Reduction

The 1985 Act continues the authority of the Secretary to implement acreage reduction programs (ARP) and paid land diversions (PLD). To the maximum extent practicable, any ARP must be operated in a manner that will result in carryover stocks of 30 million cwt of rice. When determining the need for an ARP, the Secretary must consider the number of acres placed in the conservation reserve. The Secretary must announce an ARP by January 31 of the calendar year in which the rice is harvested. The acreage limit is determined by applying a uniform percentage reduction (not to exceed 35 percent) to the rice acreage base for each farm. Figure 5 shows the areas of rice production in the United States.

A percentage of the acreage on each farm must be devoted to conserving uses when an ARP is in effect. However, as under the wheat and feed grain programs, the Secretary may permit all or part of the reduced acreage to be devoted to certain designated crops for harvest if such production is needed to provide adequate supplies, will not increase the cost of the price-support programs, and will not adversely affect farm income.

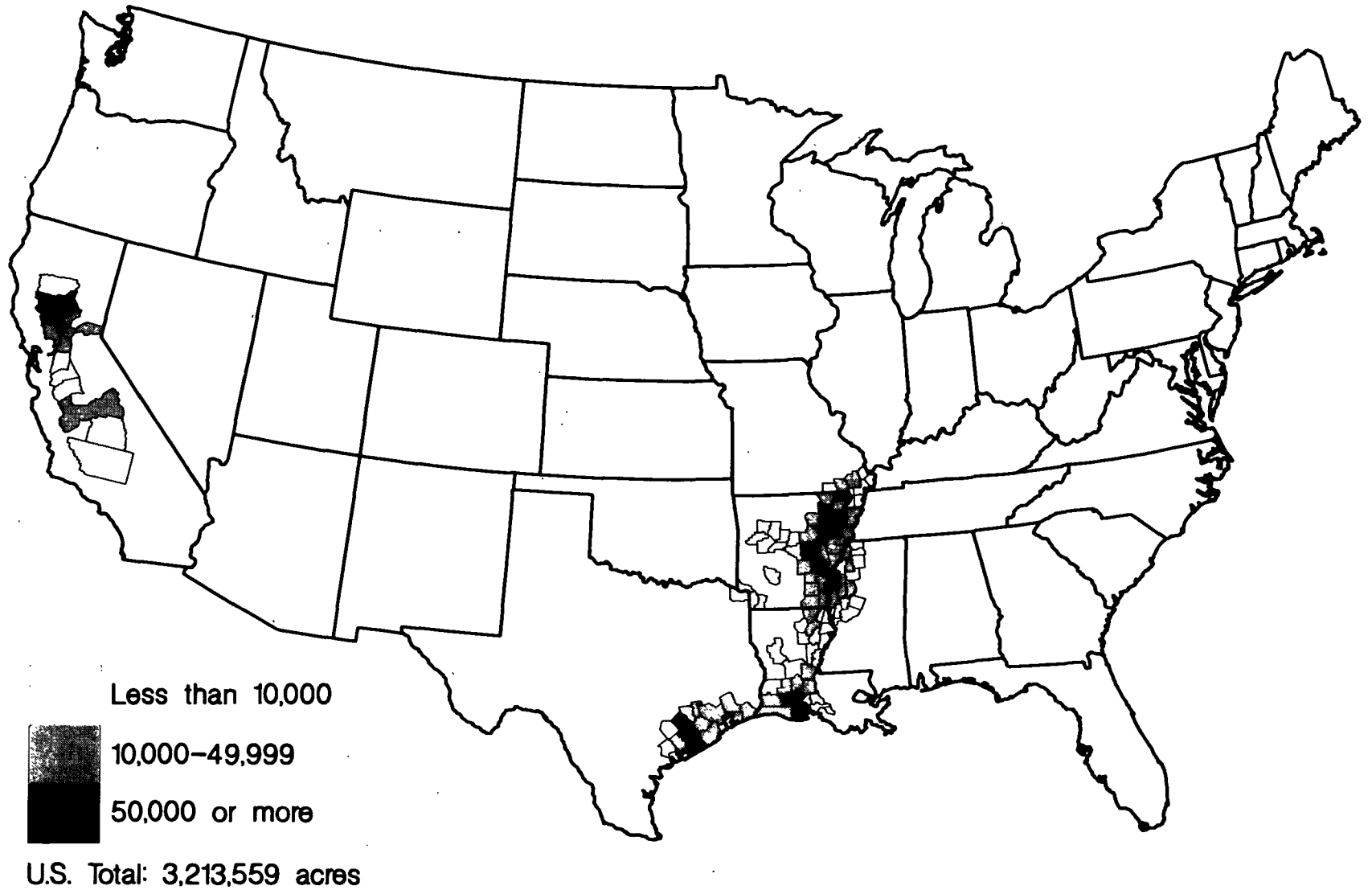
The provisions for haying and grazing on reduced acreage are the same as those for wheat and feed grains.

The Secretary may also offer a PLD to producers if such payments will assist in obtaining the necessary adjustments in total acreage. A diversion program may be offered whether or not an ARP is in effect. Diverted cropland (in addition to any reduced acreage under an ARP) must be devoted to approved conservation practices. Payments to producers under this program may be determined by the submission of bids or other such means as the Secretary deems appropriate. The Secretary must limit the total acreage to be diverted in any county so as not to adversely affect the local economy. Reduced or diverted acreage may be used for wildlife food plots or habitats, and the Secretary may authorize USDA to pay a part of the cost for such efforts.

Inventory reduction payments may be made to producers who agree to forgo obtaining loans and receiving deficiency payments and who limit the rice planted for harvest

Figure 5

# Harvested Acres of Rice, by County, 1982



to the crop acreage base less half of any acreage diverted under an ARP and PLD. Payments-in-kind will be made, subject to availability. The value of these payments, like the loan deficiency payments, are determined by multiplying the payment rate (loan level minus the loan repayment rate) by the eligible quantity of rice.

The 1981 Act allowed the Secretary to operate acreage reduction and land diversion programs with no restrictions. The Omnibus Budget Reconciliation Act of 1982, however, mandated a 15-percent ARP and a 5-percent PLD for the 1983 crop. The 1982 Act set the minimum diversion payment at \$3 per cwt but allowed a 10-percent reduction if the program objectives could be met with a lower level. The Agricultural Programs Adjustment Act of 1984 later set acreage reductions for the 1985 rice crop. If U.S. stocks exceeded 25 million cwt on July 31, 1985, an ARP of 20 percent and a PLD of at least 5 percent were required. As with the 1985 Upland cotton program, the diversion payment rate depended on the amount of carryover stocks on July 31, 1985--\$2.70 per cwt if stocks were above the trigger level of 25 million cwt, \$3.25 per cwt if stocks exceeded 35 million cwt, and \$3.50 per cwt if stocks exceeded 42 million cwt. The new features of the 1985 Act (as compared with the 1981 Act) are the 35-percent limit on reduced acreage and the 30-million-cwt target for carryover stocks.

#### **Cross and Offsetting Compliance**

As a condition of eligibility for rice loans, purchases, and payments, the Secretary may limit the planted acreage of any other program crop with an ARP in effect to the acreage base for that crop. Also, a producer cannot be required to comply with the program on one farm to be eligible for the rice program on another.

#### **1986 Programs**

On January 13, 1986, the Secretary announced a 35-percent acreage reduction program for the 1986 crop of rice, and on January 29 announced the 1986 national average loan rate for rice at \$7.20 per cwt and the target price for 1986 at \$11.90 per cwt.

On March 4, USDA announced that producers may request a cash advance deficiency payment of 30 percent of the projected total deficiency payment during the sign-up period (March 6-April 11). A proposed formula for determining the prevailing world market price for rice and a mechanism to periodically announce this price will be published at a later date. Price-support loans for the 1986 crop will have a term of 9 months beginning after the month in which the application for the loan is made. Loans may be repaid at any time during the term of the loan at 50 percent of the loan level or the prevailing world market price for rice at the time repayment is made, whichever is higher. Producers will not be offered the option of purchasing marketing certificates as a condition of repaying a loan at a reduced rate.

#### **TITLE VII: PEANUTS**

The 1985 Act continues the two-tier price-support program for quota peanuts and additional peanuts through 1990, with minor changes. The Secretary may provide disaster payments for the 1985-90 crops of peanuts.

#### **National and Farm Poundage Quotas**

The Secretary must establish a national poundage quota for each marketing year 1986-90 at a level for domestic edible, seed, and related uses, but in no case below 1.1 million tons (the 1985 quota). The national quota level must be announced by December 15 preceding the marketing year. The national poundage quota must be

apportioned among States based on their 1985 allocations. Under the 1981 Act, the national poundage quota was specified for each marketing year, beginning with 1.2 million tons in 1982 and decreasing to 1.1 million tons in 1985 (app. 1).

A farm poundage quota will be established for each farm that had a poundage quota in 1985. If the national quota is increased in subsequent years, a farm poundage quota will be established for each farm which produced and marketed peanuts in at least 2 of the 3 preceding crop years. Any increases in a State's quota must be allocated equally among farms that had a poundage quota in the preceding marketing year and farms without a poundage quota that produced and marketed peanuts in at least 2 of the 3 preceding crop years. Any decreases in a State's quota must be allocated among farms that had a quota in the preceding marketing year.

The poundage quota for an individual farm must be reduced by the amount of the quota that was not produced, or considered produced, during any 2 of the 3 preceding marketing years. All or part of a farm quota may be permanently released by the owners. The total amount of these reductions and releases must be allocated to other farms in the State that produced peanuts in any 2 of 3 preceding crop years. At least 25 percent must be allocated to farms that did not have a poundage quota in the preceding year.

Producers may voluntarily release poundage quotas to the Secretary for 1 marketing year with no effect on subsequent years' quotas. Farm poundage quotas may be adjusted for undermarketing of quota peanuts during previous years. These adjustments will not affect the national poundage quota, but they cannot exceed 10 percent of the national poundage quota in any year.

#### **Farm Yield**

A farm yield of peanuts will be established for each farm equal to the average of the actual yield per acre for the 3 crop years in which yields were the highest during crop years 1973-77. If peanuts were not produced on the farm in any 3 years during the period or if there was a substantial change in the operation during the period (including a change in the operator or irrigation practices), a yield will be appraised for the farm based on yields for similar farms in the area.

#### **Quota Peanuts**

For any marketing year, quota peanuts are once again those eligible for domestic edible use, as determined by the Secretary, that are marketed or considered marketed from a farm and that do not exceed the farm poundage quota. "Domestic edible use" means use for milling to produce domestic food peanuts, seed, and use on the farm. Not included are seeds that are unique strains, as determined by the Secretary, and not commercially available.

#### **Additional Peanuts**

"Additional peanuts" is again defined as those peanuts sold from a farm in any marketing year in excess of the amount of quota peanuts sold from that farm. Additional peanuts are also those marketed from a farm on which no farm poundage quota has been established.

#### **Peanut Referendum**

The Secretary must conduct a referendum of peanut farmers involved in the production of quota peanuts by December 15 in order to determine whether such farmers support

or oppose poundage quotas. If two-thirds of the farmers voting favor a poundage quota, then no further referenda need be held during the upcoming 5-year period. Conversely, if more than one-third of the farmers vote against a poundage quota, then there will be no quota or price support in effect for the crop produced in the next calendar year. However, a referendum must be held for the following crop by December 15 and results announced within 30 days after completion.

#### **Sale, Lease, or Transfer of Farm Poundage Quota**

Owners or operators (with the permission of the owner) may sell or lease farm poundage quotas within a county. An operator's quota may be transferred to another farm controlled by the operator that is either within the same county or in a contiguous county in the same State, providing the farm had a poundage quota in the preceding crop year. If a State's quota was less than 10,000 tons for the preceding crop, then farm poundage quotas may be sold, leased, or transferred anywhere in the State. No sale, lease, or transfer may be made from a farm subject to a lien unless all claimants agree. Also, the county committee must determine that the farm receiving the farm poundage quota has sufficient tillable cropland to produce the quota.

#### **Marketing Penalties**

The penalty for marketing peanuts for domestic edible use in excess of the farm poundage quota is 140 percent of the loan level for quota peanuts. As under the 1981 Act, additional peanuts may be purchased from growers solely for the purpose of crushing or export. A handler who fails to comply with regulations relating to the disposition and handling of additional peanuts will also be subject to a penalty of 140 percent of the quota loan rate times the quantity of peanuts involved; the handler penalty under the 1981 Act was 120 percent of the quota loan level.

#### **CCC Resale Price**

Any peanuts owned or controlled by the CCC may be available for domestic use, in accordance with regulations issued by the Secretary, if doing so does not substantially increase costs to the CCC. Additional peanuts received under loan can be sold for domestic edible use. The price must cover all Government costs and cannot be less than 100 percent of the quota loan rate if sold and paid for during the harvest season (with written consent of the producer), 105 percent of the quota loan rate if sold before December 31 of the marketing year, and 107 percent of the quota loan rate if sold after December 31.

#### **Price Support**

The national average support rate for the 1986 crop of quota peanuts must be set at the 1985 rate, adjusted for increases in an index of commodity and service prices, interest, taxes, and wages paid by producers during calendar years 1981-85. The support rate for the 1987-90 crops of quota peanuts will be the rate for the previous crop, adjusted to reflect any increases in the cost of production (excluding any change in the cost of land) during the previous calendar year. The support rate cannot be increased by more than 6 percent from the previous year, however.

Additional peanuts will again be supported at levels the Secretary determines appropriate, taking into consideration the demand for peanut oil and meal, prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. The rate must ensure no losses to the CCC. The support rate for both



quota and additional peanuts must be announced by February 15. Loan rates for the 1982-85 crops of peanuts are listed in appendix 1.

### **Disaster Payments**

Disaster payment provisions for the 1985-90 peanut crops are contained in title X.

### **1986 Programs**

On January 8, the Secretary announced a national poundage quota of 1,355,500 short tons for the 1986 crop of peanuts, up 255,500 short tons from the 1985 level. On February 14, the Secretary announced a national average support level for 1986 quota peanuts of \$607.47 per short ton, up \$48.47 from the 1985 level. The 1986 crop of additional peanuts will be supported at \$149.75 per short ton, up \$1.75 from the 1985 level.

### **TITLE VIII: SOYBEANS**

The soybean loan program is continued, with the added options of marketing loans and disaster payments.

### **Price-Support Loans**

Title VIII requires the Secretary to support the price of soybeans through loans and purchases for the 1986-90 crops. The support price for 1986-87 is set at the 1985 level of \$5.02 per bushel. For the 1988-90 crops, the support level will be 75 percent of the simple average of the season prices received by farmers during the 5 preceding marketing years, excluding the years with the high and low prices. The support level, however, cannot be reduced by more than 5 percent in any year and in no event below \$4.50 per bushel. The minimum rate under the 1981 Act was \$5.02 per bushel (app. 1).

If the loan level, as computed above, would discourage exports and cause excessive U.S. stocks of soybeans, the Secretary may reduce the rate by the amount necessary to maintain domestic and export markets, but no more than 5 percent a year or below \$4.50 per bushel. Such a reduction cannot be used to determine subsequent years' loan rates. The 1981 Act gave the Secretary the discretion to reduce loan rates up to 10 percent if the average price received by farmers was not more than 105 percent of the loan level in any marketing year, but no lower than \$4.50 per bushel.

Preliminary announcement of the price-support level must be made after August 1, while the final rate must be announced no later than October 1 and may not be less than the preliminary level. Acreage reductions in soybeans or other program crops may not be required as a condition of eligibility for price support. Soybeans for harvest may not be planted on acreage reduced, set aside, or diverted from production under any Federal program. Soybeans are not eligible for storage payments or any reserve program.

### **Loan Repayment**

The Secretary may offer producers a marketing loan if such action would help soybeans remain competitive in domestic and export markets. Producers would repay the loan at the loan level or the prevailing world market price, whichever is lower. If a marketing loan program is used, the Secretary must issue a formula defining the prevailing world market price and a mechanism for periodic announcement of such price.

## **Disaster Payments**

Disaster payment provisions for the 1985-90 soybean crops are contained in title X.

## **TITLE IX: SUGAR**

The 1985 Act continues the sugar program for the 1986-90 crops of domestically grown sugarcane and sugar beets. Disaster payments and provisions for preventing loan forfeitures and protecting producers from processor bankruptcy are also included.

### **Price-Support Loans**

The Secretary must support the price of sugarcane through nonrecourse loans at a level of not less than \$0.18 per pound for raw cane sugar for all 5 crop years. Sugar beet prices must be supported through nonrecourse loans at a level that is fair and reasonable in relation to the loan rate for sugarcane. The minimum support rates for raw cane sugar under the 1981 Act ranged from \$0.17 per pound for the 1982 crop to \$0.18 per pound for the 1985 crop (app. 1).

The Secretary may increase the support price based on such factors as is determined appropriate, including changes during the 2 preceding crop years in the cost of sugar products or the cost of domestic sugar production, or other circumstances that may adversely affect domestic sugar production. If the support price is not increased, the Secretary must submit a report containing the findings, decision, and supporting data to Congress. The Secretary must announce the loan rate as far in advance as is practicable. Loans must be made and repaid within 1 fiscal year.

### **Disaster Payments**

Disaster payment provisions for the 1985-90 crops of sugarcane and sugar beets are contained in title X.

### **Prevention of Loan Forfeitures**

Title IX requires the President to either extend the current 1985/86 quota year for sugar imports (December 1, 1985-September 30, 1986) by at least 3 months to December 31, 1986, or have the sugar program administered in such a way that forfeitures of sugar--held by the CCC as collateral for price-support loans--would be no greater than the quantity that would have been forfeited had the quota year been extended.

Beginning with the next quota year, the President must use all authorities available to enable the Secretary to operate the sugar program at no cost to the Federal Government by preventing CCC accumulation of acquired sugar. Also, beginning with the new quota year, sugar import quotas will not be allocated to any country that is a net importer of sugar unless officials of that country verify that it does not export to the United States sugar previously imported from Cuba.

### **Protection of Producers**

If bankruptcy or other insolvency on the part of a processor prevents sugar producers from receiving maximum benefits from the price-support program within 30 days after the final settlement date stated in the contract between such processors and producers, the CCC must pay the maximum benefits, less any amount previously received, on demand by producers. Proof of nonpayment by the processor may be required. Once the benefits are paid to producers, the CCC must take over and

pursue all claims against the processor or any other person responsible for nonpayment. These provisions apply to nonpayments occurring after January 1, 1985.

## **Title X: GENERAL COMMODITY PROVISIONS**

Title X is divided into three subtitles: one relates to the calculation of acreage bases and program yields, one amends the honey program, and the other contains several miscellaneous provisions which generally relate to the commodity titles.

### **Acreage Base and Program Yield System**

This system standardizes the calculation of farm and crop acreage bases and program yields for the wheat, feed grains, Upland cotton, and rice programs.

#### **Farm Acreage Base**

The 1985 Act creates a new farm acreage base for use beginning in crop year 1986. The Secretary, however, may forgo establishing the farm bases in 1986. For crop years 1987-90, the annual farm acreage base equals the total of the crop acreage bases established for that farm for that year, the average acreage planted to soybeans on the farm in 1986 and subsequent crop years, and the average acreage on the farm devoted to conserving uses, other than the ARP's, during 1986 and subsequent crop years. The 1981 Act did not define a farm acreage base.

#### **Crop Acreage Base**

For each of the program crops, the crop acreage base equals the average of the acreage planted and considered planted to the crop for harvest on the farm during the 5 preceding crop years. For Upland cotton and rice that was not planted or considered planted on the farm in each of the past 5 years, the crop acreage base equals the average during the years in which the crop was planted. The 1985 Act (as amended by P.L. 99-253), however, specifies that the crop bases for Upland cotton and rice cannot exceed the average acreage planted and considered planted in the preceding 2 crop years. Acreage considered planted includes (1) any reduced, set-aside, or diverted acreage; (2) acreage producers could not plant due to natural disaster or other conditions beyond the control of the producer; (3) the difference between permitted acreage and the acreage actually planted, if such acreage was devoted to nonprogram crops (other than soybeans or ELS cotton); and (4) any acreage on the farm which the Secretary determines is necessary to establish a fair and equitable crop base.

The sum of the wheat, feed grain, Upland cotton, and rice acreage bases on any farm for any crop year cannot exceed the farm acreage base for that farm in that year, unless the excess is due to an established practice of double cropping. Double cropping must have been practiced on the farm in at least 3 of the 5 preceding crop years.

Crop acreage bases may be adjusted upward in any year. The adjustment, however, is limited to 10 percent of the farm acreage base for that year. Any increase must also be matched by a decrease in one or more of the other crop bases on that farm in that year. The Secretary may suspend nationally any limit on acreage bases for a crop if a short supply or other emergency situation exists or if market factors require a suspension.

## **Farm Program Payment Yield**

The farm program payment yield for crop years 1986-87 is the average program yield on the farm during crop years 1981-85, excluding the years with the highest and lowest yield. If no crop was produced or no program yield was established on the farm during any of those 5 years, then the farm program yield will be based on average program yields for similar farms in the area.

The Secretary may establish national, State, or county program yields based on historic yields adjusted for abnormal factors; or when data are not available, the Secretary must estimate the actual yield for the crop year in question. If any of these yields are established, the farm program payment yield must balance with county, State, or national program yields.

For the 1988-90 crops of wheat, feed grains, Upland cotton, and rice, the Secretary may either base farm program payment yields on the 1981-85 program yields, as determined above, or on the average of the yields per harvested acre during the 5 preceding crop years, dropping the years with the highest and lowest yield and any year in which no crop was planted. If the second option is used, the program yields must be based on the program yields for 1983-86 crop years and the actual yields for the 1987 and subsequent crop years.

USDA may not establish a farm or crop base or program yield for a farm if the producer is subject to sanctions for cultivating highly erodible land or converted wetland. Title XII details these conservation provisions.

Under the 1981 Act, the acreage base for each crop was the acreage planted for harvest in the preceding crop year, including any acreage producers could not plant because of conditions beyond their control. At the discretion of the Secretary, the base could have been the average acreage planted for harvest in the 2 preceding crop years. The farm program payment yield for wheat and feed grains, under the 1981 Act, was the program yield established for the farm for the previous crop year, adjusted by the Secretary to provide a fair and equitable yield. For cotton and rice, the program yields were based on the actual yield per harvested acre for the 3 preceding years, with adjustments for natural disasters.

## **Honey**

The 1985 Act sets the loan levels for the 1986 and 1987 crops of honey at \$0.64 and \$0.63 per pound, respectively. The loan and purchase levels for the 1988-90 crops will be the rate from the previous year reduced by 5 percent, but the level cannot be less than 75 percent of the average price received by producers in the preceding 5 crop years, dropping the years with the highest and lowest prices. Permanent legislation, the Agricultural Act of 1949, had required that the honey loan level be set between 60 and 90 percent of parity (app. 1).

As with wheat, feed grains, and soybeans, the Secretary may offer marketing loans. Producers would repay the loans at a level the Secretary determines will minimize loan forfeitures, not result in excessive stocks, reduce Government storage costs, and maintain competitiveness of honey in domestic and export markets. If the Secretary determines that a person knowingly pledged adulterated or imported honey as collateral for a loan, such person will be ineligible for loans and purchases for 3 succeeding crop years in addition to any other penalty prescribed by law.

## **Payment Limits and Payment Review**

Payments received under the wheat, feed grain, Upland cotton, ELS cotton, and rice programs are again limited to \$50,000 for all payments per person per year except for disaster payments, which are limited to \$100,000 per person per year. The payment limit does not include (1) loans and purchases; (2) compensation for public recreation or resource adjustment, excluding land diversion payments; (3) any gain realized from repaying a marketing loan at a level lower than the announced loan rate; (4) any deficiency payments made as a result of lowering the basic loan rate under the wheat and feed grain programs; (5) any loan deficiency payments; (6) any inventory reduction payments; or (7) any benefits received as a result of any cost reduction actions by the Secretary. As under the 1981 Act, payment limits do not apply to land owned by States or State agencies if the land is farmed primarily to further a public function.

The 1985 Act adds ELS cotton to the provisions in the Agricultural Act of 1938 concerning payments made under the wheat, feed grain, Upland cotton, or rice programs. The facts used to determine such payments are final and not subject to review if they conform to regulations issued by the Secretary or the CCC.

## **Advance Deficiency and Diversion Payments**

The Secretary must make advance deficiency payments available to producers who participate in the 1986 wheat, feed grain, Upland cotton, and rice programs if an acreage limitation or set-aside has been established and it is likely that deficiency payments will be made. Such payments may be made for the 1987-90 crops. The payments must be made as soon as practicable after the producer signs the contract agreeing to participate in the program. Advance payments may not exceed 50 percent of project deficiency payments and may be made in cash, CCC-owned commodities, or any combination thereof. Up to half of the advance payments may be made in commodities or certificates, with the producer choosing which to receive. Certificates must be redeemed within 3 years of issuance, with the CCC paying the storage costs until they are redeemed.

If land diversion payments are made in any crop year, the Secretary may also advance at least 50 percent of those payments to producers.

## **Advance Recourse Commodity Loans**

The Secretary may make advance recourse loans available to producers for commodities with nonrecourse loan programs, if such action is necessary to provide adequate operating credit to producers. The recourse loans may be made under terms and conditions prescribed by the Secretary, except that producers must obtain crop insurance.

## **Interest Payment Certificates**

The Secretary may provide negotiable certificates to producers who repay their wheat, feed grain, Upland cotton, or rice loans with interest. The amount of the certificate would equal the interest paid, redeemable for any of the those commodities owned by the CCC, subject to availability.

## **Payment in Commodities**

Titles III through VI authorize the Secretary to make payments-in-kind (PIK). Such payments (except marketing certificates for Upland cotton and rice) may be made by

delivering the commodity to the producer at a warehouse or similar facility, transferring negotiable warehouse receipts, issuing negotiable certificates redeemable for CCC commodities, or other methods the Secretary determines appropriate.

### **Wheat and Feed Grain Export Certificate Programs**

This section provides two optional export certificate programs for the 1986-90 crops of wheat and feed grains.

#### **Cash Export Certificate Program**

The Secretary may establish a program to encourage exports of wheat or feed grains from private stocks. Producers who participate in the wheat and feed grain programs would receive export certificates. Each certificate would specify both a monetary value and a quantity of the commodity. The total amount of wheat or feed grains covered by the certificates is determined by multiplying the export production factor times the total acreage planted by program participants times the average farm program payment yield. The export production factor is the estimated quantity of the crop available for export divided by the estimated domestic harvest.

Certificates would be distributed to eligible producers so that each receives certificates having an aggregate face value equal to the rate of return for that crop. In calculating the rate of return, the Secretary must consider regional marketing costs including transportation. Certificates would be redeemable for cash or, at the option of the Secretary, the commodity involved only when the holder has exported an amount of the crop (including processed wheat or feed grains) equal to the quantity designated on the certificate.

If sufficient funds are available, the CCC must spend a certain amount of money to carry out the program. The amount is calculated by multiplying the acreage planted for harvest by participating producers times the average program yield for the crop times \$0.21 per bushel for wheat, \$0.11 per bushel for corn, and rates the Secretary deems reasonable for grain sorghum, oats and, if designated, barley. Any funds used under this program must be in addition to funds authorized for other export promotion programs. The CCC may buy and sell certificates.

#### **Export Marketing Certificates**

The Secretary may issue export marketing certificates denominated in bushels of wheat or feed grains to producers who participate in those programs and who also comply with the following provisions. If no acreage reduction or set-aside is in effect, producers must limit the acreage planted for harvest to the crop acreage base and, if an ARP is in effect, comply with the reduction specified by the program. At least 3 months before the beginning of the marketing year, the Secretary must issue export marketing certificates to eligible producers who planted at least 50 percent of their wheat or feed grain crop base. The aggregate amount of certificates must equal total exports as estimated by the Secretary for the marketing year.

Producers would receive certificates for their share of the export crop, determined by multiplying the ratio their crop acreage base has in relation to the total acreage bases of all participating producers times total exports, rounded up to the nearest full bushel. Any certificates issued would apply only to the upcoming marketing year. If estimated exports exceeded the sum of certificates issued 7 months after the beginning of the marketing year, the Secretary may issue additional certificates to producers who initially received them.

When producers sell their crops during the marketing year, they also turn over the export certificates to the buyer. If the producer has less wheat or feed grains to sell than the quantity listed on the certificates because of reduced yields or other reasons, the producer may sell the certificates to any person before the end of the marketing year. The CCC may buy and sell certificates to facilitate their use.

No person would be able to export wheat or feed grains (including products thereof) without surrendering the accompanying marketing certificates to the Secretary at the time of export. Failure to comply could carry fines up to \$25,000, 1 year in prison, or both. These provisions would not apply to commodities owned by the CCC or provided to exporters as part of an export promotion program. This program, if implemented, would divide the market; participants would be able to sell their crop in both the domestic and export markets, while nonparticipants would be limited to selling their commodities in the domestic market only.

#### **CCC Sales Price Restrictions**

The CCC may not sell any of its wheat, corn, grain sorghum, barley, oats, or rye stocks at less than 115 percent of the current national average loan rate, adjusted for current market differentials plus carrying charges. If the marketing loan provisions are in effect, the sale price cannot be less than 115 percent of the average loan repayment rate for the crop.

#### **Disaster Payments for the 1985-90 Crops of Peanuts, Soybeans, Sugar Beets, and Sugarcane**

Disaster payments may be made available to producers, at the discretion of the Secretary, for any of the 1985-90 crops of peanuts, soybeans, sugar beets, or sugarcane because of drought, flood, or other natural disaster. Prevented planting payments will be based on the acreage intended to be planted to the commodity or the acreage planted for harvest in the preceding year (including any acreage which the producer was prevented from planting to such commodity, or other nonconserving crops), whichever is smaller. The payment is calculated as 75 percent of the farm program payment yield times 50 percent of the loan and purchase level for the crop. Reduced yield payments will be made if the total quantity of the crop harvested on any farm is less than the potential production obtained by multiplying 60 percent of the farm program yield by the acreage planted for harvest. The payment calculation is 50 percent of the loan level for the deficit in production below the 60-percent level.

#### **Cost Reduction Options**

The Secretary is required to implement one or more of the following cost reduction options whenever the options would reduce direct and indirect Government costs of a commodity program without adversely affecting the income of small- and medium-sized producers participating in the program. First, the Secretary may purchase a commodity from commercial markets when a nonrecourse loan program is in effect for that commodity, if such purchases will probably be less than the comparable cost of acquiring the commodity through loan defaults later. Second, the Secretary may provide for settlement of a nonrecourse loan at less than the total amount of principal and accumulated interest due if the settlement would yield savings to the Government. In no case may the settlement be reduced below the amount of principal due. Third, when a production control or loan program is in effect for a major commodity, the program may be reopened any time prior to harvest if the Secretary determines that (1) domestic or world supply and demand conditions have substantially changed, and (2) without further adjustments, the Government and

producers will be faced with burdensome surpluses. The Secretary would accept bids from participating producers to convert planted acreage to conserving uses. Such bids would be for payments-in-kind and would not be subject to the \$50,000 payment limitation, but would be limited to \$20,000 per year per producer for each commodity.

### **Multiyear Set-Asides**

The Secretary may enter into multiyear set-aside contracts with producers as part of the programs in effect for the 1986-90 crops of wheat, feed grains, Upland cotton, and rice. The contract period, however, may not extend beyond the 1989 crop year. Only producers participating in one or more of the programs would be eligible for the contracts. Producers would be required to devote the set-aside acreage to a vegetative cover, with the Secretary providing cost-sharing incentives. Grazing would be prohibited, unless the area was declared a disaster area by the President and the Secretary found there was a need for grazing as a result of the disaster.

### **Supplemental Set-Aside and Acreage Reduction Authority**

For the 1986-90 crops of wheat and feed grains, the Secretary again has the authority to announce a set-aside or acreage reduction program if such action is needed because of an embargo ordered by the executive branch of the Federal Government.

### **Grain Reserves**

Title X continues two grain reserve programs.

#### **Farmer-Owned Reserve (FOR)**

The 1985 Act revises the farmer-owned reserve. To promote orderly marketing in times of abundant supply, the Secretary must again provide original or extended price-support loans to encourage producers to store wheat and feed grains for extended periods. The loans are made for 3 years and may be extended as warranted by market conditions. Loans were made for 3-5 years under the 1981 Act. FOR loan rates must be at least the current loan level or higher, as determined by the Secretary.

Whenever the market price for the commodity has attained a specified level (commonly known as the release price), the Secretary may increase the interest rate on loans that have been made and may design other methods to encourage producers to redeem their loans and market their grain. The release level is set at 140 percent of the regular loan rate announced for the crop or the corresponding target price, whichever is higher. Under the 1981 Act, the release price was determined by the Secretary.

The upper limit on the amount of grain placed in the reserve is now specified as a percentage of the estimated total domestic and export use during the marketing year--30 percent for wheat and 15 percent for feed grains. The limits may be increased by 10 percent if the Secretary determines higher levels are necessary. The 1981 Act authorized the Secretary to set upper limits, but at no lower than 700 million bushels for wheat and 1 billion bushels for feed grains. The 1985 Act sets minimum levels at 17 percent for wheat and 7 percent for feed grains of the estimated total domestic and export use. If the amount of stocks in the FOR is below these levels or if the market price is below the release price, the Secretary must encourage producer participation by offering increased storage payments, interest waivers, or other incentives.



Producers will again be penalized if they redeem their wheat or feed grain loans when reserve stocks are below the upper limits and market prices are below the release level. The Secretary may recover storage payments and assess additional interest or other charges. The interest rate charged participants in the program will not be less than the interest rate charged the CCC by the U.S. Treasury, except that the Secretary may waive or adjust such interest as necessary. Loans may be called in prior to the maturity date only if the Secretary determines that emergency conditions exist which require that such commodities be made available in the market to meet urgent domestic or international needs. As with the 1981 Act, the 1985 Act provides that whenever the reserve loan program is in effect, the CCC cannot sell any of its wheat or feed grains stocks at less than 110 percent of the release level. This restriction will not apply to sales of corn used for gasohol production, commodities which have substantially deteriorated, or sales or disposals from the emergency feed program.

### **Food Security Wheat Reserve**

The food security wheat reserve, created to provide wheat for emergency food needs in developing countries, is extended until September 30, 1990.

### **Normally Planted Acreage**

Whenever a set-aside is in effect during crop years 1986-90 for wheat or feed grains, or both, the Secretary may limit a farm's normal crop acreage. Producers who fail to comply would be ineligible for loans, purchases, and payments under the wheat and feed grain programs. If marketing quotas are in effect for any of the 1987-90 crops of wheat, normal planted acreage would be limited to the farm's individual program acreage.

### **Special Grazing and Hay Program**

Authority for the special wheat acreage grazing and hay program is continued through the 1990 crop year.

### **Advance Program Announcement**

The Secretary may offer producers an alternative program for any of the 1987-91 crops of wheat, feed grains, Upland cotton, and rice. If the Secretary has not made final program announcements in any county before a certain date, producers could choose between the program announced for that crop year or the alternative. For any county, the date would be 60 days prior to planting (as determined by the Secretary) or June 1 for wheat, September 30 for feed grains, November 1 for Upland cotton, and January 31 for rice, whichever is later.

Under the alternative program, producers would be eligible for loans and payments by complying with any acreage reduction program established for the previous year. For the 1987-90 crops, loans would be made at levels announced for the current year. Deficiency payments would be calculated on the same basis as they were calculated in the previous year. Cash or in-kind payments, equal to the difference between the current year's loan level and previous year's loan level, would also be made. For the 1991 crop, loans would be made at 1990 levels and deficiency payments would be based on 1990 target prices. Cash or in-kind payments would be based on the difference between the 1990 and 1991 loan rates. The farm's crop acreage base and program payment yield would be those established for the farm in the preceding crop year.

### **Normal Supply**

If the supply of wheat, corn, Upland cotton, or rice during the marketing year for any of the 1986-90 crops is not likely to be excessive and acreage controls are not necessary, as determined by the Secretary, the total supply of the commodity is deemed not to exceed normal supply. No contrary decision can be made for that marketing year.

### **Marketing Year for Corn**

The marketing year for corn is changed from October 1-September 30 to September 1-August 31.

### **Federal Crop Insurance**

The Federal Crop Insurance Corporation (FCIC) may borrow money from the CCC any time FCIC has insufficient funds to pay farmers' claims for insured crop losses.

The Secretary must conduct a study examining (1) the FCIC practice of offsetting a producer's winter and spring wheat crops to determine benefits due under Federal crop insurance policies, and (2) the feasibility of including winterkill of winter wheat as a loss covered by crop insurance. The report, including recommendations, is due to Congress by June 21, 1986.

### **Cost of Production Review Board**

The National Agricultural Cost of Production Standards Review Board is extended for 5 years to September 30, 1990. The 1985 Act also adds a provision that allows a member of the board to serve for more than one term.

### **Liquid Fuels**

The CCC may make commodities available for sale at no or reduced cost to encourage production of liquid fuels.

## **TITLE XI: TRADE**

The 1985 Act changes or expands several food aid and export promotion activities. Some changes are meant to stimulate private sector development in recipient countries; others allow nongovernment organizations to sell some donated food aid to help finance distribution of the remainder. Targeted assistance and intermediate credit guarantee programs supplement export promotion programs. The 1985 Act exempts specific commercial program shipments from cargo preference requirements and increases the mandated percentage of food aid shipments to be carried on U.S. flag vessels.

### **U.S. Food Assistance**

Significant changes in U.S. food aid programs affect their developmental assistance. The 1985 Act amends the policy objectives contained in Public Law (P.L.) 480 to authorize the use of foreign currencies accruing under the program to encourage development of private enterprise and enhance food security in developing countries through local food production. A new Food for Progress program is authorized to use U.S. food resources more effectively to support countries that have made commitments to introduce or expand free enterprise elements in their

agricultural economies. In another change, private voluntary organizations (PVO's) that distribute food aid will have greater ability to sell some of the donated commodities to help distribute the remainder. Donations authorized under section 416 of the Agricultural Act of 1949, as amended, are expanded in types and volume of commodities.

#### **P.L. 480 Title I**

Under title I, a foreign government purchases U.S. agricultural commodities with long-term concessional credit and generates local currencies when it sells them on its domestic market. Changes in the program shift the benefits of some of those revenues from the public to the private sector in the recipient country. At least 10 percent of the resources of the title I program, in the form of local currencies, would be loaned to private financial intermediaries (such as banks, cooperatives, or nonprofit voluntary agencies), which, in turn, are to loan those funds to private enterprises within the recipient country. The United States will enter into a loan agreement with the financial intermediary for these local currencies and must be repaid in a manner that will permit conversion of the local currencies to dollars. The 10-percent minimum may be waived if the President determines that its enforcement would significantly reduce the level of agricultural commodities furnished under title I. The United States may not enter into agreements if the currencies generated under the program could not be productively used and absorbed in the private sector of the recipient country. The program may not be used to promote the production of agricultural commodities that would compete in world markets with U.S. agricultural products. To the maximum extent practicable, 5 percent of the repayments from the U.S. Government loan to the intermediaries are authorized for technical assistance, including market development activities, among other uses. The President must annually report to Congress on activities carried out under the program.

#### **P.L. 480 Title II**

Title II authorizes commodity donations through government-to-government agreements, PVO's, and the World Food Program (WFP). The minimum tonnage requirement of title II is set at 1.9 million tons in fiscal years 1987-90, of which 1.425 million tons for nonemergency programs must be distributed through PVO's, cooperatives, and the WFP. Until 1985, the previous minimum had been 1.7 million tons, of which 1.2 million tons had to be distributed through PVO's and the WFP. The International Security and Development Cooperation Act of 1985 set minimum levels at 1.8 million tons and 1.9 million tons in fiscal years 1986 and 1987, respectively, with at least 1.3 million tons and 1.425 million tons to be distributed by PVO's and the WFP, respectively. The new minimums may be waived if the President determines and reports to Congress that the commodities cannot be used effectively.

The President must ensure that at least 75 percent of the nonemergency minimum be processed, fortified, and/or bagged commodities, although this requirement may be waived. No such minimum had been set before.

At least 5 percent of the aggregate value of donated commodities distributed under nonemergency title II programs may be sold by PVO's within the recipient countries. A PVO must include in its request for title II commodities a description of the intended uses of the foreign currencies that would be generated by such sales.

The title II funding authorization has been changed from a calendar year basis to a fiscal year basis, and the ceiling on the authorization level (\$1 billion) may be waived by the President.

## **Food for Progress**

The 1985 Act authorizes a new, multiyear Food for Progress program to assist developing countries committed to market-oriented agricultural policy reform. Food for Progress is to distribute at least 75,000 tons annually under authority of section 416 of the Agricultural Act of 1949, as amended by the 1985 Act. P.L. 480 title I funds may finance additional commodities. CCC spending may not exceed \$30 million (exclusive of the cost of the commodities). A maximum of 500,000 tons per year through fiscal year 1990 is set. The CCC may purchase commodities for use under this program if CCC stocks are insufficient. Food for Progress shipments should not displace commercial sales of U.S. commodities. Annual reports to Congress on the program's operations are required.

### **Section 416**

Section 416 of the Agricultural Act of 1949, as amended, previously allowed overseas donations of CCC dairy products, wheat, and rice. The 1985 Act expands the types of commodities that may be donated, adding other grains, oilseeds, and other edible agricultural commodities acquired by the CCC. Commodities may not be used in this program in amounts that will reduce the amounts available for domestic programs. The commodities may not be furnished to a country if that country is unable to use the commodities efficiently and effectively. Similarly, the commodities may not be provided if their distribution interferes with usual marketings of the United States or disrupts world prices of agricultural commodities and normal patterns of commercial trade with developing countries. The requirement for safeguarding usual marketings of the United States must not be used to prevent providing commodities to countries that have not traditionally purchased the commodities from the United States or that cannot purchase the commodities from the United States through commercial or concessional arrangements. The commodities provided under this authority are to supplement those provided under P.L. 480.

The 1985 Act allows, for specified purposes, the sale or barter of at least 5 percent of the aggregate value of commodities and products furnished under this program to PVO's and cooperatives. The organizations that sell or barter the commodities must report annually to the Secretary, who, in turn, must report to Congress on such operations.

Although the permanent legislation did not specify minimum quantities, the 1985 Act requires an annual minimum of 500,000 tons or 10 percent of CCC's uncommitted stocks of grains and oilseeds, whichever is less, and 10 percent of CCC's uncommitted dairy stocks, but not less than 150,000 tons, to the extent that dairy stocks are available. Of these quantities 75,000 tons are to be distributed through the Food for Progress program. The minimum volumes may be waived under specified conditions. Commodities distributed under authority of section 416 may be furnished in connection with P.L. 480 title I sales or agricultural export bonus or promotion programs.

### **Special Assistant for Agricultural Trade and Food Aid**

The 1985 Act establishes the position of a Special Assistant for Agricultural Trade and Food Aid who will advise the President on trade and aid issues. Among other responsibilities, the assistant must annually submit a report to the President and Congress containing a global analysis of world food needs and production, an identification of at least 15 target countries most likely to emerge as growth markets for agricultural commodities in the next 5-10 years, and a detailed plan for using available export and food aid authorities to increase U.S. agricultural exports to those targeted countries.