



**Conference Report to Accompany  
Food Security Act of 1985  
H.R. Rep. No. 99-447 (1985)**

**Part 2 of 6**

- Title VIII- Soybeans** (pp. 93-94)
- Title IX- Sugar** (pp. 94-96)
- Title X- General Commodity Provisions** (pp. 96-118)
- Title XI- Trade** (pp. 118-158)
- Title XII- Conservation** (pp. 158-173)
- Title XIII- Credit** (pp. 173-197)

*The digitization of this Report was performed by the National Agricultural Law Center under Specific Cooperative Agreement No. 58-8201-6-140 with the United States Department of Agriculture, National Agricultural Library.*

*"(5) Notwithstanding any other provision of law, no price support may be made available by the Secretary for any crop of peanuts with respect to which poundage quotas have been disapproved by producers, as provided for in section 358(u) of the Agricultural Adjustment Act of 1938."*

#### REPORTS AND RECORDS

*SEC. 706. Effective only for the 1986 through 1990 crops of peanuts, the first sentence of section 373(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1373(a)) is amended by inserting before "all brokers and dealers in peanuts" the following: "all producers engaged in the production of peanuts,"*

#### SUSPENSION OF CERTAIN PRICE SUPPORT PROVISIONS

*SEC. 707. Section 101 of the Agricultural Act of 1949 (7 U.S.C. 1441) shall not be applicable to the 1986 through 1990 crops of peanuts.*

### TITLE VIII—SOYBEANS

#### SOYBEAN PRICE SUPPORT

*SEC. 801. Effective only for the 1986 through 1990 crops of soybeans, section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) is amended by—*

*(1) inserting "soybeans," after "tung nuts," in the first sentence; and*

*(2) adding at the end thereof the following new subsection:*

*"(i)(1)(A) The Secretary shall support the price of soybeans through loans and purchases in each of the 1986 through 1990 marketing years as provided in this subsection.*

*"(B) The support price for the 1986 and 1987 crops of soybeans shall be \$5.02 per bushel.*

*"(C) The support price for each of the 1988 through 1990 crops of soybeans shall be established at a level equal to 75 percent of the simple average price received by producers for soybeans in the preceding 5 marketing years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period, except that the level of price support may not be reduced by more than 5 percent in any year and in no event below \$4.50 per bushel.*

*"(2) If the Secretary determines that the level of loans or purchases computed for a marketing year under paragraph (1) would discourage the exportation of soybeans and cause excessive stocks of soybeans in the United States, the Secretary may reduce the level of loans and purchases for soybeans for the marketing year by the amount the Secretary determines necessary to maintain domestic and export markets for soybeans, except that the level of loans and purchases may not be reduced by more than 5 percent in any year and in no event below \$4.50 per bushel. Any reduction in the loan and purchase level for soybeans under this paragraph shall not be considered in determining the loan and purchase level for soybeans for subsequent years.*

"(3)(A) If the Secretary determines that such action will assist in maintaining the competitive relationship of soybeans in domestic and export markets after taking into consideration the cost of producing soybeans, supply and demand conditions, and world prices for soybeans, the Secretary may permit a producer to repay a loan made under this subsection for a crop at a level that is the lesser of—

"(i) the loan level determined for such crop; or

"(ii) the prevailing world market price for soybeans, as determined by the Secretary.

"(B) If the Secretary makes the determination described in subparagraph (A), the Secretary shall prescribe by regulation—

"(i) a formula to define the prevailing world market price for soybeans; and

"(ii) a mechanism by which the Secretary shall periodically announce the prevailing world market price for soybeans.

"(4) For purposes of this subsection, the soybean marketing year is the 12-month period beginning on September 1 and ending on August 31.

"(5)(A) The Secretary shall make a preliminary announcement of the level of price support for soybeans for a marketing year not earlier than 30 days before the beginning of the marketing year. The announced level shall be based on the latest information and statistics available at the time of the announcement.

"(B) The Secretary shall make a final announcement of such level as soon as complete information and statistics are available on prices for the 5 years preceding the beginning of the marketing year. Such final level of support may not be announced later than October 1 of the marketing year with respect to which the announcement is made. The final level of support may not be less than the level of support provided for in the preliminary announcement.

"(6) Notwithstanding any other provision of law—

"(A) the Secretary shall not require participation in any production adjustment program for soybeans or any other commodity as a condition of eligibility for price support for soybeans;

"(B) the Secretary shall not permit the planting of soybeans for harvest on reduced acreage or acreage set aside or diverted from production under any other Federal Government program;

"(C) the Secretary may not authorize payments to producers to cover the cost of storing soybeans; and

"(D) soybeans may not be considered an eligible commodity for any reserve program."

## TITLE IX—SUGAR

### SUGAR PRICE SUPPORT

SEC. 901. Effective only for the 1986 through 1990 crops of sugar beets and sugarcane, section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) (as amended by section 801 of this Act) is further amended by—

(1) striking out "honey, and milk" in the first sentence and inserting in lieu thereof "honey, milk, sugar beets, and sugarcane"; and

(2) adding at the end thereof the following new subsection:

"(j)(1) The price of each of the 1986 through 1990 crops of sugar beets and sugarcane, respectively, shall be supported in accordance with this subsection.

"(2) The Secretary shall support the price of domestically grown sugarcane through nonrecourse loans at such level as the Secretary determines appropriate but not less than 18 cents per pound for raw cane sugar, except that such level may be increased under paragraph (4).

"(3) The Secretary shall support the price of domestically grown sugar beets through nonrecourse loans at such level as the Secretary determines is fair and reasonable in relation to the loan level for sugarcane.

"(4)(A) The Secretary may increase the support price for each of the 1986 through 1990 crops of domestically grown sugarcane and sugar beets from the price determined for the preceding crop based on such factors as the Secretary determines appropriate, including changes (during the 2 crop years immediately preceding the crop year for which the determination is made) in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production.

"(B) If the Secretary makes a determination not to increase the support price under subparagraph (A), the Secretary shall submit a report containing the findings, decision, and supporting data for such determination to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

"(5) The Secretary shall announce the loan rate to be applicable during any fiscal year under this subsection as far in advance of the beginning of that fiscal year as is practicable consistent with the purposes of this subsection.

"(6) Loans under this subsection during any fiscal year shall be made available not earlier than the beginning of such fiscal year and shall mature before the end of such fiscal year."

#### PREVENTION OF SUGAR LOAN FORFEITURES

SEC. 902. (a) Beginning with the quota year for sugar imports which begins after the 1985/1986 quota year, the President shall use all authorities available to the President as is necessary to enable the Secretary of Agriculture to operate the sugar program established under section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) at no cost to the Federal Government by preventing the accumulation of sugar acquired by the Commodity Credit Corporation.

(b) Effective only for the 1985/1986 quota year for sugar imports, the President shall—

(1) modify the 1985/1986 quota year for imports for sugar so that such quota year will end no earlier than December 31, 1986, and rearrange the shipping schedules so that shipments are divided equally throughout the quota year, as extended; or

(2) require that the sugar program be administered in such a manner as will result in the forfeiture of sugar held by the Commodity Credit Corporation as collateral for price support loans in a quantity no greater than the total quantity (determined by the Secretary of Agriculture) that would have been

forfeited to the Commodity Credit Corporation had the 1985/1986 quota year been modified as prescribed in clause (1).

(c) Beginning with the quota year for sugar imports which begins after the 1985/1986 quota year, the President shall not allocate any of the sugar import quota under such provisions to any country that is a net importer of sugar derived from sugarcane or sugar beets unless the appropriate officials of that country verify to the President that that country does not import for reexport to the United States any sugar produced in Cuba.

#### PROTECTION OF SUGAR PRODUCERS

SEC. 903. (a) Section 401(e) of the Agricultural Act of 1949 (7 U.S.C. 1421(e)) is amended by—

(1) inserting "(1)" after the subsection designation; and

(2) adding at the end thereof the following new paragraph:

"(2)(A) If the assurances under paragraph (1) are not adequate to cause the producers of sugar beets and sugarcane, because of the bankruptcy or other insolvency of the processor, to receive maximum benefits from the price support program within 30 days after the final settlement date provided for in the contract between such producers and processor, the Secretary, on demand made by such producers and on such assurances as to nonpayment as the Secretary shall require, shall pay such producers such maximum benefits less benefits previously received by such producers.

"(B) On such payment, the Secretary shall—

"(i) be subrogated to all claims of such producers against the processor and other persons responsible for nonpayment; and

"(ii) have authority to pursue such claims as necessary to recover the benefits not paid to the producers.

"(C) The Secretary shall carry out this paragraph through the Commodity Credit Corporation."

(b) The amendments made by this section shall apply to nonpayments occurring after January 1, 1985.

### TITLE X—GENERAL COMMODITY PROVISIONS

#### SUBTITLE A—MISCELLANEOUS COMMODITY PROVISIONS

##### PAYMENT LIMITATIONS

SEC. 1001. Notwithstanding any other provision of law:

(1) For each of the 1986 through 1990 crops, the total amount of payments (excluding disaster payments) that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for wheat, feed grains, upland cotton, extra long staple cotton, and rice may not exceed \$50,000.

(2) For each of the 1986 through 1990 crops, the total amount of disaster payments that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 for wheat, feed grains, upland cotton, and rice may not exceed \$100,000.

(3) As used in this section, the term "payments" does not include—

(A) loans or purchases;

(B) any part of any payment that is determined by the Secretary of Agriculture to represent compensation for resource adjustment (excluding land diversion payments) or public access for recreation;

(C) any gain realized by a producer from repaying a loan for a crop of wheat, feed grains, upland cotton, or rice at the rate permitted under section 107D(a)(5), 105C(a)(4), 103A(a)(5), or 101A(a)(5), respectively, of the Agricultural Act of 1949;

(D) any deficiency payment received for a crop of wheat or feed grains under section 107D(c)(1) or 105C(c)(1), respectively, of such Act as the result of a reduction of the loan level for such crop under section 107D(a)(4) or 105C(a)(3) of such Act;

(E) any loan deficiency payment received for a crop of wheat, feed grains, upland cotton, or rice under section 107D(b), 105C(b), 103A(b), or 101A(b), respectively, of such Act;

(F) any inventory reduction payment received for a crop of wheat, feed grains, upland cotton, or rice under section 107D(g), 105C(g), 103A(g), or 101A(g), respectively, of such Act;

(G) any increased established price payments under section 105C(c)(1)(E) or 107D(c)(1)(E), respectively, of such Act; or

(H) any benefit received as a result of any cost reduction action by the Secretary under section 1009 of this Act.

(4) If the Secretary determines that the total amount of payments that will be earned by any person under the program in effect for any crop will be reduced under this section, any acreage requirement established under a set-aside or acreage limitation program for the farm or farms on which such person will be sharing in payments earned under such program shall be adjusted to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

(5)(A) The Secretary shall issue regulations—

(i) defining the term "person"; and

(ii) prescribing such rules as the Secretary determines necessary to assure a fair and reasonable application of the limitation established under this section.

(B) The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 (7 U.S.C. 1307) shall be used to establish the percentage ownership of a corporation by the stockholders of such corporation for the purpose of determining whether such corporation and stockholders are separate persons under this section.

(6) The provisions of this section that limit payments to any person shall not be applicable to lands owned by States, political subdivisions, or agencies thereof, so long as such lands are farmed primarily in the direct furtherance of a public function, as determined by the Secretary.

#### ADVANCE DEFICIENCY AND DIVERSION PAYMENTS

SEC. 1002. Effective only for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice, section 107C of the Agricultural Act of 1949 (7 U.S.C. 1445b-2) is amended to read as follows:

*"SEC. 107C. (a)(1) If the Secretary establishes an acreage limitation or set-aside program for any of the 1986 through 1990 crops of wheat, feed grains, upland cotton, or rice under this Act and determines that deficiency payments will likely be made for such commodity for such crop, the Secretary—*

*"(A) shall make advance deficiency payments available to producers who agree to participate in such program for the 1986 crop; and*

*"(B) may make such payments available to such producers for each of the 1987 through 1990 crops.*

*"(2) Advance deficiency payments under paragraph (1) shall be made to the producer under the following terms and conditions:*

*"(A) Such payments may be made available in the form of—*

*"(i) cash;*

*"(ii) commodities owned by the Commodity Credit Corporation and negotiable certificates redeemable in a commodity owned by the Commodity Credit Corporation, except that not more than 50 percent of such payments may be made in commodities or such certificates in the case of any producer; or*

*"(iii) any combination of clauses (i) and (ii).*

*"(B) If payments are made available to producers as provided for under subparagraph (A)(ii), such producers may elect to receive such payments either in the form of—*

*"(i) such commodities; or*

*"(ii) such certificates.*

*"(C) Such a certificate shall be redeemable for a period not to exceed 3 years from the date such certificate is issued.*

*"(D) The Commodity Credit Corporation shall pay the cost of storing a commodity that may be received under such a certificate until such time as the certificate is redeemed.*

*"(E) Such payments shall be made available as soon as practicable after the producer enters into a contract with the Secretary to participate in such program.*

*"(F) Such payments shall be made available in such amounts as the Secretary determines appropriate to encourage adequate participation in such program, except that such amount may not exceed an amount determined by multiplying—*

*"(i) the estimated farm program acreage for the crop, by*

*"(ii) the farm program payment yield for the crop, by*

*"(iii) 50 percent of the projected payment rate, as determined by the Secretary.*

*"(G) If the deficiency payment payable to a producer for a crop, as finally determined by the Secretary under this Act, is less than the amount paid to the producer as an advance deficiency payment for the crop under this subsection, the producer shall refund an amount equal to the difference between the amount advanced and the amount finally determined by the Secretary to be payable to the producer as a deficiency payment for the crop concerned.*

*"(H) If the Secretary determines under this Act that deficiency payments will not be made available to producers on a crop with respect to which advance deficiency payments already*

have been made under this subsection, the producers who received such advance payments shall refund such payments.

"(I) Any refund required under subparagraph (G) or (H) shall be due at the end of the marketing year for the crop with respect to which such payments were made.

"(J) If a producer fails to comply with requirements established under the acreage limitations or set-aside program involved after obtaining an advance deficiency payment under this subsection, the producer shall repay immediately the amount of the advance, plus interest thereon in such amount as the Secretary shall prescribe by regulation.

"(3) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

"(4) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

"(5) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provisions of law.

"(b) If the Secretary makes land diversion payments under this Act to assist in adjusting the total national acreage of any of the 1986 through 1990 crops of wheat, feed grains, upland cotton, or rice to desirable levels, the Secretary may make at least 50 percent of such payments available to a producer as soon as possible after the producer agrees to undertake the diversion of land in return for such payments."

#### ADVANCE RECOURSE COMMODITY LOANS

SEC. 1003. Effective for the 1986 through 1990 crops, the Agricultural Act of 1949 is amended by inserting after section 423 (7 U.S.C. 1433b) the following new section:

"SEC. 424. Notwithstanding any other provision of this Act, the Secretary may make advance recourse loans available to producers of the commodities of the 1986 through 1990 crops for which non-recourse loans are made available under this Act if the Secretary finds that such action is necessary to ensure that adequate operating credit is available to producers. Such recourse loans may be made available under such reasonable terms and conditions as the Secretary may prescribe, except that the Secretary shall require that a producer obtain crop insurance for the crop as a condition of eligibility for a loan."

#### INTEREST PAYMENT CERTIFICATES

SEC. 1004. Effective only for the 1986 through 1990 crops, section 405 of the Agricultural Act of 1949 (7 U.S.C. 1425) is amended by—

(1) inserting "(a)" after section designation; and

(2) adding at the end thereof the following new subsection:

"(b)(1) Notwithstanding any other provision of law, the Secretary may provide a negotiable certificate to any producer who repays, together with interest, a price support loan made available to such producer under any of the annual programs, for wheat, feed grains, upland cotton, or rice established under this Act.

"(2) The amount of such certificates shall be equal to the amount of the interest paid by the producer on such loan.



"(3) Such certificate shall be redeemable in wheat, feed grains, upland cotton, or rice, as the case may be, owned by the Commodity Credit Corporation.

"(4) The issuance of such certificate shall be subject to the availability of commodities owned by the Corporation."

#### PAYMENTS IN COMMODITIES

SEC. 1005. The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended by inserting after section 107D (as added by section 308 of this Act) the following new section:

"SEC. 107E. (a) In making in-kind payments under any of the annual programs for wheat, feed grains, upland cotton, or rice (other than negotiable marketing certificates for upland cotton or rice), the Secretary may—

"(1) acquire and use like commodities that have been pledged to the Commodity Credit Corporation as security for price support loans, including loans made to producers under section 110; and

"(2) use other like commodities owned by the Commodity Credit Corporation.

"(b) The Secretary may make in-kind payments—

"(1) by delivery of the commodity to the producer at a warehouse or other similar facility, as determined by the Secretary;

"(2) by the transfer of negotiable warehouse receipts;

"(3) by the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for a commodity in accordance with regulations prescribed by the Secretary; or

"(4) by such other methods as the Secretary determines appropriate to enable the producer to receive payments in an efficient, equitable, and expeditious manner so as to ensure that the producer receives the same total return as if the payments had been made in cash."

#### WHEAT AND FEED GRAIN EXPORT CERTIFICATE PROGRAMS

SEC. 1006. Effective for the 1986 through 1990 crops of wheat and feed grains, the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended by inserting after section 107F (as added by section 1005 of this Act), the following new section:

"SEC. 107F. (a)(1) The Secretary may establish a program, applicable to any of the 1986 through 1990 crops of wheat or feed grains, to provide incentives for the export of any of such crops of wheat and feed grains from private stocks. The program for any such crop established under this subsection by the Secretary shall include the following terms:

"(A) The Secretary shall issue wheat or feed grain export certificates to producers to whom the Secretary makes loans and payments under section 107D or 105C, respectively, for a crop if such producers comply with the terms and conditions of the program for such crop.

"(B) Each such certificate shall bear a monetary denomination and a designation specifying a quantity of the crop of the commodity involved, selected by the Secretary.

*"(C) The aggregate quantity of wheat or feed grains specified in all export certificates distributable to eligible producers of the crop involved shall be equal to—*

*"(i) the aggregate amount of wheat or feed grains produced by producers participating in the program for the crop under section 107D or 105C, as determined by multiplying the acreage planted by each such producer for harvest times the farm program payment yield for the commodity, times*

*"(ii) an export production factor.*

*For purposes of this subparagraph, the export production factor for a crop shall be determined by the Secretary by dividing the quantity of such crop harvested domestically that the Secretary estimates will not be used domestically and will be available for export (excluding the portion of the crop expected to be added to carryover stocks) during the marketing year for such crop by the quantity of such crop that the Secretary estimates will be harvested domestically.*

*"(D) Wheat or feed grain export certificates shall be distributed among eligible producers in a manner that will ensure that each eligible producer receives certificates having an aggregate face value that represents an equal rate of return per unit of wheat or feed grains produced by such producer for such crop. For purposes of determining such rate of return, the Secretary shall take into consideration regional variations in the costs incurred by producers to market the commodity (including transportation costs).*

*"(E) An export certificate issued under this subsection shall be redeemed by the Secretary for a cash amount equal to the monetary denomination on such certificate (or, at the option of the Secretary, a quantity of the commodity involved having a current fair market value equal to such amount) only on presentation by a holder who exports a quantity of the crop involved (including processed wheat or feed grains) equal to the quantity designated in the certificate and only if the Secretary has not redeemed previously an export certificate issued under this subsection presented in connection with the particular wheat or feed grains so exported.*

*"(2) The Secretary shall carry out this subsection through the Commodity Credit Corporation. If sufficient funds are available to the Corporation, there shall be expended to carry out this subsection with respect to the export of the crop of wheat or feed grains involved an amount not less than the product of multiplying—*

*"(A) 21 cents for wheat, 11 cents for corn, and such amounts for grain sorghums, oats, and, if designated by the Secretary, barley as the Secretary determines fair and reasonable in relation to the amount specified for corn, times*

*"(B) the aggregate of the wheat or feed grain acreage planted to the commodity for harvest by producers participating in the program for the crop with respect to which deficiency payments are available under section 107D or 105C, times*

*"(C) the average of the program yields for the crop.*

*"(3) Funds expended to carry out export certificate programs established under this subsection shall be in addition to, and not in place of, funds authorized by any other law to be expended to finance or encourage the export of wheat or feed grains.*

*"(4) For purposes of facilitating the transfer of export certificates under this subsection, the Commodity Credit Corporation may buy and sell certificates in accordance with regulations prescribed by the Secretary.*

*"(b)(1) Effective for each of the 1986 through 1990 crops of wheat or feed grains, the Secretary may issue to eligible producers (who, for purposes of this subsection, are producers of wheat or feed grains participating in the program under this Act for such crop who meet the requirements of paragraph (2)) export marketing certificates, denominated in bushels of wheat or feed grains, as applicable, for the crop, which shall be used, under such terms and conditions as the Secretary may prescribe consistent with the provisions of this subsection, as follows:*

*"(A) Not later than 3 months before the beginning of the marketing year for a crop of wheat or feed grains, the Secretary may issue to eligible producers that plant at least 50 percent of the farm's wheat or feed grain crop acreage base for such crop, export marketing certificates to be applicable to such marketing year that, in the aggregate, shall equal the quantity of the commodity the Secretary estimates will be exported during the marketing year. Each such eligible producer shall receive certificates for a quantity of the commodity that bears the same ratio to the quantity of estimated exports as the producer's crop acreage base for that crop of the commodity bears to the aggregate total of all such eligible producers' crop acreage bases for that crop, rounded upward to the nearest full bushel.*

*"(B) The denomination of export marketing certificates shall be 1 bushel (with no accompanying cash face value), except that the Secretary may issue certificates in multiples of such denomination, and any certificate in the multiple of such denomination, may be exchanged by the producer, at the county Agricultural Stabilization and Conservation Service office, for certificates representing an equivalent quantity of the commodity in different multiples, to facilitate the operation of the program under this subsection. Each export marketing certificate shall designate the producer by name and the crop involved.*

*"(C) If 7 months after the beginning of the marketing year for the crop, the Secretary determines that the amount of the commodity that will be exported during the marketing year for that crop will exceed the aggregate quantity of the commodity represented by all the export marketing certificates so issued, the Secretary may issue additional export marketing certificates to producers that initially received certificates for the crop sufficient to cover the additional exports, such certificates to be apportioned among such producers so that producer receives the same portion of the additional certificates issued that the producer received of the export certificates initially issued for the crop, as provided in subparagraph (A), rounded upward to the nearest full bushel.*

"(D) Producers may convey export marketing certificates issued under this subsection to purchasers of the commodity involved sold by the producers at any time prior to the end of the marketing year for the crop described in the certificate. If a producer has less wheat or feed grains to sell than the quantity represented by the export marketing certificates issued to the producer, because of the reduced production or other reason or because, in the case of additional certificates issued under subparagraph (C), the producer had disposed of the producer's wheat or feed grains prior to the issuance of such additional certificates, the producer, at any time prior to the end of the marketing year for the crop involved, may sell the extra export marketing certificates to any person for such price as agreed on by the producer and purchaser. Any certificate may be reconveyed without restriction.

"(2) To be eligible to receive export certificates under this subsection for a crop of wheat or feed grains, a producer of such commodity must participate in the program under this title for such crop, and—

"(A) if there is no acreage limitation or set-aside in effect for the crop, limit the acreage on the farm planted to the crop for harvest to the farm's wheat or feed grain crop acreage base, as applicable;

"(B) if an acreage limitation is in effect for the crop, limit the acreage on the farm planted to the crop for harvest to the farm's wheat or feed grain crop acreage base, as applicable, reduced to the extent required under the acreage limitation program, and comply with any other terms of the acreage limitation program established by the Secretary; or

"(C) if a set-aside program is in effect for the crop, comply with the set-aside and other terms of the set-aside program established by the Secretary.

"(3) Whenever the Secretary issues certificates under this subsection for a crop of wheat or feed grains, no person may export wheat or feed grains or products thereof, from the United States during the marketing year for the crop without surrendering to the Secretary, at the time of export, export marketing certificates for such crop representing the quantity of the commodity being exported or, in the case of wheat or feed grain products, the equivalent quantity of the commodity contained in the products being exported. Persons that fail to comply with the requirements of the preceding sentence shall be subject, for each violation thereof, to a fine of not more than \$25,000 or imprisonment for not to exceed 1 year, or both such fine and imprisonment. This paragraph shall not apply to exports of commodities or products owned by the Federal Government or any agency or instrumentality thereof, nor to commodities or products provided to the exporter by the Commodity Credit Corporation under an export development program.

"(4) Any person who falsely makes, issues, alters, forges, or counterfeits any export marketing certificate, or with fraudulent intent possesses, transfers, or uses any such falsely made, issued, altered, forged, or counterfeited export marketing certificate, shall be subject to a fine of not more than \$10,000 or imprisonment of not more than 10 years, or both such fine and imprisonment.

"(5) For purposes of facilitating the transfer of export certificates under this subsection, the Commodity Credit Corporation may buy and sell certificates in accordance with regulations prescribed by the Secretary."

#### COMMODITY CREDIT CORPORATION SALES PRICE RESTRICTIONS

SEC. 1007. Effective only for the marketing years for the 1986 through 1990 crops, section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427) is amended by—

(1) in the third sentence, striking out the language following the third colon and inserting in lieu thereof the following: "Provided, That, notwithstanding any other provision of law, the Corporation may not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less (A) 115 percent of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges, or (B) if the Secretary permits the repayment of loans made for a crop of the commodity at a rate that is less than the loan level determined for such crop, 115 percent of the average loan repayment rate that is determined for such crop during the period of such loans.";

(2) in the fifth sentence, striking out "current basic county support rate including the value of any applicable price-support payment in kind (or a comparable price if there is no current basic county support rate)" and inserting in lieu thereof the following: "current basic county loan rate (or a comparable price if there is no current basic county loan rate)"; and

(3) in the seventh sentence, striking out "but in no event shall the purchase price exceed the then current support price for such commodities" and inserting in lieu thereof: "or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use".

#### DISASTER PAYMENTS FOR 1985 THROUGH 1990 CROPS OF PEANUTS, SOYBEANS, SUGAR BEETS, AND SUGARCANE

SEC. 1008. Effective only for the 1985 through 1990 crops of peanuts, soybeans, sugar beets, and sugarcane, section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) (as amended by section 901 of this Act) is further amended by adding at the end thereof the following new subsection:

"(k)(1) If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage on the farm intended for peanuts, soybeans, sugar beets, or sugarcane to peanuts, soybeans, sugar beets, sugarcane, or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary may make a prevented planting disaster payment to the producers in an amount equal to the product obtained by multiplying—

"(A) the number of acres so affected but not to exceed the acreage planted to peanuts, soybeans, sugar beets, or sugarcane

for harvest (including any acreage that the producers were prevented from planting to such commodity or to other nonconserving crops in lieu of peanuts, soybeans, sugar beets, or sugarcane because of drought, flood or other natural disaster, or other condition beyond the control of the producers) in the immediately preceding year, by

"(B) 75 percent of the farm program payment yield established by the Secretary, by

"(C) a payment rate equal to 50 percent of the loan and purchase level for the crop.

"(2) If the secretary determines that because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the total quantity of peanuts, soybeans, sugar beets, or sugarcane that the producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the Secretary may make a reduced yield disaster payment to the producers at a rate equal to 50 percent of the loan and purchase level for the crop for the deficiency in production below 60 percent for the crop.

"(3) The Secretary may make such adjustments in the amount of payments made available under this paragraph with respect to an individual farm so as to assure the equitable allotment of such payments among producers, taking into account other forms of Federal disaster assistance provided to the producers for the crop involved."

#### COST REDUCTION OPTIONS

SEC. 1009. (a) Notwithstanding any other provision of law, whenever the Secretary of Agriculture determines that an action authorized under subsection (c), (d), or (e) will reduce the total of the direct and indirect costs to the Federal Government of a commodity program administered by the Secretary without adversely affecting income to small- and medium-sized producers participating in such program, the Secretary shall take such action with respect to the commodity program involved.

(b) In the announcement of the specific provisions of any commodity program administered by the Secretary of Agriculture, the Secretary shall include a statement setting forth which, if any, of the actions are to be initially included in the program, and a statement that the Secretary reserves the right to initiate at a later date any action not previously included but authorized by this section, including the right to reopen and change a contract entered into by a producer under the program if the producer voluntarily agrees to the change.

(c) When a nonrecourse loan program is in effect for a crop of a commodity, the Secretary may enter the commercial market to purchase such commodity if the Secretary determines that the cost of such purchases plus appropriate carrying charges will probably be less than the comparable cost of later acquiring the commodity through defaults on nonrecourse loans under the program.

(d) When the domestic market price of a commodity for which a nonrecourse loan program is in effect is insufficient to cover the principal and accumulated interest on a loan made under such program, thereby encouraging default by a producer, the Secretary may provide for settlement of such loan and redemption by the producer of the commodity securing such loan for less than the total of the principal and all interest accumulated thereon if the Secretary determines that such reduction in the settlement price will yield savings to the Federal Government due to—

(1) receipt by the Federal Government of a portion rather than none of the accumulated interest;

(2) avoidance of default; or

(3) elimination of storage, handling, and carrying charges on the forfeited commodity,

but the Secretary may not reduce the settlement price to less than the principal due on the loan.

(e) When a production control or loan program is in effect for a crop of a major agricultural commodity, the Secretary may at any time prior to harvest reopen the program to participating producers for the purpose of accepting bids from producers for the conversion of acreage planted to such crop to diverted acres in return for payment in kind from Commodity Credit Corporation surplus stocks of the commodity to which the acreage was planted, if the Secretary determines that (1) changes in domestic or world supply or demand conditions have substantially changed after announcement of the program for that crop, and (2) without action to further adjust production, the Federal Government and producers will be faced with a burdensome and costly surplus. Such payments in kind shall not be included within the payment limitation of \$50,000 per person established under section 1001 of this Act, but shall be limited to a total of \$20,000 per year per producer for any one commodity.

(f) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary under any other provision of law.

#### MULTIYEAR SET-ASIDES

**SEC. 1010.** Notwithstanding any other provision of law:

(1) The Secretary of Agriculture may enter into multiyear set-aside contracts for a period not to extend beyond the 1990 crops. Such contracts may be entered into only as a part of the programs in effect for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice, and only producers participating in one or more of such programs shall be eligible to contract with the Secretary under this section. Producers agreeing to a multiyear set-aside agreement shall be required to devote the set-aside acreage to vegetative cover capable of maintaining itself through such period to provide soil protection, water quality enhancement, wildlife production, and natural beauty. Grazing of livestock under this section shall be prohibited, except in areas of a major disaster, as determined by the President, if the Secretary finds there is a need for such grazing as a result of such disaster. Producers entering into agreements under this section shall also agree to comply with all applicable State and local laws and regulations governing noxious weed control.

(2) The Secretary shall provide cost-sharing incentives to farm operators for the establishment of vegetative cover, whenever a multiyear set-aside contract is entered into under this section.

(3) The Secretary may issue such regulations as the Secretary determines necessary to carry out this section.

(4) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

#### **SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY**

SEC. 1011. Effective for the 1986 through 1990 crops of wheat and feed grains, section 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is amended to read as follows:

#### **"SUPPLEMENTAL SET-ASIDE AND ACREAGE LIMITATION AUTHORITY**

"SEC. 113. Notwithstanding any other provision of law or prior announcement made by the Secretary to the contrary, the Secretary may announce and provide for a set-aside or acreage limitation program under section 105C or 107D for one or more of the 1986 through 1990 crops of wheat and feed grains if the Secretary determines that such action is in the public interest as a result of the imposition of restrictions on the export of any such commodity by the President or other member of the executive branch of the Federal Government. To carry out effectively a set-aside or acreage limitation program authorized under this section, the Secretary may make such modifications and adjustments in such program as the Secretary determines necessary because of any delay in instituting such program."

#### **PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS**

SEC. 1012. (a) Except as provided by subsection (b), effective beginning with the 1986 crops, section 110 of the Agricultural Act of 1949 (7 U.S.C. 1445e) is amended by—

(1) in the first sentence of subsection (a)—

(A) striking out "and" after "supply" and inserting in lieu thereof a comma; and

(B) inserting before the period at the end thereof the following: ", and provide for adequate, but not excessive, carryover stocks to ensure a reliable supply of the commodities";

(2) in the third sentence of subsection (b)—

(A) in clause (1), striking out "nor more than five years" and inserting in lieu thereof ", with extensions as warranted by market conditions";

(B) in clause (4), striking out "before the market price for wheat or feed grains has reached" and inserting in lieu thereof "when the total amount of wheat or feed grains in storage under programs under this section is below the upper limits for such storage as set forth in clauses (A) and (B) of subsection (e)(2) and the market price for wheat or feed grains is below";

(C) in clause (5), striking out "a specified level, as determined by the Secretary" and inserting in lieu thereof "the



*higher of 140 percent of the nonrecourse loan rate for the commodity or the established price for such commodity, as determined under title I*";

(3) adding at the end of subsection (b) the following:

*"Whenever—*

*"(A)(i) the total quantity of wheat stored under storage programs established under this section is less than 17 percent of the estimated total domestic and export usage of wheat during the then current marketing year for wheat, as determined by the Secretary; or*

*"(ii) the total quantity of feed grains stored under storage programs established under this section is less than 7 percent of the estimated total domestic and export usage of feed grains during the then current marketing year for feed grains, as determined by the Secretary; and*

*"(B) the market price of the commodity, as determined by the Secretary, does not exceed 140 percent of the nonrecourse loan rate for the commodity;*

*the Secretary shall encourage participation in the programs authorized under this section by offering producers increased storage payments and loan levels, interest waivers, or such other incentives as the Secretary determines necessary to maintain the total amount of storage under the programs at the levels specified in clauses (A) and (B). The Secretary shall ensure that producers are afforded a fair and equitable opportunity to participate in each producer storage program, taking into account regional differences in the time of harvest."*; and

(4) in subsection (e)—

(A) inserting "(1)" after the subsection designation;

(B) inserting before the period at the end of the second sentence the following: ", subject to the upper limits on the total quantity of wheat and feed grains that may be stored under storage programs established under this section set out in paragraph (2)";

(C) striking out the third sentence; and

(D) adding at the end thereof the following new paragraph:

*"(2) Prior to the harvest of each crop of wheat and feed grains, the Secretary shall determine and establish upper limits on the total quantity of wheat and feed grains that may be stored under storage programs established under this section to be effective during the marketing year for such crop, as follows:*

*"(A) The upper limit on the total quantity of wheat that may be stored under such programs shall not exceed 30 percent of the estimated total domestic and export usage of wheat during the marketing year for the crop of wheat, as determined by the Secretary.*

*"(B) The upper limit on the total quantity of feed grains that may be stored under such programs shall not exceed 15 percent of the estimated total domestic and export usage of feed grains during the marketing year for the crop, as determined by the Secretary.*

"(C) Notwithstanding clauses (A) and (B), the Secretary may establish the upper limits at higher levels—not in excess of 110 percent of the levels determined under clauses (A) and (B)—if the Secretary determines that the higher limits are necessary to achieve the purposes of this section."

(b) The amendment made by subsection (a)(2)(B) of this section shall take effect with respect to any loan made under section 110 of the Agricultural Act of 1949 (7 U.S.C. 1445e) the date for repayment of which occurs after the date of enactment of this Act.

#### EXTENSION OF THE RESERVE

SEC. 1013. Section 302(i) of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1(i)) is amended by striking out "1985" both places it appears and inserting in lieu thereof "1990".

#### NORMALLY PLANTED ACREAGE

SEC. 1014. Section 1001 of the Food and Agriculture Act of 1977 (7 U.S.C. 1309) is amended by—

(1) striking out "1985" each place it appears and inserting in lieu thereof "1990"; and

(2) adding at the end thereof the following new subsection:

"(c) Notwithstanding any other provision of law, whenever marketing quotas are in effect for any of the 1987 through 1990 crops of wheat, the Secretary of Agriculture may require, as a condition of eligibility for loans, purchases, and payments on any commodity under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), that the acreage normally planted to crops designated by the Secretary, adjusted as considered necessary by the Secretary to be fair and equitable among producers, shall be reduced by a quantity equal to—

"(1) the acreage that the Secretary determines would normally be planted to wheat on a farm; minus

"(2) the individual farm program acreage for the farm under section 107D(d)(3)(A) of such Act."

#### SPECIAL GRAZING AND HAY PROGRAM

SEC. 1015. (a) Section 109 of the Agricultural Act of 1949 (7 U.S.C. 1445d) is amended by striking out "1985" in the first sentence of subsection (a) and inserting in lieu thereof "1990".

#### ADVANCE ANNOUNCEMENT OF PROGRAMS

SEC. 1016. Section 406 of the Agricultural Act of 1949 (7 U.S.C. 1426) is amended by

(1) inserting "(a)" after the section designation; and

(2) adding at the end thereof the following new subsection:

"(b)(1) Notwithstanding any other provision of this Act, the Secretary of Agriculture may offer an option to producers of the 1987 through 1991 crops of wheat, feed grains, upland cotton and rice with respect to participation in commodity price support, production adjustment, and payment programs as provided in this subsection.

"(2) With respect to the 1987 through 1991 crops of wheat, feed grains, upland cotton, and rice, in any county in the United States, if the Secretary has not made final announcement of the terms of

the commodity price support production adjustment, and payment program for wheat, feed grains, upland cotton, or rice on or before the later of—

“(A) 60 days prior to the normal planting date of such commodity in such county, as determined by the Secretary; or

“(B)(1) in the case of wheat, June 1 of the calendar year prior to the crop year for which such program is announced;

“(ii) in the case of feed grains, September 30 of the calendar year prior to the crop year for which such program is announced;

“(iii) in the case of upland cotton, November 1 of the calendar year prior to the crop year for which such program is announced; and

“(iv) in the case of rice, January 31 of the calendar year that is the same as the crop year for which such program is announced,

then the Secretary may permit producers of any such commodity in such county to elect to receive price support, payments, or other program benefits as provided in (I) the program announced for such commodity for the current crop year or (II) paragraph (3).

“(3)(A)(i) The Secretary may permit producer eligible to make the election provided by this subsection to participate in the program described in this paragraph or, at the discretion of the Secretary, the program announced for the commodity for the current crop year, by complying with the terms of the program announced for the preceding crop of the commodity.

“(B)(i) Except as provided in clause (ii), the Secretary may make available to producers of a commodity who exercise the election provided by this subsection and who comply fully with the terms and conditions of any acreage reduction program established for the preceding year's crop of the commodity—

“(I) loans and purchases at the level established for the crop for which the election is made;

“(II) deficiency payments calculated on the same basis as the deficiency payments which were calculated for the crop immediately preceding the crop with respect to which the election is made; and

“(III) payments equal to the difference between the level of loans and purchases for the crop with respect to which the election is made and the level of loans and purchases for the crop immediately preceding the crop with respect to which the election is made.

Payments authorized by subclause (III) of the preceding sentence shall be made in the form of cash or in-kind commodities.

“(ii) In the case of the 1991 crop, the Secretary shall make available to producers of a commodity who exercise the election provided by this section and who comply fully with the terms and conditions of any acreage reduction program established for the 1990 crop of the commodity—

“(I) loans and purchases at the level established for the 1991 crop under legislation enacted subsequent to the date of the enactment of the Food Security Act of 1985, except that if legislation is enacted subsequent to the enactment of such Act which

provides that loans and purchases shall not be made with respect to the 1991 crop of a commodity, the Secretary may make available to producers of such commodity eligible for the election provided by this subsection loans and purchases at the level determined for the 1990 crop, or if legislation is not enacted subsequent to the enactment of such Act which provides that loans and purchases shall be made with respect to the 1991 crop of any such commodity, and if loans and purchases are available to producers of such commodity under laws previously enacted, none of the provisions of this section shall apply to the 1991 crop;

"(II) deficiency payments calculated on the basis of the established price for the commodity determined for the 1990 crop; and

"(III) payments equal to the difference between the level of loans and purchases that the producer is eligible to receive under subclause (I) for such commodity for the 1991 crop and the level of loans and purchases determined for such commodity for the 1990 crop.

Payments authorized by subclause (III) of the preceding sentence shall be made in cash or in the form of in-kind commodities.

"(C) The Secretary shall consider the crop acreage base and farm program payment yield for any farm with respect to which a producer exercises the election provided by this section to be equal to the crop acreage base and farm program payment yield that was established, or would have been established, for such farm for the year preceding the year for which the election is made."

#### DETERMINATIONS OF THE SECRETARY

SEC. 1017. (a) The first sentence of section 385 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1385) is amended by inserting "extra long staple cotton," after "upland cotton,".

(b) The Secretary of Agriculture shall determine the rate of loans, payments, and purchases under a program established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for any of the 1986 through 1990 crops of a commodity without regard to the requirements for notice and public participation in rulemaking prescribed in section 553 of title 5, United States Code, or in any directive of the Secretary.

#### APPLICATION OF TERMS IN THE AGRICULTURAL ACT OF 1949

SEC. 1018. Effective only for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice, subsection (k) of section 408 of the Agricultural Act of 1949 (7 U.S.C. 1428(k)) is amended to read as follows:

"(k)(1) Reference made in sections 402, 403, 406, 407, and 416 to the terms 'support price', 'level of support', and 'level of price support' shall be considered to apply as well to the loan and purchase level for wheat, feed grains, upland cotton, and rice under this Act.

"(2) References made to the terms 'price support', 'price support operations', and 'price support program' in such sections and in section 401(a) shall be considered as applying as well to loan and pur-

*chase operations for wheat, feed grains, upland cotton, and rice under this Act."*

#### NORMAL SUPPLY

*SEC. 1019. Notwithstanding any other provision of law, if the Secretary of Agriculture determines that the supply of wheat, corn, upland cotton, or rice for the marketing year for any of the 1986 through 1990 crops of such commodity is not likely to be excessive and that program measures to reduce or control the planted acreage of the crop are not necessary, such a decision shall constitute a determination that the total supply of the commodity does not exceed the normal supply and no determination to the contrary shall be made by the Secretary with respect to such commodity for such marketing year.*

#### MARKETING YEAR FOR CORN

*SEC. 1020. Section 301(b)(7) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1301(b)(7)) is amended by striking out "Corn, October 1-September 30;" and inserting in lieu thereof "Corn, September 1-August 31;"*

#### FEDERAL CROP INSURANCE CORPORATION EMERGENCY FUNDING AUTHORITY

*SEC. 1021. Section 516(c)(1) of the Federal Crop Insurance Act (7 U.S.C. 1516(c)(1)) is amended by striking out the last sentence.*

#### CROP INSURANCE STUDY

*SEC. 1022. (a) The Secretary of Agriculture shall conduct a study—*

*(1) of the practice of offsetting the quantity of winter and spring wheat of a producer for the purpose of determining the amount of benefits due such producer under a policy insured under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.); and*

*(2) of the feasibility and desirability of including winterkill of winter wheat as a loss covered by crop insurance under such Act.*

*(b) Not later than 180 days after the date of enactment of this Act, the Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the results of the study conducted under subsection (a), together with any recommendations for any legislation or regulations necessary to rectify any inequities identified in such study.*

#### NATIONAL AGRICULTURAL COST OF PRODUCTION STANDARDS REVIEW BOARD

*SEC. 1023. (a) Subsection (c) of section 1006 of the Agriculture and Food Act of 1981 (7 U.S.C. 4102(c)) is amended to read as follows:*

*"(c) A person may serve as a member of the Board for one or more terms."*

"(b) Section 1014 of such Act (7 U.S.C. 4110) is amended by striking out "1985" and inserting in lieu thereof "1990".

#### LIQUID FUELS

SEC. 1024. Section 423(a) of the Agricultural Act of 1949 (7 U.S.C. 1433b) is amended by striking out all after "the Commodity Credit Corporation" and inserting in lieu thereof the following: "the Corporation may, under terms and conditions established by the Secretary, make its accumulated stocks of agricultural commodities available, at no cost or reduced cost, to encourage the purchase of such commodities for the production of liquid fuels and agricultural commodity byproducts. In carrying out the program established by this section, the Secretary shall ensure, insofar as possible, that any use of agricultural commodities made available be made in such manner as to encourage increased use and avoid displacing usual marketings of agricultural commodities."

#### Subtitle B—Uniform Base Acreage and Yield Provisions

##### ACREAGE BASE AND PROGRAM YIELD SYSTEM FOR THE WHEAT, FEED GRAIN, UPLAND COTTON, AND RICE PROGRAMS

SEC. 1031. Effective for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice, the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended by inserting after title IV the following new title:

#### "TITLE V—ACREAGE BASE AND PROGRAM YIELD SYSTEM FOR THE WHEAT, FEED GRAIN, UPLAND COTTON, AND RICE PROGRAMS

"SEC. 501. The purpose of this title is to prescribe a system for establishing farm and crop acreage bases and program yields for the wheat, feed grain, upland cotton, and rice programs under this Act that is efficient, equitable, flexible, and predictable.

"SEC. 502. For purposes of this title—

"(1) the term 'program crop' means any crop of wheat, feed grains, upland cotton, or rice; and

"(2) the term 'county committee' means the county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for the county in which the farm is administratively located.

"SEC. 503. (a)(1) Except as provided in paragraph (2), the Secretary shall provide for the establishment and maintenance of farm acreage bases for the 1986 and subsequent crop years.

"(2) With respect to the 1986 crop year, the Secretary may forgo the establishment of farm acreage bases under this title.

"(b)(1) The county committee, in accordance with regulations prescribed by the Secretary, shall determine the farm acreage base for a farm for a crop year. Such farm acreage base shall include the number of acres equal to the sum of the crop acreage bases for the farm.

"(2) In the case of farm acreage bases established for the 1987 and subsequent crop years, the determination of the farm acreage base shall also include (in addition to the crop acreage bases for the

farm) the sum of (A) the average of the acreage on the farm planted to soybeans in the 1986 and subsequent crop years, and (B) the average of the acreage on the farm devoted by the producer to a conserving use in the normal course of farming operations in the 1986 and subsequent crop years.

"SEC. 504. (a)(1) The Secretary shall provide for the establishment and maintenance of crop acreage bases for each program crop, including any program crop produced under an established practice of double cropping. The sum of the crop acreage bases for all program crops produced on any farm for any crop year shall not exceed the farm acreage base for such farm for such crop year, except to the extent that the excess is due to an established practice of double cropping.

"(2) The term 'double cropping' means a farming practice, as defined by the Secretary, which has been carried out on a farm in at least 3 of the 5 crop years immediately preceding the crop year for which the crop acreage base for the farm is established.

"(b)(1)(A) Except as provided in subparagraph (B), the crop acreage base for a program crop for any farm for the 1986 and subsequent crop years shall be the number of acres that is equal to the average of the acreage planted and considered planted to such program crop for harvest on the farm in each of the five crop years preceding such crop year.

"(B)(i) In the case of upland cotton and rice, except as provided in clause (ii), if no planted and considered planted acreage has been established for a farm for each of the five crop years preceding such crop year, the crop acreage base for such crop shall be equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the five crop years preceding such crop year, excluding all crop years in which planted and considered planted acreage was not established for the farm.

"(ii) Any crop acreage base established in accordance with paragraph (1)(A) and paragraph (1)(B)(i) shall not exceed a number of acres equal to the average of the acreage planted and considered planted to such crop for harvest on the farm in each of the two crop years preceding such crop year.

"(2) The acreage considered planted to a program crop shall include—

"(A) any reduced acreage, set-aside acreage, and diverted acreage on the farm;

"(B) any acreage on the farm that producers were prevented from planting to such crop because of drought, flood, or other natural disaster, or other condition beyond the control of the producers;

"(C) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is planted to a nonprogram crop, other than soybeans and extra long staple cotton; and

"(D) any acreage on the farm which the Secretary determines is necessary to be included in establishing a fair and equitable crop acreage base.

"(3) For the purpose of determining the crop acreage base for the 1986 and subsequent crop years for any farm, the county committee,

in accordance with regulations prescribed by the Secretary, may construct a planting history for such crop if—

“(A) planting records for such crop for any of the five crop years preceding such crop year are incomplete or unavailable; or

“(B) during at least one but not more than four of the five crop years preceding such crop year, the program crop was not produced on the farm.

“(c) The Secretary may make adjustments to reflect crop rotation practices and to reflect such other factors as the Secretary determines should be considered in determining a fair and equitable crop acreage base.

“(d) If a county committee determines, in accordance with regulations prescribed by the Secretary, that the occurrence of a natural disaster or other similar condition beyond the control of the producer prevented the planting of a program crop on any farm within the county (or substantially destroyed any such program crop after it had been planted but before it had been harvested), the producer may plant any other crop, including any other program crop, on the acreage of such farm that, but for the occurrence of such disaster or other condition, would have been devoted to the production of a program crop. For purposes of determining the farm acreage base or the crop acreage base, any acreage on the farm on which a substitute crop, including any program crop, is planted under this subsection shall be taken into account as if such acreage had been planted to the program crop for which the other crop was substituted.

“SEC. 505. (a) The Secretary may provide for an upward adjustment of any crop acreage base for any farm for any crop year. Except as provided in subsection (d), such adjustment may not exceed the number of acres that is equal to 10 percent of the farm acreage base for such farm for such crop year. Any upward adjustment in a crop acreage base must be offset by an equivalent downward adjustment in one or more other crop acreage bases established for the farm for such crop year.

“(b) The Secretary may suspend, on a nationwide basis, any limitation contained in subsection (a) with respect to the crop acreage base for any program crop if the Secretary determines that—

“(1) a short supply or other similar emergency situation exists with respect to the program crop; or

“(2) market factors exist that require the suspension of the limitation to achieve the purposes of the program.

“SEC. 506. (a) The Secretary shall provide for the establishment of a farm program payment yield for each farm for each program crop for each crop year.

“(b)(1) Except as provided in paragraph (2), the farm program payment yield for each of the 1986 and 1987 crop years shall be the average of the farm program payment yields for the farm for the 1981 through 1985 crop years, excluding the year in which such yield was the highest and the year in which such yield was the lowest.

“(2) If no crop of the commodity was produced on the farm or no farm program payment yield was established for the farm for any of the 1981 through 1985 crop years, the farm program payment yield shall be established on the basis of the average farm program payment yield for such crop years for similar farms in the area.



"(3) If the Secretary determines such action is necessary, the Secretary may establish national, State, or county program payment yields on the basis of—

"(A) historical yields, as adjusted by the Secretary to correct for abnormal factors affecting such yields in the historical period; or

"(B) the Secretary's estimate of actual yields for the crop year involved if historical yield data is not available.

"(4) If national, State, or county program payment yields are established, the farm program payment yields shall balance to the national, State, or county program payment yields.

"(c)(1) With respect to the 1988 and subsequent crop years, the Secretary may (A) establish the farm program payment yield as provided in subsection (b), or (B) establish a farm program payment yield for any program crop for any farm on the basis of the average of the yield per harvested acre for the crop for such farm for each of the five crop years immediately preceding such crop year, excluding the crop year with the highest yield per harvested acre, the crop year with the lowest yield per harvested acre, and any crop year in which such crop was not planted on the farm. For purposes of the preceding sentence, the farm program payment yield for the 1983 through 1986 crop years and the actual yield per harvested acre with respect to the 1987 and subsequent crop years shall be used in determining farm program payment yields.

"(2) The county committee, in accordance with regulations prescribed by the Secretary, may adjust any program yield for any program crop for any farm if the program yield for the crop on the farm does not accurately reflect the productive potential of the farm because of the occurrence of a natural disaster or other similar condition beyond the control of the producer.

"(d) In the case of any farm for which the actual yield per harvested acre for any program crop referred to in subsection (c)(1) for any crop year is not available, the county committee may assign the farm a yield for the crop for such crop year on the basis of actual yields for the crop for such crop year on similar farms in the area.

"SEC. 507. Effective for each of the 1986 and subsequent crop years, each county committee, in accordance with regulations prescribed by the Secretary, may require any producer who seeks to establish a farm acreage base, crop acreage base, or farm program payment yield for a farm for a crop year to provide planting and production history of such farm for each of the five crop years immediately preceding such crop year.

"SEC. 508. Each county committees may, in accordance with regulations prescribed by the Secretary, provide for the establishment of a farm acreage base, crop acreage base, and farm program payment yield with respect to any farm administratively located within the county if such farm acreage base, crop acreage base, or farm program payment yield cannot otherwise be established under this title. Such bases and farm program payment yields shall be established in a fair and equitable manner, but no such bases or farm program payment yields shall be established for a farm if the producer on such farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland.

"SEC. 509. The Secretary shall establish an administrative appeal procedure which provides for an administrative review of determinations made with respect to farm acreage bases, crop acreage bases, and farm program payment yields."

### Subtitle C—Honey

#### HONEY PRICE SUPPORT

SEC. 1041. Effective only for the 1986 through 1990 crops of honey, subsection (b) of section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446) is amended to read as follows:

"(b)(1) For each of the 1986 through 1990 crops of honey, the price of honey shall be supported through loans, purchases, or other operations as follows:

"(A) For the 1986 crop, the loan and purchase level for honey shall be 64 cents per pound.

"(B) For the 1987 crop, the loan and purchase level for honey shall be 63 cents per pound.

"(C) For each of the 1988, 1989, and 1990 crops, the loan and purchase level for honey shall be the same as the level established for the preceding crop year reduced by 5 percent, except that such level may not be less than an amount equal to 75 percent of the simple average price received by producers of honey in the 5 preceding crop years, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period.

"(2) The Secretary may permit a producer to repay a loan made to the producer under this subsection for a crop at a level that is the lesser of—

"(A) the loan level determined for such crop; or

"(B) such level as the Secretary determines will—

"(i) minimize the number of loan forfeitures;

"(ii) not result in excessive total stocks of honey;

"(iii) reduce the costs incurred by the Federal Government in storing honey; and

"(iv) maintain the competitiveness of honey in domestic and export markets.

"(3)(A) If the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a loan made under this subsection, such person shall, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment under this subsection for the 3 crop years succeeding such determination.

"(B) For purposes of subparagraph (A), honey shall be considered adulterated if—

"(i) any substance has been substituted wholly or in part for such honey;

"(ii) such honey contains a poisonous or deleterious substance that may render such honey injurious to health, except that in any case in which such substance is not added to such honey, such honey shall not be considered adulterated if the quantity of such substance in or on such honey does not ordinarily render it injurious to health; or

*"(iii) such honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption."*

## TITLE XI—TRADE

### Subtitle A—Public Law 480 and Use of Surplus Commodities in International Programs

#### TITLE II OF PUBLIC LAW 480—FUNDING LEVELS

*SEC. 1101. Effective October 1, 1985, section 204 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1724) is amended by—*

*(1) striking out "calendar" both places it appears in the first sentence and inserting in lieu thereof "fiscal"; and*

*(2) inserting after the first sentence the following: "The President may waive the limitation in the preceding sentence if the President determines that such waiver is necessary to undertake programs of assistance to meet urgent humanitarian needs."*

#### MINIMUM QUANTITY OF AGRICULTURAL COMMODITIES DISTRIBUTED UNDER TITLE II

*SEC. 1102. Section 201(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721(b)) is amended to read as follows:*

*"(b) The minimum quantity of agricultural commodities distributed under this title for each of the fiscal years ending September 30, 1987, September 30, 1988, September 30, 1989, and September 30, 1990, shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program; unless the President determines and reports to the Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title."*

#### TITLE II OF PUBLIC LAW 480—MINIMUM FOR FORTIFIED OR PROCESSED FOOD AND NONPROFIT AGENCY PROPOSALS

*SEC. 1103. Section 201 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721) is amended by adding at the end thereof the following new subsection:*

*"(c)(1) Except as provided in paragraph (2), in distributing agricultural commodities under this title, the President shall—*

*"(A) consider—*

*"(i) the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein-fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable products;*

*"(ii) the nutritional needs of the proposed recipients of the commodities;*

*"(iii) the cost effectiveness of providing such commodities, for purposes of selecting commodities for distribution under nonemergency programs; and*

*"(iv) the purposes of this title; and*

"(B) ensure that at least 75 percent of the quantity of agricultural commodities required to be distributed each fiscal year under subsection (b) for nonemergency programs be in the form of processed or fortified products or bagged commodities.

"(2) The President may waive the requirement under paragraph (1)(B) or make available a smaller percentage of fortified or processed food than required under paragraph (1)(B) during any fiscal year in which the President determines that the requirements of the programs established under this title will not be best served by the distribution of fortified or processed food in the amounts required under paragraph (1)(B)."

#### FOOD ASSISTANCE PROGRAMS OF VOLUNTARY AGENCIES

SEC. 1104. (a) Title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.) is amended by adding at the end thereof the following:

"SEC. 207. (a) A nonprofit voluntary agency requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement.

"(b) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than 5 percent of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year."

(b) Section 207 of the Agricultural Trade Development and Assistance Act of 1954 (as added by subsection (a)) shall apply with respect to agreements entered into after December 31, 1985.

#### EXTENSION OF THE PUBLIC LAW 480 AUTHORITIES

SEC. 1105. Section 409 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1736c) is amended by—

(1) striking out "1985" in the first sentence and inserting in lieu thereof "1990"; and

(2) in the second sentence—

(A) striking out "amendment" and inserting in lieu thereof "amendments"; and

(B) inserting "and the Food Security Act of 1985" after "Agriculture and Food Act of 1981".

#### FACILITATION OF EXPORTS

SEC. 1106. It is the sense of Congress that the President should work with the People's Republic of China to facilitate the export of agricultural commodities to the People's Republic of China.

#### FARMER-TO-FARMER PROGRAM UNDER PUBLIC LAW 480

SEC. 1107. (a) Notwithstanding any other provision of law, not less than one-tenth of 1 percent of the funds available for each of the fiscal years ending September 30, 1986, and September 30, 1987, to carry out the Agricultural Trade Development and Assistance Act of 1954 shall be used to carry out paragraphs (1) and (2) of section 406(a) of that Act. Any such funds used to carry out paragraph (2)

of section 406(a) shall not constitute more than one-fourth of the funds used as provided by the first sentence of this subsection, shall be used for activities in direct support of the farmer-to-farmer program under paragraph (1) of section 406(a), and shall be administered whenever possible in conjunction with programs under sections 296 through 300 of the Foreign Assistance Act of 1961.

(b) Not later than 120 days after the date of enactment of this Act, the Administrator of the Agency for International Development, in conjunction with the Secretary of Agriculture, shall submit to Congress a report indicating the manner in which the Agency intends to implement the provisions of paragraphs (1) and (2) of section 406(a) of the Agricultural Trade Development and Assistance Act of 1954 with the funds made available under subsection (a).

#### FOOD FOR DEVELOPMENT PROGRAM

SEC. 1108. Section 302(c)(1)(C) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1727a(c)(1)(C)) is amended by striking out "15" and inserting in lieu thereof "10".

#### USE OF SURPLUS COMMODITIES IN INTERNATIONAL PROGRAMS

SEC. 1109. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended by—

- (1) striking out the last two sentences of subsection (a); and
- (2) amending subsection (b) to read as follows:

"(b)(1) The Secretary, subject to the requirements of paragraph (10), may furnish eligible commodities for carrying out programs of assistance in developing countries and friendly countries under title II of the Agricultural Trade Development and Assistance Act of 1954 and under the Food for Progress Act of 1985, as approved by the Secretary, and for such purposes as are approved by the Secretary. To ensure that the furnishing of commodities under this subsection is coordinated with and complements other United States foreign assistance, assistance under this subsection shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954.

"(2) As used in this subsection, the term 'eligible commodities' means—

"(A) dairy products, grains, and oilseeds acquired by the Commodity Credit Corporation through price support operations that the Secretary determines meet the criteria specified in subsection (a); and

"(B) such other edible agricultural commodities as may be acquired by the Secretary or the Commodity Credit Corporation in the normal course of operations and that are available for disposition under this subsection, except that no such commodities may be acquired for the purpose of their use under this subsection.

"(3)(A) Commodities may not be made available for disposition under this subsection in amounts that (i) will, in any way, reduce the amounts of commodities that traditionally are made available through donations to domestic feeding programs or agencies, or (ii) will prevent the Secretary from fulfilling any agreement entered

into by the Secretary under a payment-in-kind program under this Act or other Acts administered by the Secretary.

"(B)(i) The requirements of section 401(b) of the Agricultural Trade Development and Assistance Act of 1954 shall apply with respect to commodities furnished under this subsection. Commodities may not be furnished for disposition to any country under this subsection except on determinations by the Secretary that—

"(I) the receiving country has the absorptive capacity to use the commodities efficiently and effectively; and

"(II) such disposition of the commodities will not interfere with usual marketings of the United States, nor disrupt world prices of agricultural commodities and normal patterns of commercial trade with developing countries.

"(ii) The requirement for safeguarding usual marketings of the United States shall not be used to prevent the furnishing under this subsection of any eligible commodity for use in countries that—

"(I) have not traditionally purchased the commodity from the United States; or

"(II) do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

"(C) The Secretary shall take reasonable precautions to ensure that—

"(i) commodities furnished under this subsection will not displace or interfere with sales that otherwise might be made; and

"(ii) sales or barter under paragraph (7) will not unduly disrupt world prices of agricultural commodities nor normal patterns of commercial trade with friendly countries.

"(4) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time.

"(5)(A) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 shall apply to the commodities furnished under this subsection.

"(B) The Commodity Credit Corporation may pay the processing and domestic handling costs incurred, as authorized under this subsection, in the form of eligible commodities, as defined in paragraph (2)(A), if the Secretary determines that such in-kind payment will not disrupt domestic markets.

"(6) The cost of commodities furnished under this subsection, and expenses incurred under section 203 of the Agricultural Trade Development and Assistance Act of 1954 in connection with those commodities, shall be in addition to the level of assistance programmed under that Act and shall not be considered expenditures for international affairs and finance.

"(7) Eligible commodities, and products thereof, furnished under this subsection may be sold or bartered only with the approval of the Secretary and solely as follows:

"(A) Sales and barter that are incidental to the donation of the commodities or products.

"(B) Sales and barter to finance the distribution, handling, and processing costs of the donated commodities or products in the importing country or in a country through which such commodities or products must be transshipped, or other activities in

*the importing country that are consistent with providing food assistance to needy people.*

*"(C) Sales and barter of commodities and products furnished to intergovernmental agencies or organizations, insofar as they are consistent with normal programming procedures in the distribution of commodities by those agencies or organizations.*

*"(D)(i) Sales of commodities and products furnished to non-profit and voluntary agencies, or cooperatives, for food assistance under agreements that provide for the use, by the agency or cooperative, of foreign currency proceeds generated from such sale of commodities or products for the purposes established in clause (ii) of this subparagraph.*

*"(ii) Foreign currency proceeds generated from the sales of commodities and products under this subparagraph shall be used by nonprofit and voluntary agencies, or cooperatives, for activities carried out by the agency or cooperative that will enhance the effectiveness of transportation, distribution, and use of commodities and products donated under this subsection, including food for work programs and cooperative and agricultural projects.*

*"(iii) Except as otherwise provided in clause (v), such agreements, taken together for each fiscal year, shall provide for sales of commodities and products for foreign currency proceeds in amounts that are, in the aggregate, not less than 5 percent of the aggregate value of all commodities and products furnished for carrying out programs of assistance under this subsection in such fiscal year. The minimum allocation requirements of this clause apply with respect to commodities and products made available under this subsection for carrying out programs of assistance under title II of the Agricultural Trade Development and Assistance Act of 1954, and not with respect to commodities and products made available to carry out the Food for Progress Act of 1985.*

*"(iv) Foreign currency proceeds generated from the sale of commodities or products under this subparagraph shall be expended within the country of origin within one year of acquisition of such currency, except that the Secretary may permit the use of such proceeds (I) in countries other than the country of origin as necessary to expedite the transportation of commodities and products furnished under this subsection, and (II) after one year of acquisition as appropriate to achieve the purposes of clause (i).*

*"(v) The provisions of clause (iii) of this subparagraph establishing minimum annual allocations for sales and use of proceeds shall not apply to the extent that there have not been sufficient requests for such sales and use of proceeds nor to the extent required under paragraph (3).*

*"(E) Sales and barter to cover expenses incurred under paragraph (5)(a).*

*No portion of the proceeds or services realized from sales or barter under this paragraph may be used to meet operating and overhead expenses, except as otherwise provided in subparagraph (C) and except for personnel and administrative costs incurred by local cooperatives.*

*"(8)(A) To the maximum extent practicable, expedited procedures shall be used in the implementation of this subsection.*

*"(B) The Secretary shall be responsible for regulations governing sales and barter, and the use of foreign currency proceeds, under paragraph (7) of this subsection that will provide reasonable safeguards to prevent the occurrence of abuses in the conduct of activities provided for in paragraph (7).*

*"(9)(A) Each recipient of commodities and products approved for sale or barter under paragraph (7) shall report to the Secretary information with respect to the items required to be included in the Secretary's report pursuant to clauses (i) through (iv) of subparagraph (B). Reports pursuant to this subparagraph shall be submitted in accordance with regulations of the Secretary. Such regulations shall require at least one report annually, to be submitted not later than December 31 following the end of the fiscal year in which the commodities and products are received; except that a report shall not be required with respect to fiscal year 1985.*

*"(B) Not later than February 15, 1987, and annually thereafter, the Secretary shall report to the Congress on sales and barter, and use of foreign currency proceeds, under paragraph (7) during the preceding fiscal year. Such report shall include information on—*

*"(i) the quantity of commodities furnished for such sale or barter;*

*"(ii) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in such fiscal year;*

*"(iii) how such funds and services were used;*

*"(iv) the amount of foreign currency proceeds that were used under agreements under subparagraph (D) of paragraph (7) in such fiscal year, and the percentage of the quantity of all commodities and products furnished under this subsection in such fiscal year such use represented;*

*"(v) the Secretary's best estimate of the amount of foreign currency proceeds that will be used, under agreements under subparagraph (D) of paragraph (7), in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the Secretary estimates will be furnished under this subsection in each such fiscal year;*

*"(vi) the effectiveness of such sales, barter, and use during such fiscal year in facilitating the distribution of commodities and products under this subsection;*

*"(vii) the extent to which sales, barter, or uses—*

*"(I) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made,*

*"(II) affect usual marketings of the United States,*

*"(III) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries, or*

*"(IV) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this subsection; and*



"(viii) the Secretary's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under paragraph (7).

"(10)(A) Subject to the limitations established under paragraph (3), the Secretary shall make available for disposition under this subsection in each of the fiscal years 1986 through 1990 not less than the minimum quantities of eligible commodities specified in subparagraph (B).

"(B) The minimum quantity of eligible commodities that shall be made available for disposition under this subsection in each fiscal year shall be—

"(i) 500,000 metric tons of grains and oilseeds from the Corporation's uncommitted stocks, or an amount equal to 10 percent of the Corporation's uncommitted stocks of grains and oilseeds as of the end of such fiscal year (as estimated by the Secretary), whichever is less; and

"(ii) 10 percent of the Corporation's uncommitted stocks of dairy products, but not less than 150,000 metric tons of such products to the extent that uncommitted stocks are available.

The Secretary shall make such estimation of expected year-end levels of the Corporation's uncommitted stocks prior to the beginning of the fiscal year. The Secretary's determination as to the amount of the Corporation's stocks that shall be made available for disposition under this subsection for such fiscal year shall be published in the Federal Register, along with a breakdown by kind of commodity and the quantity of each kind of commodity that shall be made available, before the beginning of such fiscal year.

"(C) Of the aggregate amounts made available each fiscal year pursuant to both clauses (i) and (ii) of subparagraph (B), not less than 75,000 metric tons shall be made available to carry out the Food for Progress Act of 1985.

"(D)(i) The Secretary—

"(I) may waive the minimum quantity requirements of subparagraphs (A) and (B) for a fiscal year to the extent that the Secretary determines and reports to Congress that there are not sufficient requests for eligible commodities under this subsection for such fiscal year, except that the waiver authority of this subclause may not be used to waive the minimum quantity requirement of subparagraph (C);

"(II) may waive the minimum quantity requirement of subparagraph (C) in accordance with subsection (f)(2) of the Food for Progress Act of 1985; and

"(III) may waive the minimum quantity requirements of subparagraphs (A), (B), and (C) for a fiscal year, if the Secretary determines that the restrictions on the furnishing of commodities under paragraph (3) prevent the making available of commodities in such quantities.

"(ii) For any fiscal year in which the minimum levels of uncommitted Commodity Credit Corporation stocks specified in subparagraph (B) are not made available and during which any requests for commodities under this subsection are rejected, the Secretary shall provide a detailed, written explanation to Congress, at the end of such fiscal year, of the reasons for the rejections of such requests.

*"(11)(A) The Secretary may furnish eligible commodities under this subsection in connection with (i) concessional sales agreements entered into under title I of the Agricultural Trade Development and Assistance Act of 1954 or other statutes, or (ii) agricultural export bonus or promotion programs carried out under the Commodity Credit Corporation Charter Act or other statutes.*

*"(B) Eligible commodities may be furnished by the Secretary under this subsection in connection with agreements by recipient countries to acquire additional agricultural commodities from the United States through commercial arrangements.*

*"(C) The amount of any commodity furnished under subparagraphs (A) and (B) of this paragraph in any fiscal year shall not be considered for the purpose of determining whether the requirements of paragraph (10)(A) of this subsection have been met during such fiscal year."*

#### FOOD FOR PROGRESS

*SEC. 1110. (a) This section may be cited as the "Food for Progress Act of 1985".*

*(b) In order to use the food resources of the United States more effectively in support of countries that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement, the President is authorized to enter into agreements with developing countries to furnish commodities made available pursuant to subsections (e) and (f) of this section. Such agreements may provide for commodities to be furnished on a multiyear basis.*

*(c) As used in this section, the term "commodities" means agricultural commodities and the products thereof.*

*(d) In determining whether to enter into an agreement with countries under this section, the President shall consider whether a potential recipient country is committed to carry out, or is carrying out, policies that promote economic freedom, private, domestic production of food commodities for domestic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities. Such policies may provide for, among other things—*

*(1) access, on the part of farmers in the country, to private, competitive markets for their product;*

*(2) market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the country's domestic needs;*

*(3) establishment of market-determined foreign exchange rates;*

*(4) timely availability of production inputs (such as seed, fertilizer, or pesticides) to farmers;*

*(5) access to technologies appropriate to the level of agricultural development in the country; and*

*(6) construction of facilities and distribution systems necessary to handle perishable products.*

*(e)(1) The Commodity Credit Corporation shall make available to the President such commodities determined to be available under*

section 401 of the Agricultural Trade Development and Assistance Act of 1954 as the President may request for purposes of furnishing commodities under this section.

(2) Notwithstanding any other provision of law, the Commodity Credit Corporation may use funds appropriated to carry out title I of the Agricultural Trade Development and Assistance Act of 1954 in carrying out this section with respect to commodities made available under that Act.

(3) The Commodity Credit Corporation may finance the sale and exportation of commodities, made available under the Agricultural Trade Development and Assistance Act of 1954, which are furnished to a developing country under this section. Payment by a developing country for commodities made available under that Act which are purchased on credit terms under this section shall be on the same basis as the terms provided in section 106 of that Act.

(4) In the case of commodities made available under the Agricultural Trade Development and Assistance Act of 1954 for purposes of this section, section 203 of that Act shall apply to commodities furnished on a grant basis to a developing country under this section and section 401(b) of that Act shall apply to all commodities furnished to a developing country under this section.

(f)(1) Commodities made available under section 416(b) of the Agricultural Act of 1949 for use in carrying out this section shall be provided to developing countries on a grant basis.

(2) Not less than 75,000 metric tons shall be made available pursuant to section 416(b)(10)(C) of the Agricultural Act of 1949 to carry out this section unless the President determines there are an insufficient number of eligible recipients.

(3) In carrying out section 416(b) of the Agricultural Act of 1949, the Commodity Credit Corporation may purchase commodities for use under this section if—

(A) the Commodity Credit Corporation does not hold stocks of such commodities; or

(B) Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this section and such commodities are needed to fulfill such commitments.

(4) No funds of the Commodity Credit Corporation in excess of \$30,000,000 (exclusive of the cost of commodities) may be used to carry out this section with respect to commodities made available under section 416(b) of the Agricultural Act of 1949 unless authorized in advance in appropriation Acts.

(5) The cost of commodities made available under section 416(b) of the Agricultural Act of 1949 which are furnished under this section, and the expenses incurred in connection with furnishing such commodities, shall be in addition to the level of assistance programmed under the Agricultural Trade Development and Assistance Act of 1954 and may not be considered expenditures for international affairs and finance.

(g) Not more than 500,000 metric tons of commodities may be furnished under this section in each of the fiscal years 1986 through 1990.

(h) An agreement entered into under this section shall prohibit the resale or transshipment of the commodities provided under the agreement to other countries.

(i) In entering into agreements under this section, the President shall take reasonable steps to avoid displacement of any sales of United States commodities that would otherwise be made to such countries.

(j) Within 90 days after the end of each fiscal year in which an agreement entered into with a country under this section is in effect, the President shall report to the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in such country.

(k) This section shall be effective during the period beginning October 1, 1985, and ending September 30, 1990.

#### SALES FOR LOCAL CURRENCIES; PRIVATE ENTERPRISE PROMOTION

SEC. 1111. (a) The first sentence of section 2 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691) is amended by inserting "to use foreign currencies accruing under this Act to foster and encourage the development of private enterprise in developing countries; to enhance food security in developing countries through local food production;" after "agricultural production;"

(b) The Congress finds that additional steps should be taken to use the agricultural abundance produced by American farmers—

(1) to relieve hunger and promote long-term food security and economic development in developing countries in accordance with the development assistance policy established under section 102 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151-1); and

(2) to promote United States agricultural trade interests.

(c) Section 101 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701) is amended to read as follows:

"SEC. 101. (a) In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities—

"(1) for dollars on credit terms;

"(2) to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms that permit conversion to dollars at the exchange rate applicable to the sales agreement; or

"(3) for foreign currencies for use under section 108 on terms that permit conversion to dollars.

"(b)(1) Except as provided in paragraph (2), for each of the fiscal years 1986 through 1990 sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made at an annual level of not less than 10 percent of the aggregate value of all sales of agricultural commodities under this title.

"(2) The President may reduce the minimum level of sales for foreign currencies required under paragraph (1) during any fiscal year

in which the President determines that the level of agricultural commodities furnished under this title will be significantly reduced as a result of compliance with the requirement under paragraph (1).

"(c) Agreements for sales for foreign currency in a developing country for use under section 108 may not be entered into to the extent that such agreements would generate currency in amounts that cannot be productively used and absorbed in the private sector of such country.

"(d) Sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made on such terms and conditions as are specified in such agreements."

(d) Section 103 of such Act (7 U.S.C. 1703) is amended—

(1) by inserting ", in section 108," after "section 104" in subsection (b);

(2) by striking out "for dollars on credit terms" in the last sentence of subsection (d);

(3) in subsection (m)—

(A) by inserting "except as provided in section 108," after "(m)";

(B) by striking out the semicolon and inserting in lieu thereof a period; and

(C) by adding at the end thereof the following: "In carrying out this subsection, the President shall require that foreign currencies to be used under section 108 that are acquired under an agreement for the sale of commodities be convertible to dollars during the period beginning 10 years after the date of the last delivery of such commodities and ending 30 years after the date of such delivery. Such agreement for sale shall establish a schedule for such conversion but need not specify the exchange rate for such conversion;"

(4) by striking out "for dollars on credit terms" and "for cash dollars" in subsection (n);

(5) by striking out "Take" in subsection (o) and inserting in lieu thereof "take";

(6) by striking out "Assure convertibility" in subsection (p) and inserting in lieu thereof "except as provided in section 108, assure convertibility"; and

(7) by striking out "Assure convertibility" in subsection (q) and inserting in lieu thereof "except as provided in section 108, assure convertibility".

(e) The first sentence of section 105 of such Act (7 U.S.C. 1705) is amended by striking out "section 104" and inserting in lieu thereof "sections 104 and 108".

(f) Section 106(a) of such Act (7 U.S.C. 1706(a)) is amended by adding at the end thereof the following new paragraph:

"(3) Payment for sales made for foreign currencies that are to be used under section 108 under an agreement entered into under this title shall be made on such terms as are specified in such agreement."

(g) Section 106(b) of such Act is amended by adding at the end thereof the following new paragraph:

"(4)(A) Notwithstanding any other provision of this subsection, agreements under this title for the sale of agricultural commodities

for dollars on credit terms may provide that proceeds from the sale of the commodities in the recipient country shall be used for such private sector development activities as are mutually agreed upon by the United States and the recipient government.

"(B) Proceeds used for private sector development activities pursuant to this paragraph shall be deposited in jointly programmed accounts to be loaned by the recipient government to one or more financial intermediaries operating within the country for use by those financial intermediaries for loans to private individuals, private and voluntary organizations, corporations, cooperatives, and other entities within such country. In the case of a cooperative or private and voluntary organization, proceeds may be granted to defray the startup costs of becoming a financial intermediary. Such proceeds shall not be used to promote the production of commodities or the products thereof that will compete, as determined by the President, in world markets with similar commodities or the products thereof produced in the United States."

(h) Such Act is amended by inserting after section 107 (7 U.S.C. 1707) the following new section:

"SEC. 108. (a)(1) In order to foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion, and improvement of the production of food and other related goods and services within a developing country and pursuant to an agreement for the sale of agricultural commodities entered into under this title, the President may enter into an agreement with a financial intermediary located or operating in such country under which the President shall lend to such financial intermediary foreign currency that accrues as a result of commodity sales to such country under a sales agreement entered into under this title after the date of enactment of the Food Security Act of 1985. Procurement and other contracting requirements, normally applicable to appropriated funds, shall not apply to such foreign currency.

"(2) Prior to loaning the foreign currencies as provided in this section, the President shall take such steps as may be necessary to assure that the availability of such foreign currencies to financial intermediaries is adequately publicized within the purchasing country.

"(b) To be eligible to obtain foreign currency under this section, a financial intermediary must enter into an agreement with the President under which the intermediary agrees to use such currency to make loans to private individuals, cooperatives, corporations, or other entities within a developing country, at reasonable rates of interest, for the purpose of financing—

"(1) productive, private enterprise investment within such country, including such investment in projects carried out by cooperatives, nonprofit voluntary organizations, and other entities found to be qualified by the President;

"(2) private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and the products thereof; or

"(3) private enterprise support of self-help measures and projects.

*"(c) An agreement entered into under this section shall specify the terms and conditions under which the foreign currency shall be used and subsequently repaid, including the following terms and conditions:*

*"(1) A financial intermediary shall, to the maximum extent feasible, give preference to the financing of agricultural related private enterprise with the funds provided under this section.*

*"(2)(A) A financial intermediary shall repay a loan made under this section, plus accrued interest, at such times and in such manner as will permit conversion of such foreign currency to dollars in accordance with the schedule for such conversion.*

*"(B) A financial intermediary may repay a loan made under this section prior to the repayment date specified in such agreement.*

*"(3) To be eligible to receive financing from a financial intermediary under this section, an entity or venture must—*

*"(A) be owned, directly or indirectly, by citizens of the developing country or any other country eligible to participate in a sales agreement entered into under this title, except that up to 49 percent of such ownership interest may be held by citizens of the United States; and*

*"(B) not be owned or controlled, in whole or in part, by the government or any governmental subdivision of the developing country.*

*"(4)(A) The rate of interest charged on funds loaned to a financial intermediary under this section shall be such rate as is determined by the President and the intermediary.*

*"(B) In the case of a cooperative or nonprofit voluntary agency that is acting as a financial intermediary, the President may charge a lower rate of interest on funds loaned to such intermediary under this section than is charged to other types of intermediaries or make a grant from currencies received from sales made under section 101(a)(3) of this Act to defray the startup costs of becoming a financial intermediary.*

*"(5) No currency made available under this section may be used to promote the production of agricultural commodities or the products thereof that will compete, as determined by the President, in world markets with similar agricultural commodities or the products thereof produced in the United States.*

*"(6) The President may not require a developing country to guarantee the repayment of a loan made to a financial intermediary under this section as a condition of receipt of such loan.*

*"(7) A financial intermediary shall take such steps as may be necessary to publicize in the developing country the availability of loan funds under this section.*

*"(d)(1) All currencies repaid by financial intermediaries under agreements entered into under this section shall be deposited and accounted for in accordance with section 105.*

*"(2) Currencies repaid by financial intermediaries shall, as determined by the President—*

*"(A) be used to finance additional productive, private enterprise investment under agreements with financial intermediaries entered into under this section;*

"(B) be used for the development of new markets for United States agricultural commodities;

"(C) be used for the payment of United States obligations (including obligations entered into pursuant to other laws of the United States); or

"(D) be converted to dollars.

"(3) Section 1306 of title 31, United States Code, shall apply to currencies used for the purpose specified in paragraph (2)(C).

"(e)(1) Any agreement entered into under this section and section 106(b)(4) shall be subject to periodic audit to determine whether the terms and conditions of the agreement are being fulfilled.

"(2) Not later than 180 days after the end of each fiscal year, the President shall report to the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry and the Committee on Foreign Relations of the Senate on the activities carried out under this section and section 106(b)(4) during the preceding fiscal year, including an evaluation of the impact of investment under this section and section 106(b)(4) on the development of agricultural-related private enterprise in each participating country.

"(f) The President may provide agricultural technical assistance to further the purposes of this section, including the funding of market development activities. To the maximum extent practicable, the President shall use at least 5 percent of the foreign currencies obtained for use under this section from sales of agricultural commodities made under agreements entered into under this title after the date of enactment of the Food Security Act of 1985 to carry out such assistance.

"(g) For each of the fiscal years 1986 through 1990, and in accordance with the provisions of section 106(b)(4) and this section, the President is encouraged to channel foreign currencies, in an amount equivalent to 25 percent of the value of sales agreements under this title, for loans for private enterprise investment provided there are appropriate proposals for such an amount of foreign currencies.

"(h) The provisions of this section apply notwithstanding any other provision of law.

"(i) As used in this section and in section 106(b)(4)—

"(1) the term 'developing country' means a country that is eligible to participate in a sales agreement entered into under this title; and

"(2) the term 'financial intermediary' means a bank, financial institution, cooperative, nonprofit voluntary agency, or other organization or entity, as determined by the President, that has the capability of making and servicing a loan in accordance with this section."

#### CHILD IMMUNIZATION

SEC. 1112. (a) The Agricultural Trade Development and Assistance Act of 1954 is amended—

(1) in paragraph (11) of section 109 (7 U.S.C. 1709(11)) by inserting immediately before the period at the end thereof " , including the immunization of children";

(2) in the first sentence of section 206 (7 U.S.C. 1726) by striking out "or" before "(B)", and by inserting immediately before



the period at the end thereof "; or (C) health programs and projects, including immunization of children"; and

(3) in the second sentence of section 301(b) (7 U.S.C. 1727(b)) by inserting "(including immunization of children)" immediately after "health services".

(b) In the implementation of health programs undertaken in relation to assistance provided under the Agricultural Trade Development and Assistance Act of 1954, it shall be the goal of the organizations and agencies involved to provide as many additional immunizations of children as possible. Such increased immunization activities should be taken in coordination with similar efforts of other organizations and in keeping with any national plans for expanded programs of immunization. The President shall include information concerning such immunization activities in the annual reports required by section 634 of the Foreign Assistance Act of 1961, including a report on the estimated number of immunizations provided each year pursuant to this subsection.

#### SPECIAL ASSISTANT FOR AGRICULTURAL TRADE AND FOOD AID

SEC. 1112. (a) The President shall appoint a Special Assistant to the President for Agricultural Trade and Food Aid (hereinafter in this section referred to as the "Special Assistant").

(b) The Special Assistant shall serve in the Executive Office of the President.

(c) The Special Assistant shall—

(1) assist and advise the President in order to improve and enhance food assistance programs carried out in the United States and foreign countries;

(2) be available to receive suggestions and complaints concerning the implementation of United States food aid and agricultural export programs anywhere in the United States Government and provide prompt responses thereto, including expediting the program implementation in any instances in which there is unreasonable delay;

(3) make recommendations to the President on means to coordinate and streamline the manner in which food assistance programs are carried out by the Department of Agriculture and the Agency for International Development, in order to improve their overall effectiveness;

(4) make recommendations to the President on measures to be taken to increase use of United States agricultural commodities and the products thereof through food assistance programs;

(5) advise the President on agricultural trade;

(6) advise the President on the Food for Progress Program and expedite its implementation;

(7) serve as a member of the Development Coordination Committee and the Food Aid Subcommittee of such Committee;

(8) advise departments and agencies of the Federal Government on their policy guidelines on basic issues of food assistance policy to the extent necessary to assure the coordination of food assistance programs, consistent with law, and with the advice of such Subcommittee; and

(9) submit a report to the President and Congress each year through 1990 containing—

(A) a global analysis of world food needs and production;

(B) an identification of at least 15 target countries which are most likely to emerge as growth markets for agricultural commodities in the next 5 to 10 years; and

(C) a detailed plan for using available export and food aid authorities to increase United States agricultural exports to those targeted countries.

(d) The Special Assistant shall also—

(1) solicit information and advice from private and governmental sources and recommend a plan to the President and Congress on measures that should be taken—

(A) to promote the export of United States agricultural commodities and the products thereof; and

(B) to expand export markets for United States agricultural commodities and the products thereof;

(2) develop and recommend to the President national agricultural policies to foster and promote the United States agricultural industry and to maintain and increase the strength of this vitally important sector of the United States economy; and

(3)(A) appraise the various programs and activities of the Federal Government, as they affect the United States agricultural industry, for the purpose of determining the extent to which such programs and activities are contributing or not contributing to such industry; and

(B) make recommendations to the President and Congress with respect to the effectiveness of such programs and activities in contributing to such industry.

(d) Section 5312 of title 5, United States Code, is amended by adding at the end thereof the following new item:

“Special Assistant for Agricultural Trade and Food Aid.”

#### **Subtitle B—Maintenance and Development of Export Markets**

##### **TRADE POLICY DECLARATION**

**SEC. 1121.** (a) Congress finds that—

(1) the volume and value of United States agricultural exports have significantly declined in recent years as a result of unfair foreign competition and the high value of the dollar;

(2) this decline has been exacerbated by the lack of uniform and coherent objectives in United States agricultural trade policy and the absence of direction and coordination in trade policy formulation;

(3) agricultural interests have been under-represented in councils of government responsible for determining economic policy that has contributed to a strengthening of the United States dollar;

(4) foreign policy objectives of the United States have been introduced into the trade policy process in a manner injurious to the goal of maximizing United States economic interests through trade; and

(5) the achievement of that goal is in the best interests of the United States.

(b) *It is hereby declared to be the agricultural trade policy of the United States to—*

*(1) provide through all means possible agricultural commodities and their products for export at competitive prices, with full assurance of quality and reliability of supply;*

*(2) support the principle of free trade and the promotion of fairer trade in agricultural commodities and their products;*

*(3) cooperate fully in all efforts to negotiate with foreign countries reductions in current barriers to fair trade;*

*(4) counter aggressively unfair foreign trade practices using all available means, including export restitution, export bonus programs, and, if necessary, restrictions on United States imports of foreign agricultural commodities and their products, as a means to encourage fairer trade;*

*(5) remove foreign policy constraints to maximize United States economic interests through agricultural trade; and*

*(6) provide for consideration of United States agricultural trade interests in the design of national fiscal and monetary policy that may foster continued strength in the value of the dollar.*

#### TRADE LIBERALIZATION

*SEC. 1122. (a) Congress finds that—*

*(1) the present high level of agricultural protectionism contrasts sharply with the general trade liberalization that has been achieved since the inception of the General Agreement on Tariffs and Trade (hereinafter referred to as "GATT"); and*

*(2) GATT procedures should explicitly recognize the protective effect of domestic subsidies that alter trade indirectly by reducing the demand for imports and increasing the supply of exports.*

*(b) It is the sense of Congress that the President should negotiate with other parties to GATT to revise GATT rules and codes with the goal of reducing agricultural export subsidies, tariffs, and non-tariff barriers to trade.*

#### AGRICULTURAL TRADE CONSULTATIONS

*SEC. 1123. (a) To improve the orderly marketing of United States agricultural commodities, to achieve higher income for United States producers of agricultural commodities, and to reduce the likelihood of an agricultural commodity price war and the need for export subsidy programs, the Secretary of Agriculture shall, in coordination with the United States Trade Representative, confer with representatives of other major agricultural producing countries and, at the earliest possible date, initiate and pursue agricultural trade consultations among major agricultural producing countries.*

*(b) It is the sense of Congress that the objectives of the consultations called for in subsection (a) should be to—*

*(1) increase the exchange of information on worldwide agricultural production, demand, and commodity supply levels;*

*(2) determine a more equitable sharing of responsibility for maintaining agricultural commodity reserves and managing supplies of agricultural commodities; and*

(3) attain increased cooperation in restraining export subsidy programs.

(c) The Secretary of Agriculture shall report to Congress by July 1, 1986, and annually thereafter through fiscal year 1990, on the progress of efforts to initiate and pursue the consultations called for in subsection (a), including any agreements reached with respect to the objectives set forth in subsection (b).

#### TARGETED EXPORT ASSISTANCE

SEC. 1124. (a) For export activities authorized to be carried out by the Secretary of Agriculture or the Commodity Credit Corporation, the Secretary of Agriculture shall use under this section, in addition to any funds or commodities otherwise required under this Act to be used for such activities, for the fiscal year ending September 30, 1986, and each of the fiscal years thereafter through September 30, 1990, not less than \$325,000,000 of funds of, or an equal value of commodities owned by, the Corporation.

(b)(1) Funds or commodities made available for use under this section shall be used by the Secretary only to counter or offset the adverse effect on the export of a United States agricultural commodity or the product thereof of a subsidy (as defined in paragraph (2)), import quotas, or other unfair trade practices of a foreign country.

(2) As used in paragraph (1), the term subsidy includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices.

(c) The Secretary shall provide export assistance under this section on a priority basis in the case of—

(1) agricultural commodities and the products thereof with respect to which there has been a favorable decision under section 301 of the Trade Act of 1974 (19 U.S.C. 2411); or

(2) agricultural commodities and the products thereof for which exports have been adversely affected, as defined by the Secretary, by retaliatory actions related to a favorable decision under section 301 of the Trade Act of 1974 (19 U.S.C. 2411).

#### SHORT-TERM EXPORT CREDIT

SEC. 1125. (a) In making available any guarantees of the repayment of credit extended on terms of up to 3 years in connection with the export sale of United States agricultural commodities or the products thereof, the Commodity Credit Corporation shall take into account—

(1) the credit needs of countries that are potential purchasers of United States agricultural exports;

(2) the creditworthiness of such countries; and

(3) whether the availability of Commodity Credit Corporation guarantees will improve the competitive position of United States agricultural exports in world markets.

(b) Effective for the fiscal year ending September 30, 1986 and each fiscal year thereafter through the fiscal year ending September

30, 1990, the Commodity Credit Corporation shall make available not less than \$5,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extended to finance the export sales of United States agricultural commodities and the products thereof.

(c) Notwithstanding any other provision of law, the Secretary of Agriculture may not charge an origination fee with respect to any credit guarantee transaction under the Export Credit Guarantee Program (GSM-102) in excess of an amount equal to one percent of the credit extended under the transaction.

#### COOPERATOR MARKET DEVELOPMENT PROGRAM

SEC. 1126. (a) It is the sense of Congress that the cooperator market development program of the Foreign Agricultural Service should be continued to help develop new markets and expand and maintain existing markets for United States agricultural commodities, using nonprofit agricultural trade organizations to the maximum extent practicable.

(b) The cooperator market development program shall be exempt from the requirements of Circular A 110 issued by the Office of Management and Budget.

(c) Subclause (B) of section 1207(a)(5) of the Agriculture and Food Act of 1981 (7 U.S.C. 1736m(a)(5)(B)) is amended to read as follows: "(B) funding an export market development program for value-added farm products and processed foods at a higher funding level than that provided during the fiscal year ending September 30, 1985; and".

#### DEVELOPMENT AND EXPANSION OF MARKETS FOR UNITED STATES AGRICULTURAL COMMODITIES

SEC. 1127. (a)(1) Notwithstanding any other provision of law, the Secretary of Agriculture (hereafter in this section referred to as the "Secretary") shall formulate and carry out a program under which agricultural commodities and the products thereof acquired by the Commodity Credit Corporation are provided to United States exporters, users, and processors and foreign purchasers at no cost to encourage the development, maintenance, and expansion of export markets for United States agricultural commodities and the products thereof, including value-added or high-value agricultural products produced in the United States.

(2)(A) The term "agricultural commodities", as used in this section in referring to United States agricultural commodities, includes, but is not limited to—

(i) wheat, feed grains, upland cotton, rice, soybeans, and dairy products produced in the United States;

(ii) any other agricultural commodity produced in the United States that is determined by the Secretary of Agriculture to be in surplus supply and that can be purchased with funds available under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935; and

(iii) products of the commodities and products described in clauses (i) and (ii) that are processed in the United States.

(B) United States agricultural commodities, as described in clause (ii) of subparagraph (A), may not be purchased with funds available under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935, for the sole purpose of use under the program under this section; and such commodities, or products thereof, may not be furnished to a United States user, exporter, processor, or foreign purchaser under the program under this section except by mutual agreement of such user, exporter, processor, or purchaser and the Secretary.

(3) In carrying out paragraph (1), the Secretary may provide such commodities in order to make United States commodities more competitive and shall, to the extent necessary, provide such commodities and products—

(A) to counter or offset—

(i) the adverse effect on the export of a United States agricultural commodity or the product thereof of a subsidy (as defined in paragraph (4)) or other unfair trade practice of a foreign country that directly or indirectly benefits producers, processors, or exporters of agricultural commodities in such foreign country;

(ii) the adverse effects of United States agricultural price support levels that are temporarily above the export prices offered by overseas competitors in export markets; or

(iii) fluctuations in the exchange rate of the United States dollar against other major currencies; and

(B) in conjunction with an intermediate export credit program conducted by the Commodity Credit Corporation—

(i) for the export sale of breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations; and

(ii) for the establishment of facilities in the importing nation to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities (through the use of local currency generated from the import and sale of United States agricultural commodities or the products thereof to finance all or part of such facilities).

(4) As used in paragraph (3)(A)(i), the term "subsidy" includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices.

(b) In carrying out the program established by this section, the Secretary of Agriculture—

(1) shall take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodities and the products thereof in any case in which the importation of a manufactured product made, in whole or in part, from a commodity or the product thereof made available for export

under this section would place domestic users of the commodity or the product thereof at a competitive disadvantage;

(2) shall, to the extent that agricultural commodities and the products thereof are to be provided to foreign purchasers during any fiscal year, consider for participation all interested foreign purchasers, giving priority to those who have traditionally purchased United States agricultural commodities and the products thereof and who continue to purchase such commodities and the products thereof on an annual basis in quantities greater than the level of purchases in a previous representative period;

(3) shall encourage increased use and avoid displacing usual marketings of United States agricultural commodities and the products thereof;

(4) shall take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities or the products thereof the export of which is assisted under this section; and

(5) may provide to a United States exporter, user, processor, or foreign purchaser, under the program, agricultural commodities of a kind different than the agricultural commodity involved in the transaction for which assistance under this section is being provided.

(c)(1) If a country does not meet the financial qualifications for export credit or credit guarantees provided by the Commodity Credit Corporation, the Secretary may provide to such country agricultural commodities and the products thereof acquired by the Corporation to the extent necessary to reduce the cost to such country of purchasing United States agricultural commodities and to allow such country to meet such qualifications.

(2) The Secretary shall review and adjust annually the quantity of commodities provided to a country under paragraph (1) in order to encourage such country to place greater reliance on increased use of commercial trade to meet the qualifications referred to in paragraph (1).

(d)(1) In carrying out this section, the Secretary may make green dollar export certificates available to commercial exporters of United States agricultural commodities and the products thereof.

(2) The Secretary shall make such certificates available under such terms and conditions as the Secretary determines appropriate.

(3) The amount of such certificates to be made available to an exporter may be determined—

(A) on the basis of competitive bids submitted by exporters; or

(B) by announcement of the Secretary.

(4)(A) An exporter may redeem a green dollar export certificate for commodities owned by the Commodity Credit Corporation.

(B) For purposes of redeeming such certificates, the Secretary may establish values for such commodities that are different than the acquisition prices of such commodities.

(5) Such certificates—

(A) may be transferred among commercial exporters of United States agricultural commodities; and

(B) shall be redeemed within 6 months after the date of issuance.

(e) The Secretary of Agriculture shall carry out the program established by this section through the Commodity Credit Corporation.

(f) Any price restrictions that otherwise may be applicable to dispositions of agricultural commodities owned by the Commodity Credit Corporation shall not apply to agricultural commodities provided under this section.

(g) The program established under this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

(h) The authority provided under this section shall terminate on September 30, 1990.

(i) During the period beginning October 1, 1985, and ending September 30, 1988, the Secretary shall use agricultural commodities and the products thereof referred to in subsection (a) that are equal in value to not less than \$2,000,000,000 to carry out this section. To the maximum extent practicable, such commodities shall be used in equal amounts during each of the years in such period.

#### POULTRY, BEEF AND PORK MEATS AND MEAT-FOOD PRODUCTS, EQUITABLE TREATMENT

SEC. 1128. In the case of any program operated by the Secretary of Agriculture during the years 1986 through 1989, for the purpose of encouraging or enhancing commercial sales in foreign export markets of agricultural products or commodities produced in the United States, which program includes the payment of a bonus or incentive (in cash, commodities, or other benefits) provided to the purchaser, the Secretary shall seek to expend annually at least 15 per centum of the total funds available (or 15 per centum of the value of any commodities employed to encourage such sales) for program activities to likewise encourage and enhance the export sales of poultry, beef or pork meat and meat products.

#### PILOT BARTER PROGRAM FOR EXCHANGE OF AGRICULTURAL COMMODITIES FOR STRATEGIC MATERIALS

SEC. 1129. Section 416 of the Agricultural Act of 1949 is amended by adding at the end thereof the following:

"(d)(1) The Secretary shall establish and carry out a pilot program under which strategic or other materials that the United States does not produce domestically in amounts sufficient for its requirements and for which national stockpile or reserve goals established by law are unmet shall be acquired in exchange for commodities meeting the criteria specified in subsection (a).

"(2) The program established under paragraph (1) shall be carried out through agreements with at least two countries.

"(3) In establishing the pilot program under paragraph (2), the Secretary shall give priority to—

"(A) the acquisition of materials that involve less risk of loss through deterioration and have lower storage costs than the agricultural commodities or products for which they are exchanged; and



*"(B) nations with food and currency reserve shortages.*

*"(4) To the extent practical, the Secretary shall use private channels of commerce to consummate any exchange of commodities for materials under the program.*

*"(5) Any materials acquired under the programs shall be held by the Commodity Credit Corporation and may be transferred, on a reimbursable basis, to any Department or agency of the United States that has responsibility for any reserve or other need for the material. Any material acquired, in excess of any required reserve, may be sold by the Corporation to the extent authorized by the Secretary taking into consideration any effect that such sale may have on the commercial market of such material.*

*"(6) The program established by the Secretary shall be carried out during the fiscal years ending September 30, 1986, and September 30, 1987, and the Secretary shall submit a report to Congress, not later than 60 days after the end of each such fiscal year with respect to the operation of the program."*

#### AGRICULTURAL EXPORT CREDIT REVOLVING FUND

*SEC. 1130. Section 4(d)(6) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(d)(6)) is amended by striking out "1985" both places it appears and inserting in lieu thereof "1990".*

#### INTERMEDIATE EXPORT CREDIT

*SEC. 1131. Section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)) is amended—*

*(1) by adding at the end of paragraph (1) the following new sentence: "In addition, the Corporation may guarantee the repayment of loans made to finance such sales.";*

*(2) in paragraph (2)—*

*(A) by inserting ", and no loan may be guaranteed," after "financed";*

*(B) by striking out "or" at the end of clause (A);*

*(C) by striking out the period at the end of clause (B) and inserting in lieu thereof "; or"; and*

*(D) by inserting at the end thereof the following new clause:*

*"(C) otherwise promote the export of United States agricultural commodities.";*

*(3) by striking out paragraph (7);*

*(4) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively;*

*(5) by inserting after paragraph (2) the following new paragraph:*

*"(3) The Secretary is encouraged, to the maximum extent practicable, to finance or guarantee the export sales of agricultural commodities under this subsection to purchasers from—*

*"(A) countries that are previous recipients of credit extended under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);*

*"(B) countries unable, as determined by the Secretary, to utilize other short-term export credit programs offered by the Secretary or the Commodity Credit Corporation; and*

"(C) countries that are friendly countries, as defined in section 103(d) of such Act (7 U.S.C. 1703(d)).";

(6) in paragraph (4) (as redesignated by clause (4))—

(A) by inserting "or guarantees" after "financing";

(B) by striking out "and" at the end of subparagraph (C);

(C) by striking out "credit" in subparagraph (D);

(D) by striking out the period at the end of subparagraph (D) and inserting in lieu thereof a semicolon; and

(E) by adding at the end thereof the following new subparagraphs:

"(E) to finance the importation of agricultural commodities by developing nations for use in meeting their food and fiber needs; and

"(F) otherwise to promote the export sales of agricultural commodities.";

(7) in paragraph (5) (as redesignated by clause (4))—

(A) by inserting "or guarantees" after "financing"; and

(B) by striking out "to encourage credit competition, or";

(8) in paragraph (6) (as redesignated by clause (4))—

(A) by inserting "(A)" after the paragraph designation;

(B) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(C) by amending clause (i) (as redesignated) to read as follows:

"(i) Repayment shall be in dollars with interest at a rate determined by the Secretary."; and

(D) by adding at the end thereof the following new subparagraph:

"(B) Contracts of guarantee under this subsection shall contain such terms and conditions as the Commodity Credit Corporation shall determine.";

(9) by inserting "or guarantees" after "financing" in paragraph (7) (as redesignated by clause (4));

(10) by inserting "or guaranteed" after "financed" in paragraph (8); and

(11) by adding at the end thereof the following new paragraph:

"(10) For purposes of guaranteeing export sales under this subsection, the Commodity Credit Corporation shall make available—

"(A) for each of the fiscal years ending September 30, 1986, through September 30, 1988, not less than \$500,000,000; and

"(B) for each of the fiscal years ending September 30, 1989 and September 30, 1990, not more than \$1,000,000,000.".

#### AGRICULTURAL ATTACHE REPORTS

SEC. 1132. (a) The Secretary of Agriculture shall require appropriate officers and employees of the Department of Agriculture, including those stationed in foreign countries, to prepare and submit annually to the Secretary detailed reports that—

(1) document the nature and extent of—

(A) programs in such countries that provide direct or indirect government support for the export of agricultural commodities and the products thereof; and

(B) other trade practices that may impede the entry of United States agricultural commodities and the products thereof into such countries; and

(2) identify opportunities for the export of United States agricultural commodities and the products thereof to such countries.

(b) The Secretary shall annually compile the information contained in such reports and make such information available to Congress, the Agricultural Policy Advisory Committee and the agricultural technical advisory committees established under section 135 of the Trade Act of 1974 (19 U.S.C. 2155), and other interested parties.

(c) The United States Trade Representative shall—

(1) review the reports prepared under subsection (a) and any other information available to identify export subsidies or other export enhancing techniques (within the meaning of the agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade);

(2) identify markets (in order of priority) in which United States export subsidies can be used most efficiently and will have the greatest impact in offsetting the benefits of foreign export subsidies that—

(A) harm United States exports,

(B) are inconsistent with the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade,

(C) nullify or impair benefits accruing to the United States under international agreements, or

(D) cause serious prejudice to the interests of the United States and

(3) submit to the Congress and to the Secretary of Agriculture an annual report on—

(A) the existence and status of export subsidies and other export enhancing techniques that are the subject of the investigation conducted under paragraph (1), and

(B) the identification and assignment of priority to markets under paragraph (2).

(d) The Secretary and the United States Trade Representative shall convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for actions to be taken by the Federal Government and private industry to—

(1) reduce or eliminate trade barriers or distortions identified in the annual reports required to be submitted under subsections (a) and (c); and

(2) expand United States agricultural export opportunities identified in such annual reports.

#### CONTRACT SANCTITY AND PRODUCER EMBARGO PROTECTION

SEC. 1133. (a) It is hereby declared to be the policy of the United States—

(1) to foster and encourage the export of agricultural commodities and the products of such commodities;

(2) not to restrict or limit the export of such commodities and products except under the most compelling circumstances;

(3) that any prohibition or limitation on the export of such commodities or products should be imposed only in time of a national emergency declared by the President under the Export Administration Act; and

(4) that contracts for the export of such commodities or products entered into before the imposition of any prohibition or limitation on the export of such commodities or products should not be abrogated.

(b) Section 1204 of the Agriculture and Food Act of 1981 (7 U.S.C. 1736j) is amended—

(1) in subsection (a), by striking out "involved by" and all that follows through the period and inserting in lieu thereof "involved by making payments available to such producers, as provided in subsection (b) of this section.";

(2) by striking out "clause (1) of" in subsection (b);

(3) by striking out subsection (d); and

(4) by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

#### STUDY TO REDUCE FOREIGN EXCHANGE RISK

SEC. 1134. (a) The Secretary of Agriculture shall conduct a study to determine the feasibility, practicability and cost of implementing a program to reduce the risk of foreign exchange fluctuations that is incurred by the purchasers of United States agricultural exports under United States export credit promotion programs. The purpose of the study is to examine whether the GSM-102 program and all other United States export credit initiatives relating to agricultural exports would be enhanced by the United States assuming the foreign exchange risk of the buyer which resulted from a rise in the value of the United States dollar compared to the trade-weighted index of the dollar. The index referred to is the "trade-weighted index" published by the Department of Commerce as a measurement of the relative buying power of the dollar compared to the currencies of nations trading with the United States. The elements of the program to be considered in this study would include the following:

(1) On the date a foreign buyer receives GSM-102 or other credit for purposes of purchasing United States agricultural products, the maximum loan repayment exchange rate would be tied to the trade-weighted value of the United States dollar on the same date.

(2) If in the future the United States dollar gains in strength (a higher trade-weighted index), the buyer would continue to repay the loan at the lower value fixed at the time the GSM-102 credit was extended.

(3) If the United States dollar falls in value during the term of the repayment period, the foreign buyer could calculate his repayment on the lower dollar value.

(b) Not later than six months after the enactment of this Act, the Secretary shall report the results of such study to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture, Nutrition, and Forestry of the Senate.

*Subtitle C—Export Transportation of Agricultural Commodities*

*FINDINGS AND DECLARATIONS*

*SEC. 1141. (a) The Congress finds and declares—*

*(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;*

*(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments; and*

*(3) that increased agricultural exports and the utilization of United States merchant vessels contribute positively to the United States balance of trade and generate employment opportunities in the United States.*

*(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle—*

*(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;*

*(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;*

*(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;*

*(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture;*

*(5) to stimulate and promote both the agricultural and maritime industries of the United States and encourage cooperative efforts by both industries to address their common problems; and*

*(6) to provide in the Merchant Marine Act, 1936, for the appropriate disposition of these findings and purposes.*

*EXEMPTION OF CERTAIN AGRICULTURAL EXPORTS FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS*

*SEC. 1142. The Merchant Marine Act, 1936, (46 U.S.C. 1101 et seq.) is amended by inserting after section 901 the following:*

*"SEC. 901a. The requirements of section 901(b)(1) of this Act and the Joint Resolution of March 26, 1934 (46 U.S.C. App. 1241-1), shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation—*

*"(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;*

"(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 901b, cash grants are made available to foreign purchasers, for the purpose described in paragraph (1);

"(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

"(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

"(5) under which agricultural commodities or the products thereof owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 901b any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

**"SHIPMENT REQUIREMENTS FOR CERTAIN EXPORTS SPONSORED BY THE  
DEPARTMENT OF AGRICULTURE**

"SEC. 901b. (a)(1) In addition to the requirement for United States-flag carriage of a percentage of gross tonnage imposed by section 901(b)(1) of this Act, 25 percent of the gross tonnage of agricultural commodities or the products thereof specified in subsection (b) shall be transported on United States-flag commercial vessels.

"(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1)—

"(A) an additional quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

"(B) an additional quantity equal to 20 percent of the gross tonnage shall be transported in such vessels in calendar year 1987; and

"(C) an additional quantity equal to 25 percent of the gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

"(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture—

"(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

"(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

"(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

"(4) under which agricultural commodities or the products thereof are—

"(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations; or

"(B) sold for foreign currencies or for dollars on credit terms of more than ten years;

"(5) under which agricultural commodities or the products thereof are made available for emergency food relief at less than prevailing world market prices;

"(6) under which a cash grant is made directly or through an intermediary to a foreign purchaser for the purpose of enabling the purchaser to obtain United States agricultural commodities or the products thereof in an amount greater than the difference between the prevailing world market price and the United States market price, free along side vessel at United States port; or

"(7) under which agricultural commodities owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in section 901a(5).

"(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of this Act.

"(2)(A) In order to provide for effective and equitable administration of the cargo preference laws the calendar year for the purpose of compliance with minimum percentage requirements shall be for 12 month periods commencing April 1, 1986.

"(B) In addition, the Secretary of Transportation, in administering this subsection and section 901(b), and consistent with these sections, shall take such steps as may be necessary and practicable without detriment to any port range to preserve during calendar years 1986, 1987, 1988, and 1989 the percentage share, or metric tonnage of bagged, processed, or fortified commodities, whichever is lower, experienced in calendar year 1984 as determined by the Secretary of Agriculture, of waterborne cargoes exported from Great Lake ports pursuant to title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.).

"(d) As used in subsection (b), the term 'export activity' does not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

"(e)(1) The prevailing world market price as to agricultural commodities or the products thereof shall be determined under sections 901a through 901d in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

"(2) In the event that a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

"MINIMUM TONNAGE

"SEC. 901c. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities to be exported under programs subject to section 901b shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

"(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

"(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

"FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

"SEC. 901d. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 901b.

"(b) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 901b(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1733(b)).

"(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of the Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treas-



ury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

"(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such costs shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

"(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 901b(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

#### "AUTHORIZATION OF APPROPRIATIONS

"SEC. 901e. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of sections 901a through 901k.

#### "TERMINATION OF SECTIONS 901a THROUGH 901k

"SEC. 901f. The operation of sections 901a through 901k shall terminate 90 days after the date on which a notification is made pursuant to section 901d(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of sections 901b(a) and 901d (a) and (b). In the event of termination under this section, nothing in sections 901a through 901d shall be construed as exempting export activities from or subjecting export activities to the cargo preference laws except to the extent those activities are exempt under section 4(b) of Public Law 95-501 (7 U.S.C. 1707a(b)). In the event of termination under this section, the 50 percent requirement in section 901(b) of the Merchant Marine Act, 1936 shall be in full effect.

#### "NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

"SEC. 901g. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this section through section 901j referred to as the 'Commission').

"(b)(1) The Commission shall be composed of 16 members.

"(2) Eight members of the Commission shall be appointed by the President.

"(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry, of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

"(4)(A) Four of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

"(B) The remaining four members appointed by the President shall be representatives of the United States-flag maritime industry, two of whom shall represent labor and two of whom shall represent management.

"(c)(1) The members of the Commission shall elect a Chairman from among its members.

"(2) Any vacancy in the Commission does not affect its powers but shall be filled in the same manner in which the original appointment was made.

#### "DUTIES OF THE COMMISSION

"SEC. 901h. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 901b and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

"(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

"(2) The Commission shall submit a final report containing its findings and recommendations to the President and the Congress not later than two years after the date of the enactment of this subtitle. The report shall include recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 901b, is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by section 901b.

"(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

"(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning the feasibility and desirability of achieving the following goals with respect to the

ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 901b:

"(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, will minimize cost to the United States.

"(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

"(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including—

"(A) charters for full shiploads;

"(B) charters for intermediate or long term;

"(C) charters for consecutive voyages and contracts of affreightment; and

"(D) adjustment of rates in the event that vessels used for shipments of such commodities also carry cargoes on return voyages.

"(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

"(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

#### "INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

"SEC. 901i. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions.

"(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

#### "COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

"SEC. 901j. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

#### "DEFINITION OF UNITED STATES FLAG VESSEL ELIGIBLE TO CARRY CARGOES UNDER CERTAIN SECTIONS

"SEC. 901k. A United States flag vessel eligible to carry cargoes under sections 901b through 901d means a vessel, as defined in section 3 of title 1, United States Code, that is necessary for national security purposes and, if more than 25 years old, is within five years of having been substantially rebuilt and certified by the Secretary of

*Transportation as having a useful life of at least five years after that rebuilding."*

#### EFFECT ON OTHER LAWS

SEC. 1143. *This subtitle shall not be construed as modifying in any manner the provisions of section 4(b)(8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code.*

#### Subtitle D—Agricultural Imports

##### TRADE CONSULTATIONS

SEC. 1151. (a) *The Secretary of Agriculture shall require consultation between the Administrator of the Foreign Agricultural Service and the heads of other appropriate agencies and offices of the Department of Agriculture, including the Administrator of the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on the importation of any agricultural commodity or a product thereof into the United States.*

(b) *The Secretary shall consult with the United States Trade Representative before relaxing or removing any restriction on the importation of any agricultural commodity or a product thereof into the United States.*

##### APRICOT STUDY

SEC. 1152. (a) *The Secretary of Agriculture, in conjunction with the United States Trade Representative, not later than 120 days after the date of enactment of this Act, shall complete a study to determine—*

*(1) the effect of apricot imports into the United States on the domestic apricot industry; and*

*(2) the extent and nature of apricot subsidies existing in the countries from which such apricot imports are derived.*

(b) *The Secretary shall report the results of the study conducted under subsection (a), as soon as the study is completed, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.*

##### STUDY RELATING TO BRAZILIAN ETHANOL IMPORTS

SEC. 1155. *The Secretary of Agriculture shall conduct a study to determine the impact that the import of Brazilian ethanol has on the domestic price of corn and other grains and the domestic ethanol refining industry. The Secretary of Agriculture shall also, in consultation with the International Trade Commission and the United States Trade Representative, determine what relief should be granted because of the interference of subsidized Brazilian ethanol with the domestic ethanol industry. Not later than 60 days after the enactment of this Act, the Secretary shall report the results of such study to the Committee on Agriculture and the Committee on Ways and Means of the House of Representatives and to the Committee on Agriculture, Nutrition, and Forestry of the Senate.*

## STUDY OF OAT IMPORTS

SEC. 1156. (a) *The Secretary of Agriculture shall conduct a study of the impact of domestic farm programs of the increased importation of oats into the United States.*

(b) *By no later than 1 year after the date of enactment of this Act, the Secretary of Agriculture shall submit to the Congress a report on the study conducted under subsection (a).*

## Subtitle E—Trade Practices

## TOBACCO PESTICIDE RESIDUES

SEC. 1161. (a) *Section 213 of the Dairy and Tobacco Adjustment Act of 1983 (7 U.S.C. 511r) is amended by adding at the end thereof the following new subsection:*

*"(e) Notwithstanding any other provision of law:*

*"(1)(A) All flue-cured or burley tobacco offered for importation into the United States shall be accompanied by a certification by the importer, in such form as the Secretary of Agriculture shall prescribe, that the tobacco does not contain any prohibited residue of any pesticide that has been cancelled, suspended, revoked, or otherwise prohibited under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135 et seq.). Any flue-cured or burley tobacco that is not accompanied by such certification shall be inspected by the Secretary at the point of entry to determine whether that tobacco meets the pesticide residue requirements. Subsection (d) of this section shall apply with respect to fees and charges imposed to cover the costs of such inspection.*

*"(B) Any tobacco that is determined by the Secretary not to meet the pesticide residue requirements shall not be permitted entry into the United States.*

*"(C) The customs fraud provisions under section 592 of the Tariff Act of 1930, as amended (19 U.S.C. 1592), and criminal fraud provisions under section 1001 of title 18, United States Code, shall apply with respect to the certification requirement in subparagraph (A).*

*"(2) The Secretary shall by regulation provide for pesticide residue standards with respect to pesticides that are cancelled, suspended, revoked, or otherwise prohibited under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135 et seq.), that shall apply to flue-cured and burley tobacco, whether domestically produced or imported.*

*"(3) The Secretary, to such extent and at such times as the Secretary determines appropriate, shall sample and test flue-cured and burley tobacco offered for importation or for sale in the United States to determine whether it conforms with the pesticide residue requirements. The Secretary shall by regulation impose fees and charges for such inspections.*

*"(4) If the Secretary determines, as a result of tests conducted under paragraph (3), that certain flue-cured or burley tobacco offered for importation does not meet the requirements of this subsection, then such tobacco shall not be permitted entry into the United States.*

"(5)(A) Subject to subparagraph (B), if the Secretary determines that domestically produced Flue-cured or Burley tobacco does not meet the requirements of this section, such tobacco may not be moved in commerce among the States and shall be destroyed by the Secretary.

"(B) This paragraph shall apply only to tobacco produced after the date of enactment of this provision that receives price support under the Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.) or the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.)."

(b) The second sentence of section 213(d) of such Act is amended by inserting "and subsection (e)" after "subsection (a)(1)".

#### ASSESSMENT OF EXPORT DISPLACEMENT

SEC. 1162. (a) The Secretary of Agriculture shall assess each program, project, or activity administered by the Secretary or the Department of Agriculture that—

(1) provides assistance for establishing, expanding, or facilitating the production, marketing, or use of any agricultural commodity in a foreign country; and

(2) the Secretary determines is likely to have a detrimental impact on efforts to promote the export of United States agricultural commodities;

in order to determine if such program, project, or activity is likely to have such a detrimental impact.

(b) The Secretary shall provide the results of the assessment required under subsection (a)—

(1) in the case of current programs, projects, or activities, in a report made to the Congress not later than one year from the date of enactment of this section; and

(2) in the case of programs, projects, or activities undertaken after the date of enactment of this section, on a regular basis.

#### EXPORT SALES OF DAIRY PRODUCTS

SEC. 1163. (a) In each of the fiscal years ending September 30, 1986, September 30, 1987, and September 30, 1988, the Secretary of Agriculture shall sell for export, at such prices as the Secretary determines appropriate, not less than 150,000 metric tons of dairy products owned by the Commodity Credit Corporation, of which not less than 100,000 metric tons shall be butter and not less than 20,000 metric tons shall be cheese, if that disposition of such commodities will not interfere with the usual marketings of the United States nor disrupt world prices of agricultural commodities and normal patterns of commercial trade.

(b) Such sales shall be made through the Commodity Credit Corporation under existing authority available to the Secretary or the Commodity Credit Corporation.

(c) Through September 30, 1988, the Secretary shall report semiannually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the volume of sales made under this section.

## UNFAIR TRADE PRACTICES

SEC. 1164. *The Congress finds that—*

(1) *United States producers and processors of citrus, wheat flour, poultry, canned fruits, and raisins have filed petitions under section 302 of the Trade Act of 1974 alleging that the subsidies and discriminatory tariffs of the European Communities are inconsistent with the principles and terms of the General Agreement on Tariffs and Trade (hereafter referred to in this section as the "GATT") and have placed United States exporters at a competitive disadvantage;*

(2) *throughout the past decade, the European Communities has repeatedly rebuffed extensive United States efforts to resolve these matters through bilateral consultations and multilateral negotiations, as well as through consultations under the provisions of the GATT;*

(3) *after many years of frustrated discussions, the United States had no choice but to invoke the dispute settlement procedures of the GATT as the only remaining means of seeking redress for American producers and processors;*

(4) *investigatory panels, established by the GATT to review United States complaints with respect to citrus, canned fruits, and raisins, concluded that European Communities subsidies and discriminatory tariffs had nullified and impaired rights of United States exporters and were in violation of the GATT and recommended that the European Communities take necessary steps to rectify the matters;*

(5) *the European Communities has effectively and repeatedly prevented adoption by the GATT of each of these reports, most recently, the favorable report involving the 15-year-old citrus complaint;*

(6) *on May 1, 1985, the President concluded that the GATT dispute settlement process with respect to the citrus complaint was terminated and, pursuant to section 301 of the Trade Act of 1974, the President had to consider a subsequent course of action to redress the injury to United States citrus exporters;*

(7) *on June 20, 1985, the President announced that a reasonable and appropriate course of action in response to the unwillingness of the European Communities to implement the unanimous finding of the GATT panel or to negotiate a mutually acceptable resolution of the citrus complaint is to withdraw an equivalent amount of concessions from imported European Communities pasta products and, in response, the European Communities notified the United States that the European Communities would retaliate by increasing the European Communities duties on United States lemon and walnut imports;*

(8) *on July 19, 1985, the United States and the European Communities agreed to suspend until October 31, 1985, the tariff increases, in order to provide the European Communities with additional time to resolve the citrus complaint; and*

(9) *despite this suspension, the European Communities has failed to present to the United States an acceptable proposal to resolve the citrus complaint, and effective November 1, 1985, the United States reinstated the pasta tariff increase, and in turn,*

the European Communities reinstated the lemon and walnut tariff increase.

(b) The President shall take all appropriate and feasible action within the power of the Presidency (including, but not limited to, the actions described in section 301 of the Trade Act of 1974 (19 U.S.C. 2411)) to—

(1) ensure a prompt and satisfactory resolution of all complaints regarding subsidies and discriminatory tariffs of the European Communities which—

(A) are set forth in petitions filed under section 302 of the Trade Act of 1974 by United States exporters of citrus, wheat flour, poultry, canned fruits, and raisins, and

(B) are pending before the GATT on the date of enactment of this Act; and

(2) balance the level of concessions in the trade between the United States and the European Communities.

#### THAI RICE

SEC. 1165. (a) Congress finds that—

(1) Rice ranks 9th among major domestic field crops in value of production;

(2) Rice accounts for about 5 percent of the value of major field crops produced in the United States;

(3) The value of domestic rice production annually is over \$1,500,000,000;

(4) Ending stocks for rice have sharply increased since 1980;

(5) The projected 1985–1986 carryover of rice as a percentage of annual use is 62 percent;

(6) Between 1980 and 1983, rice stocks rose and prices fell, pushing rice program costs from less than one-tenth to over nine-tenths of the value of United States rice production;

(7) Over the last several years, the percentage of world rice exports from the United States has fallen from a high of 25 percent to 18 percent in 1985;

(8) In the last several years, Thailand has become the largest rice exporter in the world, accounting for 30 percent of the world market;

(9) Thai rice imports into the United States have displaced normal sales of United States rice and have increased Government costs;

(10) In 1983, the United States imported 33.2 million pounds of rice from Thailand, in 1984 the United States imported 51.3 million pounds of rice (an increase of 53 percent), and in the first six months of 1985, rice imports from Thailand to the United States have already reached 58.3 million pounds; and

(11) A petition has been filed with the Department of Commerce asking that countervailing duties be imposed upon imports of Thai rice into the United States.

(b) Based upon these findings, it is the sense of Congress that—

(1) our domestic rice industry is of vital importance and must be protected from unfair foreign competition; and



(2) the Secretary of Commerce should give immediate consideration to the countervailing duty petition referred to in subsection (a)(11).

#### END USERS OF IMPORTED TOBACCO

SEC. 1166. Section 213 of the Dairy and Tobacco Adjustment Act of 1983 (7 U.S.C. 511r) is amended by adding after the subsection added by section 1161 of this Act the following:

"(f)(1) The certification required under subsection (e)(1) of this section shall also include the identification of any and all end users of such tobacco of which the importer has knowledge. Any flue cured or burley tobacco permitted entry into the United States must be accompanied by a written identification of any and all end users of such tobacco. In cases in which the importer has no knowledge of the identity of an end user, the importer shall identify any and all purchasers to whom the importer expects to transfer such imported tobacco. The importer shall file with the Department of Agriculture an amended statement if, at any time after the time of entry of such tobacco imports, the importer has knowledge of any additional purchaser or end user. In those cases in which the importer has not identified all end users of such imported tobacco, the Secretary of Agriculture shall take all steps available to ascertain the identity of any and all such end users, including requesting such information from purchasers of such imported tobacco. Domestic purchasers of imported tobacco shall be required to supply any relevant information to the Department of Agriculture upon demand under this subsection.

"(2) The Secretary shall provide to the Senate Committee on Agriculture, Nutrition, and Forestry, and the House Committee on Agriculture, on or before April 1, 1986, a report on the implementation of this authority to identify each end user and purchaser of imported tobacco. Such report shall identify the end users and purchasers of imported tobacco and the quantity, in pounds, bought by such end user or purchaser, as well as all steps taken by the Department of Agriculture to ascertain such identities. The Secretary shall provide an additional report, beginning November 15, 1986, and annual reports thereafter, on the implementation of this authority.

"(3) As used in this subsection, the term 'end user of imported tobacco' means—

"(A) a domestic manufacturer of cigarettes or other tobacco products;

"(B) an entity that mixes, blends, processes, alters in any manner, or stores, imported tobacco for export; and

"(C) any other individual that the Secretary may identify as making use of imported tobacco for the production of tobacco products."

#### BARTER OF AGRICULTURAL COMMODITIES FOR STRATEGIC AND CRITICAL MATERIALS

SEC. 1167. (a) Congress finds that—

(1) the Commodity Credit Corporation, the General Services Administration, and the Department of Agriculture have au-

thority to barter or exchange agricultural commodities for strategic and critical materials for the national defense stockpile;

(2) from 1950 to 1973, the Department of Agriculture conducted a highly successful barter program using agricultural commodities to acquire strategic and critical materials;

(3) private commercial firms in the United States have entered into effective barter agreements with foreign governments or private parties in foreign countries to barter or exchange commodities and services to supplement customary commercial transactions in international markets;

(4) barter can be an effective secondary method of reducing excess supplies of agricultural commodities and adding needed strategic and critical materials to the national defense stockpile;

(5) barter can be used to help overcome certain currency exchange and balance-of-trade problems and to develop new markets for United States agricultural products;

(6) barter can be used to promote United States foreign policy interests; and

(7) several nations are potential partners in a revival of a coherent and well-managed government barter program.

(b) Section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended—

(1) in the fourth sentence—

(A) by striking out “is authorized,” and inserting in lieu thereof “shall, to the maximum extent practicable, in consultation with the Secretary of State, and”; and

(B) by striking out “to”;

(2) in the fifth sentence, by striking out “normal commercial trade channels shall be utilized and priority shall be given” and inserting in lieu thereof “the Secretary shall: (1) use normal commercial trade channels; (2) take action to avoid displacing usual marketings of United States agricultural commodities and the products thereof; (3) take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities used for such exchange; and (4) give priority”;

(3) by inserting after the fifth sentence the following new sentence: “The Corporation may solicit bids from, and utilize, private trading firms to effect such exchange of goods.”;

(4) in the eighth sentence (as amended by clause (3)), by striking out “when” and inserting in lieu thereof “in the same fiscal year such materials are”; and

(5) by inserting after the eighth sentence (as amended by clause (3)) the following new sentence: “If the volume of petroleum products (including crude oil) stored in the Strategic Petroleum Reserve is less than the level prescribed under section 154 of the Energy Policy and Conservation Act (42 U.S.C. 6234), the Corporation shall, to the maximum extent practicable and with the approval of the Secretary of Agriculture, make available annually to the Secretary of Energy, upon the request of the Secretary of Energy, a quantity of agricultural products owned by the Corporation with a market value at the time of such request

of at least \$300,000,000 for use by the Secretary of Energy in acquiring petroleum products (including crude oil) produced abroad for placement in the Strategic Petroleum Reserve through an exchange of such agricultural products. The terms and conditions of each such exchange, including provisions for full reimbursement to the Commodity Credit Corporation, shall be determined by the Secretary of Energy and the Secretary of Agriculture."

(c) Section 310 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1727g) is amended by inserting after the second sentence the following new sentence: "To the maximum extent practicable, the Secretary shall solicit bids from, and utilize, private trading firms to arrange or make barter or exchanges for strategic or other materials under clause (a)."

(d)(1) The Secretary of Agriculture shall encourage United States exporters of agricultural commodities and the products thereof to barter such commodities and products for foreign products needed by such exporters.

(2) The Secretary shall provide technical advice and assistance relating to the barter of agricultural commodities and the products thereof to any United States exporter who requests such advice or assistance.

## TITLE XII—CONSERVATION

### SUBTITLE A—DEFINITIONS

#### DEFINITIONS

SEC. 1201. (a) For purposes of subtitles A through E:

(1) The term "agricultural commodity" means—

(A) any agricultural commodity planted and produced in a State by annual tilling of the soil, including tilling by one-trip planters; or

(B) sugarcane planted and produced in a State.

(2) The term "conservation district" means any district or unit of State or local government formed under State or territorial law for the express purpose of developing and carrying out a local soil and water conservation program. Such district or unit of government may be referred to as a "conservation district", "soil conservation district", "soil and water conservation district", "resource conservation district", "natural resource district", "land conservation committee", or a similar name.

(3) The term "cost sharing payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing highly erodible cropland under the provisions of section 1234 (b) of this Act.

(4)(A) The term "converted wetland" means wetland that has been drained, dredged, filled, leveled, or otherwise manipulated (including any activity that results in impairing or reducing the flow, circulation, or reach of water) for the purpose or to have the effect of making the production of an agricultural commodity possible if—

(i) such production would not have been possible but for such action; and

(ii) before such action—

(I) such land was wetland; and

(II) such land was neither highly erodible land nor highly erodible cropland.

(B) Wetland shall not be considered converted wetland if production of an agricultural commodity on such land during a crop year—

(i) is possible as a result of a natural condition, such as drought; and

(ii) is not assisted by an action of the producer that destroys natural wetland characteristics.

(5) The term "field" means such term as is defined in section 718.2(b)(9) of title 7 of the Code of Federal Regulations (as of January 1, 1985), except that any highly erodible land on which an agricultural commodity is produced after the date of enactment of this Act and that is not exempt under section 1212 shall be considered as part of the field in which such land was included on such date, unless the Secretary permits modification of the boundaries of the field to carry out subtitles A through E.

(6) The term "highly erodible cropland" means highly erodible land that is in cropland use, as determined by the Secretary.

(7)(A) The term "highly erodible land" means land—

(i) that is classified by the Soil Conservation Service as class IV, VI, VII, or VIII land under the land capability classification system in effect on the date of the enactment of this Act; or

(ii) that has, or that if used to produce an agricultural commodity, would have an excessive average annual rate of erosion in relation to the soil loss tolerance level, as established by the Secretary, and as determined by the Secretary through application of factors from the universal soil loss equation and the wind erosion equation, including factors for climate, soil erodibility, and field slope.

(B) For purposes of this paragraph, the land capability class or rate of erosion for a field shall be that determined by the Secretary to be the predominant class or rate of erosion under regulations issued by the Secretary.

(8) The term "hydric soil" means soil that, in its undrained condition, is saturated, flooded, or ponded long enough during a growing season to develop an anaerobic condition that supports the growth and regeneration of hydrophytic vegetation.

(9) The term "hydrophytic vegetation" means a plant growing in—

(A) water; or

(B) a substrate that is at least periodically deficient in oxygen during a growing season as a result of excessive water content.

(10) The term "in-kind commodities" means commodities that are normally produced on land that is the subject of an agreement entered into under subtitle D.

(11) The term "rental payment" means a payment made by the Secretary to an owner or operator of a farm or ranch containing highly erodible cropland to compensate the owner or op-

erator for retiring such land from crop production and placing such land in the conservation acreage reserve in accordance with subtitle D.

(12) The term "Secretary" means the Secretary of Agriculture.

(13) The term "shelterbelt" means a vegetative barrier with a linear configuration composed of trees, shrubs, and other approved perennial vegetation.

(14) The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(15) The term "vegetative cover" means—

(A) perennial grasses, legumes, forbs, or shrubs with an expected life span of 5 or more years; or

(B) trees.

(16) The term "wetland", except when such term is part of the term "converted wetland", means land that has a predominance of hydric soils and that is inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances does support, a prevalence of hydrophytic vegetation typically adapted for life in saturated soil conditions.

(b) The Secretary shall develop—

(1) criteria for the identification of hydric soils and hydrophytic vegetation; and

(2) lists of such soils and such vegetation.

## SUBTITLE B—HIGHLY ERODIBLE LAND CONSERVATION

### PROGRAM INELIGIBILITY

SEC. 1211. Except as provided in section 1212, and notwithstanding any other provision of law, following the date of enactment of this Act, any person who in any crop year produces an agricultural commodity on a field on which highly erodible land shall be ineligible for—

(1) as to any commodity produced during that crop year by such person—

(A) any type of price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(B) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

(C) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(D) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or

(E) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose

that will contribute to excessive erosion of highly erodible land; or

(2) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

#### EXEMPTIONS

SEC. 1212. (a)(1) During the period beginning on the date of the enactment of this Act and ending on the later of January 1, 1990, or the date that is 2 years after the date land on which a crop of an agricultural commodity is produced was mapped by the Soil Conservation Service for purposes of classifying such land under the land capability classification system in effect on the date of enactment of this Act, except as provided in paragraph (2), no person shall become ineligible under section 1211 for program loans, payments, and benefits as the result of the production of a crop of an agricultural commodity on any land that was—

(A) cultivated to produce any of the 1981 through 1985 crops of an agricultural commodity; or

(B) set aside, diverted or otherwise not cultivated under a program administered by the Secretary for any such crops to reduce production of an agricultural commodity.

(2) If, as of January 1, 1990, or 2 years after the Soil Conservation Service has completed a soil survey for the farm, whichever is later, a person is actively applying a conservation plan based on the local Soil Conservation Service technical guide and approved by the local soil conservation district, in consultation with the local committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h (b)) and the Secretary, or by the Secretary, such person shall have until January 1, 1995, to comply with the plan without being subject to program ineligibility.

(b) No person shall become ineligible under section 1211 for program loans, payments, and benefits as the result of the production of a crop of an agricultural commodity—

(1) planted before the date of enactment of this Act;

(2) planted during any crop year beginning before the date of enactment of this Act;

(3) on highly erodible land in an area—

(A) within a conservation district, under a conservation system that has been approved by a conservation district after the district has determined that the conservation system is in conformity with technical standards set forth in the Soil Conservation Service technical guide for such district; or

(B) not within a conservation district, under a conservation system determined by the Secretary to be adequate for the production of such agricultural commodity on any highly erodible land subject to this title; or

(4) on highly erodible land that is planted in reliance on a determination by the Soil Conservation Service that such land was not highly erodible land, except that this paragraph shall not apply to any agricultural commodity that was planted on

any land after the Soil Conservation Service determines that such land is highly erodible land.

(c) Section 1211 shall not apply to a loan described in section 1211 made before the date of enactment of this Act.

#### SOIL SURVEYS

SEC. 1213. The Secretary shall, as soon as is practicable after the date of enactment of this Act, complete soil surveys on those private lands that do not have a soil survey suitable for use in determining the land capability class for purposes of this subtitle. In carrying out this section, the Secretary shall, insofar as possible, concentrate on those localities where significant amounts of highly erodible land are being converted to the production of agricultural commodities.

### SUBTITLE C—WETLAND CONSERVATION

#### PROGRAM INELIGIBILITY

SEC. 1221. Except as provided in section 1222 and notwithstanding any other provision of law, following the date of enactment of this Act, any person who in any crop year produces an agricultural commodity on converted wetland shall be ineligible for—

(1) as to any commodity produced during that crop year by such person—

(A) any type of price support or payment made available under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or any other Act;

(B) a farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h));

(C) crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.);

(D) a disaster payment made under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.); or

(E) a loan made, insured, or guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) or any other provision of law administered by the Farmers Home Administration, if the Secretary determines that the proceeds of such loan will be used for a purpose that will contribute to conversion of wetlands (other than as provided in this subtitle) to produce an agricultural commodity; or

(2) a payment made under section 4 or 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b or 714c) during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation.

#### EXEMPTIONS

SEC. 1222. (a) No person shall become ineligible under section 1221 for program loans, payments, and benefits as the result of the production of a crop of an agricultural commodity on—

(1) converted wetland if the conversion of such wetland was commenced before the date of enactment of this Act;

(2) an artificial lake, pond, or wetland created by excavating or diking non-wetland to collect and retain water for purposes such as water for livestock, fish production, irrigation (including subsurface irrigation), a settling basin, cooling, rice production, or flood control;

(3) a wet area created by a water delivery system, irrigation, irrigation system, or application of water for irrigation; or

(4) wetland on which production of an agricultural commodity is possible as a result of a natural condition, such as drought, and without action by the producer that destroys a natural wetland characteristic.

(b) Section 1221 shall not apply to a loan described in section 1221 made before the date of enactment of this Act.

(c) The Secretary may exempt a person from section 1221 for any action associated with the production of an agricultural commodity on converted wetland if the effect of such action, individually and in connection with all other similar actions authorized by the Secretary in the area, on the hydrological and biological aspect of wetland is minimal.

#### CONSULTATION WITH SECRETARY OF THE INTERIOR

SEC. 1223. The Secretary shall consult with the Secretary of the Interior on such determinations and actions as are necessary to carry out this subtitle, including—

(1) the identification of wetland;

(2) the determination of exemptions under section 1222; and

(3) the issuance of regulations under section 1244 to carry out this subtitle.

#### SUBTITLE D—CONSERVATION RESERVE

##### CONSERVATION RESERVE

SEC. 1231. (a) During the 1986 through 1990 crop years, the Secretary shall formulate and carry out a conservation acreage reserve program, in accordance with this subtitle, through contracts to assist owners and operators of highly erodible cropland in conserving and improving the soil and water resources of their farms or ranches.

(b) The Secretary shall enter into contracts with owners and operators of farms and ranches containing highly erodible cropland to place in the conservation reserve—

(1) during the 1986 crop year, not less than 5, nor more than 45, million acres;

(2) during the 1986 through 1987 crop years, a total of not less than 15, nor more than 45, million acres;

(3) during the 1986 through 1988 crop years, a total of not less than 25, nor more than 45, million acres;

(4) during the 1986 through 1989 crop years, a total of not less than 35, nor more than 45, million acres; and

(5) during the 1986 through 1990 crop years, a total of not less than 40, nor more than 45, million acres.



(c)(1)(A) Notwithstanding subsection (b), effective for each of the fiscal years 1986 through 1989, the Secretary may reduce by up to 25 percent the number of acres of highly erodible land required to be placed under contract during each fiscal year if the Secretary determines that the rental payments to be made under section 1233(b) on such acres are likely to be significantly lower in the succeeding year.

(B) Paragraph (A) shall not affect the requirements of paragraph (5) of subsection (b).

(2) The Secretary may include in the program established under this subtitle lands that are not highly erodible lands but that pose an off-farm environmental threat or, if permitted to remain in production, pose a threat of continued degradation of productivity due to soil salinity.

(d) Under the program established under this subtitle, the Secretary shall not place under contract more than 25 percent of the cropland in any one county, except that the Secretary may exceed the limitation established by this subsection in a county to the extent that the Secretary determines that such action would not adversely affect the local economy of such county.

(e) For the purpose of carrying out this subtitle, the Secretary shall enter into contracts of not less than 10, nor more than 15, years.

#### DUTIES OF OWNERS AND OPERATORS

SEC. 1232. (a) Under the terms of a contract entered into under this subtitle, during the term of such contract, an owner or operator of a farm or ranch must agree—

(1) to implement a plan approved by the local conservation district (or in an area not located within a conservation district, a plan approved by the Secretary) for converting highly erodible cropland normally devoted to the production of an agricultural commodity on the farm or ranch to a less intensive use (as defined by the Secretary), such as pasture, permanent grass, legumes, forbs, shrubs, or trees, substantially in accordance with a schedule outlined in the plan;

(2) to place highly erodible cropland subject to the contract in the conservation acreage reserve established under this subtitle;

(3) not to use such land for agricultural purposes, except as permitted by the Secretary;

(4) to establish approved vegetative cover on such land;

(5) on the violation of a term or condition of the contract at any time the owner or operator has control of such land—

(A) to forfeit all rights to receive rental payments and cost sharing payments under the contract and to refund to the Secretary any rental payments and cost sharing payments received by the owner or operator under the contract, together with interest thereon as determined by the Secretary, if the Secretary, after considering the recommendations of the soil conservation district and the Soil Conservation Service, determines that such violation is of such nature as to warrant termination of the contract; or

(B) to refund to the Secretary, or accept adjustments to, the rental payments and cost sharing payments provided to

*the owner or operator, as the Secretary considers appropriate, if the Secretary determines that such violation does not warrant termination of the contract;*

*(6) on the transfer of the right and interest of the owner or operator in land subject to the contract—*

*(A) to forfeit all rights to rental payments and cost sharing payments under the contract; and*

*(B) to refund to the United States all rental payments and cost sharing payments received by the owner or operator, or accept such payment adjustments or make such refunds as the Secretary considers appropriate and consistent with the objectives of this subtitle,*

*unless the transferee of such land agrees with the Secretary to assume all obligations of the contract;*

*(7) not to conduct any harvesting or grazing, nor otherwise make commercial use of the forage, on land that is subject to the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, except that the Secretary may permit harvesting or grazing or other commercial use of the forage on land that is subject to the contract in response to a drought or other similar emergency;*

*(8) not to conduct any planting of trees on land that is subject to the contract unless the contract specifies that the harvesting and commercial sale of trees such as Christmas trees are prohibited, nor otherwise make commercial use of trees on land that is subject to the contract unless it is expressly permitted in the contract, nor adopt any similar practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract, except that no contract shall prohibit activities consistent with customary forestry practice, such as pruning, thinning, or stand improvement of trees, on lands converted to forestry use;*

*(9) not to adopt any practice specified by the Secretary in the contract as a practice that would tend to defeat the purposes of this subtitle; and*

*(10) to comply with such additional provisions as the Secretary determines are desirable and are included in the contract to carry out this subtitle or to facilitate the practical administration thereof.*

*(b) The plan referred to in subsection (a)(1)—*

*(1) shall set forth—*

*(A) the conservation measures and practices to be carried out by the owner or operator during the term of the contract; and*

*(B) the commercial use, if any, to be permitted on the land during such term; and*

*(2) may provide for the permanent retirement of any existing cropland base and allotment history for the land.*

*(c) To the extent practicable, not less than one eighth of the number of acres of land that is placed in the conservation reserve under this subtitle in each of the 1986 through 1990 crop years shall be devoted to trees.*

## DUTIES OF THE SECRETARY

*SEC. 1233. In return for a contract entered into by an owner or operator under section 1232, the Secretary shall—*

*(1) share the cost of carrying out the conservation measures and practices set forth in the contract for which the Secretary determines that cost sharing is appropriate and in the public interest;*

*(2) for a period of years not in excess of the term of the contract, pay an annual rental payment in an amount necessary to compensate for—*

*(A) the conversion of highly erodible cropland normally devoted to the production of an agricultural commodity on a farm or ranch to a less intensive use; and*

*(B) the retirement of any cropland base and allotment history that the owner or operator agrees to retire permanently; and*

*(3) provide conservation technical assistance to assist the owner or operator in carrying out the contract.*

## PAYMENTS

*SEC. 1234. (a) The Secretary shall provide payment for obligations incurred by the Secretary under a contract entered into under this subtitle—*

*(1) with respect to any cost-sharing payment obligation incurred by the Secretary, as soon as possible after the obligation is incurred; and*

*(2) with respect to any annual rental payment obligation incurred by the Secretary—*

*(A) as soon as practicable after October 1 of each calendar year; or*

*(B) at the discretion of the Secretary, at any time prior to such date during the year that the obligation is incurred.*

*(b) In making conservation payments to owners and operators under contracts entered into under this subtitle, the Secretary shall pay 50 percent of the cost of establishing conservation measures and practices set forth in such contracts for which the Secretary determines that cost-sharing is appropriate and in the public interest.*

*(c)(1) In determining the amount of annual rental payments to be paid to owners and operators for converting highly erodible cropland normally devoted to the production of an agricultural commodity to less intensive use, the Secretary may consider, among other things, the amount necessary to encourage owners or operators of highly erodible cropland to participate in the program established by this subtitle.*

*(2) The amounts payable to owners or operators in the form of rental payments under contracts entered into under this subtitle may be determined through—*

*(A) the submission of bids for such contracts by owners and operators in such manner as the Secretary may prescribe; or*

*(B) such other means as the Secretary determines are appropriate.*

*(3) In determining the acceptability of contract offers, the Secretary may—*

(A) take into consideration the extent of erosion on the land that is the subject of the contract and the productivity of the acreage diverted;

(B) where appropriate, accept contract offers that provide for the establishment of—

(i) shelterbelts and windbreaks; or

(ii) permanently vegetated stream borders, filter strips of permanent grass, forbs, shrubs, and trees that will reduce sedimentation substantially;

(C) establish different criteria in various States and regions of the United States to determine the extent to which erosion may be abated; and

(D) give priority to offers made by owners and operators who are subject to the highest degree of economic stress, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

(d)(1) Except as otherwise provided in this section, payments under this subtitle—

(A) shall be made in cash or in commodities in such amount and on such time schedule as is agreed on and specified in the contract; and

(B) may be made in advance of determination of performance.

(2) If such payment is made with in-kind commodities, such payment shall be made by the Commodity Credit Corporation—

(A) by delivery of the commodity involved to the owner or operator at a warehouse or other similar facility located in the county in which the highly erodible cropland is located or at such other location as is agreed to by the Secretary and the owner or operator;

(B) by the transfer of negotiable warehouse receipts; or

(C) by such other method, including the sale of the commodity in commercial markets, as is determined by the Secretary to be appropriate to enable the owner or operator to receive efficient and expeditious possession of the commodity.

(3) If stocks of a commodity acquired by the Commodity Credit Corporation are not readily available to make full payment in kind to the owner or operator, the Secretary may substitute full or partial payment in cash for payment in kind.

(e) If an owner or operator who is entitled to a payment under a contract entered into under this subtitle dies, becomes incompetent, is otherwise unable to receive such payment, or is succeeded by another person who renders or completes the required performance, the Secretary shall make such payment, in accordance with regulations prescribed by the Secretary and without regard to any other provision of law, in such manner as the Secretary determines is fair and reasonable in light of all of the circumstances.

(f)(1) The total amount of rental payments, including rental payments made in the form of in-kind commodities, made to an owner or operator under this subtitle for any fiscal year may not exceed \$50,000.

(2)(A) The Secretary shall issue regulations—

(i) defining the term "person" as used in this subsection; and

(ii) prescribing such rules as the Secretary determines necessary to ensure a fair and reasonable application of the limitation contained in this subsection.

(B) The regulations issued by the Secretary on December 18, 1970, under section 101 of the Agricultural Act of 1970 (7 U.S.C. 1307), shall be used to determine whether corporations and their stockholders may be considered as separate persons under this subsection.

(3) Rental payments received by an owner or operator shall be in addition to, and not affect, the total amount of payments that such owner or operator is otherwise eligible to receive under this Act or the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.).

#### CONTRACTS

SEC. 1235. (a)(1) No contract shall be entered into under this subtitle concerning land with respect to which the ownership has changed in the 3-year period preceding the first year of the contract period unless—

(A) the new ownership was acquired by will or succession as a result of the death of the previous owner;

(B) the new ownership was acquired before January 1, 1985; or

(C) the Secretary determines that the land was acquired under circumstances that give adequate assurance that such land was not acquired for the purpose of placing it in the program established by this subtitle.

(2) Paragraph (1) shall not—

(A) prohibit the continuation of an agreement by a new owner after an agreement has been entered into under this subtitle; or

(B) require a person to own the land as a condition of eligibility for entering into the contract if the person—

(i) has operated the land to be covered by a contract under this section for at least 3 years preceding the date of the contract or since January 1, 1985, whichever is later; and

(ii) controls the land for the contract period.

(b) If during the term of a contract entered into under this subtitle an owner or operator of land subject to such contract sells or otherwise transfers the ownership or right of occupancy of such land, the new owner or operator of such land may—

(1) continue such contract under the same terms or conditions;

(2) enter into a new contract in accordance with this subtitle; or

(3) elect not to participate in the program established by this subtitle.

(c)(1) The Secretary may modify a contract entered into with an owner or operator under this subtitle if—

(A) the owner or operator agrees to such modification; and

(B) the Secretary determines that such modification is desirable—

(i) to carry out this subtitle;

(ii) to facilitate the practical administration of this subtitle; or

(iii) to achieve such other goals as the Secretary determines are appropriate, consistent with this subtitle.

(2) The Secretary may modify or waive a term or condition of a contract entered into under this subtitle in order to permit all or part of the land subject to such contract to be devoted to the production of an agricultural commodity during a crop year, subject to such conditions as the Secretary determines are appropriate.

(d)(1) The Secretary may terminate a contract entered into with an owner or operator under this subtitle if—

(A) the owner or operator agrees to such termination; and

(B) the Secretary determines that such termination would be in the public interest.

(2) At least 90 days before taking any action to terminate under paragraph (1) all conservation reserve contracts entered into under this subtitle, the Secretary shall provide written notice of such action to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

#### BASE HISTORY

SEC. 1236. (a) A reduction, based on a ratio between the total cropland acreage on the farm and the acreage placed in the conservation reserve authorized by this subtitle, as determined by the Secretary, shall be made during the period of the contract, in the aggregate, in crop bases, quotas, and allotments on the farm with respect to crops for which there is a production adjustment program.

(b) Notwithstanding sections 1211 and 1221, the Secretary, by appropriate regulation, may provide for preservation of cropland base and allotment history applicable to acreage converted from the production of agricultural commodities under this section, for the purpose of any Federal program under which the history is used as a basis for participation in the program or for an allotment or other limitation in the program, unless the owner and operator agree under the contract to retire permanently that cropland base and allotment history.

#### SUBTITLE E—ADMINISTRATION

##### USE OF COMMODITY CREDIT CORPORATION

SEC. 1241. (a)(1) During each of the fiscal years ending September 30, 1986, and September 30, 1987, the Secretary shall use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out subtitle D.

(2) During the fiscal year ending September 30, 1988, and each fiscal year thereafter, the Secretary may use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out subtitle D, except that the Secretary may not use funds of the Corporation for such purpose unless the Corporation has received funds to cover such expenditures from appropriations made to carry out this subtitle.

(b) The authority provided by subtitles (A) through (E) shall be in addition to, and not in place of, other authority granted to the Secretary and the Commodity Credit Corporation.

## USE OF OTHER AGENCIES

*SEC. 1242. (a) In carrying out subtitles B, C, and D the Secretary shall use the services of local, county, and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)).*

*(b)(1) In carrying out subtitle D, the Secretary may utilize the services of the Soil Conservation Service and the Forest Service, the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, local, county, and State committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h), soil and water conservation districts, and other appropriate agencies.*

*(2) In carrying out subtitle D at the State and county levels, the Secretary shall consult with, to the extent practicable, the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, soil-conservation districts, and other appropriate agencies.*

## ADMINISTRATION

*SEC. 1243. (a) The Secretary shall establish, by regulation, an appeal procedure under which a person who is adversely affected by any determination made under subtitle (A) through (E) may seek review of such determination.*

*(b) Ineligibility under section 1211 or 1212 of a tenant or sharecropper for benefits shall not cause a landlord to be ineligible for benefits for which the landlord would otherwise be eligible with respect to commodities produced on lands other than those operated by the tenant or sharecropper.*

*(c) In carrying out B subtitles A through E, the Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under the program established by subtitle D.*

## REGULATIONS

*SEC. 1244. Not later than 180 days after the date of enactment of this Act, the Secretary shall issue such regulations as the Secretary determines are necessary to carry out subtitles (A) through (E), including regulations that—*

*(1) define the term "person";*

*(2) govern the determination of persons who shall be ineligible for program benefits under subtitle (B) and (C), so as to ensure a fair and reasonable determination of ineligibility; and*

*(3) protect the interests of landlords, tenants, and sharecroppers.*

## AUTHORIZATION FOR APPROPRIATIONS

*SEC. 1245. There are authorized to be appropriated without fiscal year limitation such sums as may be necessary to carry out subtitles A through E.*

## SUBTITLE F—OTHER CONSERVATION PROVISIONS

### TECHNICAL ASSISTANCE FOR WATER RESOURCES

SEC. 1251. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may formulate plans and provide technical assistance to property owners and agencies of State and local governments and interstate river basin commissions, at their request, to—

(1) protect the quality and quantity of subsurface water, including water in the Nation's aquifers;

(2) enable property owners to reduce their vulnerability to flood hazards that also may affect water resources; and

(3) control the salinity in the Nation's agricultural water resources.

(b) The Secretary shall submit by February 15, 1987, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report evaluating the plans and technical assistance authorized in subsection (a). Such report shall include any recommendations as to whether the plan and assistance should be extended, how any plan and assistance could be improved, and any other relevant information and data relating to costs and other elements of the plan or assistance that would be helpful to such Committees.

### SOIL AND WATER RESOURCES CONSERVATION

SEC. 1252. (a) Subsection (d) of section 5 of the Soil and Water Resources Conservation Act of 1977 (16 U.S.C. 2004(b)) is amended to read as follows:

“(d) The Secretary shall conduct four comprehensive appraisals under this section, to be completed by December 31, 1979, December 31, 1986, December 31, 1995, and December 31, 2005, respectively. The Secretary may make such additional interim appraisals as the Secretary considers appropriate.”

(b) Subsection (b) of section 6 of such Act (16 U.S.C. 2205(b)) is amended to read as follows:

“(b) The initial program shall be completed not later than December 31, 1979, and program updates shall be completed by December 31, 1987, December 31, 1997, and December 31, 2007, respectively.”

(c) Section 7 of such Act (16 U.S.C. 2006) is amended by—

(1) striking out subsection (a) and inserting in lieu thereof the following new subsection:

“(a)(1) At the time Congress convenes in 1980, 1987, 1996, and 2006, the President shall transmit to the Speaker of the House of Representatives and the President of the Senate the appraisal developed under section 5 and completed prior to the end of the previous year.

“(2) At the time Congress convenes in 1980, 1988, 1998, and 2008, the President shall transmit to the Speaker of the House of Representatives and the President of the Senate the initial program or updated program developed under section 6 and completed prior to the end of the previous year, together with a detailed statement of policy regarding soil and water conservation activities of the United States Department of Agriculture.”;



(2) striking out subsection (b); and

(3) redesignating subsection (c) as subsection (b).

(d) Section 10 of such Act (16 U.S.C. 2009) is amended by striking out "1985" and inserting in lieu thereof "2008".

#### DRY LAND FARMING

SEC. 1253. The first sentence of section 7(a) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590g(a)) is amended by—

(1) striking out "and" at the end of clause (5); and

(2) inserting before the period the following:

"and (7) the promotion of energy and water conservation through dry land farming".

#### SOFTWOOD TIMBER

SEC. 1254. Section 608 of the Agricultural Programs Adjustment Act of 1984 (7 U.S.C. 1981 note) is amended to read as follows:

#### "SOFTWOOD TIMBER

"SEC. 608. (a)(1) Notwithstanding any other provision of law, the Secretary of Agriculture (hereinafter in this section referred to as the 'Secretary') may implement a program, pursuant to the recommendations contained in the study mandated by section 608 of the Agricultural Programs Adjustment Act of 1984 (7 U.S.C. 1421 note), under which a distressed loan (as determined by the Secretary) made or insured under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), or a portion thereof, may be reamortized with the use of future revenue produced from the planting of softwood timber crops on marginal land (as determined by the Secretary) that—

"(A) was previously used to produce an agricultural commodity or as pasture; and

"(B) secures a loan made or insured under such Act.

"(2) Accrued interest on a loan reamortized under this section may be capitalized and interest charged on such interest.

"(3) All or a portion of the payments on such reamortized loan may be deferred until such softwood timber crop produces revenue or for a term of 45 years, whichever comes first.

"(4) Repayment of such reamortized loan shall be made not later than 50 years after the date of reamortization.

"(b) The interest rate on such reamortized loans shall be determined by the Secretary, but not in excess of the current average yield on outstanding marketable obligations of the United States with periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 percent, as determined by the Secretary and adjusted to the nearest one-eighth of 1 percent.

"(c) To be eligible for such program—

"(1) the borrower of such reamortized loan must place not less than 50 acres of such land in softwood timber production;

"(2) such land (including timber) may not have any lien against such land other than a lien for—

"(A) a loan made or insured under the Consolidated Farm and Rural Development Act to secure such reamortized loan; or

"(B) a loan made under this section, at the time of reamortization or thereafter, that is subject to a lien on such land (including timber) in favor of the Secretary; and

"(3) the total amount of loans secured by such land (including timber) may not exceed \$1,000 per acre.

"(d)(1) To assist such borrowers to place such land in softwood timber production, the Secretary may make loans to such borrowers for such purpose in an aggregate amount not to exceed the actual cost of tree planting for land placed in the program.

"(2) Any such loan shall be secured by the land (including timber) on which the trees are planted.

"(3) Such loans shall be made on the same terms and conditions as are provided in this section for reamortized loans.

"(e) The Secretary shall issue such rules as are necessary to carry out this section, including rules prescribing terms and conditions for—

"(1) reamortizing and making loans under this section;

"(2) entering into security instruments and agreements under this section; and

"(3) management and harvesting practices of the timber crop.

"(f) There are authorized to be appropriated such sums as are necessary to carry out this section.

"(g) No more than 50,000 acres may be placed in such program."

#### AMENDMENT TO FARMLAND PROTECTION POLICY ACT

SEC. 1255. (a) Section 1546 of the Farmland Protection Policy Act (7 U.S.C. 4207) is amended by striking out "Within one year after the enactment of this subtitle," and inserting in lieu thereof "On January 1, 1987, and at the beginning of each subsequent calendar year."

(b) Section 1548 of such Act (7 U.S.C. 4209) is amended by striking out "any State, local unit of government, or" and inserting before the period "; Provided, That the Governor of an affected State where a State policy or program exists to protect farmland may bring an action in the Federal district court of the district where a Federal program is proposed to enforce the requirements of section 1541 of this subtitle and regulations issued pursuant thereto".

### TITLE XIII—CREDIT

#### JOINT OPERATIONS

SEC. 1301. (a) Sections 302 and 311(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922 and 1941(a), respectively) are each amended by—

(1) striking out "and partnerships" each place it appears after "corporations" and inserting "; partnerships, and joint operations" in lieu thereof;

(2) striking out "; and partnerships" each place it appears after "corporations" and inserting "; partnerships, and joint operations" in lieu thereof; and

(3) striking out "members, stockholders, or partners, as applicable," each place it appears and inserting "individuals" in lieu thereof.

(b) Section 343 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991) is amended by—

(1) striking out "and" before "(6)"; and

(2) inserting before the period at the end thereof the following: "; and (7) the term 'joint operation' means a joint farming operation in which two or more farmers work together sharing equally or unequally land, labor, equipment, expenses, and income".

#### ELIGIBILITY FOR REAL ESTATE AND OPERATING LOANS

SEC. 1302. (a) Section 302 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922) is amended by—

(1) inserting "(a)" after the section designation; and

(2) adding at the end thereof the following new subsection:

"(b) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 303 solely to borrowers of loans that are outstanding on the date of enactment of the Food Security Act of 1985."

(b) Section 311 of such Act (7 U.S.C. 1941) is amended by adding at the end thereof the following new subsection:

"(c) The Secretary may not restrict eligibility for loans made or insured under this subtitle for purposes set forth in section 312 solely to borrowers of loans that are outstanding on the date of enactment of the Food Security Act of 1985."

#### FAMILY FARM RESTRICTION

SEC. 1303. Sections 302 and 311 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922 and 1941) are each amended by adding, at the end of the parenthetical provision in clause (3) of the second sentence, the following: "or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary".

#### WATER AND WASTE DISPOSAL FACILITIES

SEC. 1304. (a) Section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) is amended by—

(1) adding at the end of paragraph (2) the following:

"The Secretary shall fix the grant rate for each project in conformity with regulations issued by the Secretary that shall provide for a graduated scale of grant rates establishing higher rates for projects in communities that have lower community population and income levels."; and

(2) adding at the end thereof the following:

"(16)(A) The Secretary may make grants to private nonprofit organizations for the purpose of enabling them to provide to associations described in paragraph (1) of this subsection technical assistance and training to—

"(i) identify, and evaluate alternative solutions to, problems relating to the obtaining, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas;

"(ii) prepare applications to receive financial assistance for any purpose specified in paragraph (2) of this subsection from any public or private source; and

"(iii) improve the operation and maintenance practices at any existing works for the storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.

"(B) In selecting recipients of grants to be made under subparagraph (A), the Secretary shall give priority to private nonprofit organizations that have experience in providing the technical assistance and training described in subparagraph (A) to associations serving rural areas in which residents have low income and in which water supply systems or waste facilities are unhealthful.

"(C) Not less than 1 nor more than 2 per centum of any funds provided in appropriations acts to carry out paragraph (2) of this subsection for any fiscal year shall be reserved for grants under subparagraph (A) unless the applications, qualifying for grants, received by the Secretary from eligible nonprofit organizations for the fiscal year total less than 1 per centum of those funds.

"(17) In the case of water and waste disposal facility projects serving more than one separate rural community, the Secretary shall use the median population level and the community income level of all the separate communities to be served in applying the standards specified in paragraph (2) of this subsection and section 307(a)(3)(A).

"(18) Grants under paragraph (2) of this subsection may be used to pay the local share requirements of another Federal grant-in-aid program to the extent permitted under the law providing for such grant-in-aid program.

"(19)(A) In the approval and administration of a loan made under paragraph (1) for a water or waste disposal facility, the Secretary shall consider fully any recommendation made by the loan applicant or borrower concerning the technical design and choice of materials to be used for such facility.

"(B) If the Secretary determines that a design or materials, other than those that were recommended, should be used in the water or waste disposal facility, the Secretary shall provide such applicant or borrower with a comprehensive justification for such determination."

(b)(1) The Secretary of Agriculture shall—

(A) conduct a study of the practicality and cost effectiveness of making loans and grants under section 306 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926) for the construction of water and waste disposal facilities in rural areas at individual locations, rather than central or community locations; and

(B) in such study consider the feasibility of small multiuser drinking water facilities, the costs involved in connecting rural residents into the community water systems, improvements to small community water systems, and alternative rural drinking water systems.

(2) Not later than 120 days after the date of enactment of this Act, the Secretary shall submit a report on the results of the study required under paragraph (1) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

#### MINERAL RIGHTS AS COLLATERAL

SEC. 1305. Section 307 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1927) is amended by adding at the end thereof the following:

"(d) With respect to a farm ownership loan made after the date of the enactment of this subsection, unless appraised values of the rights to oil, gas, or other minerals are specifically included as part of the appraised value of collateral securing the loan, the rights to oil, gas, or other minerals located under the property shall not be considered part of the collateral securing the loan. Nothing in this subsection shall prevent the inclusion of, as part of the collateral securing the loan, any payment or other compensation the borrower may receive for damages to the surface of the collateral real estate resulting from the exploration for or recovery of minerals."

#### FARM RECORDKEEPING TRAINING FOR LIMITED RESOURCE BORROWERS

SEC. 1306. The first sentence of section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) by striking out "and" at the end of clause (10); and

(2) by inserting before the period at the end thereof the following new clause: ", and (12) training in maintaining records of farming and ranching operations for limited resource borrowers receiving loans under section 310D".

#### NONSUPERVISED ACCOUNTS

SEC. 1307. Section 312 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942) is amended by adding at the end the following:

"(e) Notwithstanding any other provision of this title, the Secretary shall reserve not more than 10 percent of any loan made under this subtitle or \$5,000 of such loan, whichever is less, to be placed in a nonsupervised bank account which may be used at the discretion of the borrower for necessary family living needs or purposes not inconsistent with previously agreed upon farming or ranching plans. If the borrower exhausts this reserve, the Secretary may review and adjust the farm plan with the borrower and consider rescheduling the loan, extending additional credit, the use of income proceeds to pay necessary farm and home and other expenses, or additional available loan servicing."

#### ELIGIBILITY FOR EMERGENCY LOANS

SEC. 1308. (a) Section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)) is amended by—

(1) inserting after "United States" in clause (1) of the first sentence "and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms";

(2) in clause (2) of the first sentence, striking out "farm cooperatives or private domestic corporations or partnerships in which a majority interest is held by members, stockholders, or partners who are citizens of the United States if the cooperative, corporation, or partnership is engaged primarily in farming, ranching, or aquaculture," and inserting in lieu thereof the following: "farm cooperatives, private domestic corporations, partnerships, or joint operations (A) that are engaged primarily in farming, ranching, or aquaculture, and (B) in which a majority interest is held by individuals who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms (or in the case of such cooperatives, corporations, partnerships, or joint operations in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be either owners or operators of not larger than a family farm and at least one such individual must be an operator of not larger than a family farm)," and

(3) inserting after the first sentence the following: "In addition to the foregoing requirements of this subsection, in the case of farm cooperatives, private domestic corporations, partnerships, and joint operations, the family farm requirement of the preceding sentence shall apply as well to all farms in which the entity has an ownership and operator interest (in the case of loans for a purpose under subtitle A) or an operator interest (in the case of loans for a purpose under subtitle B)."

(b)(1) Subsection (b) of section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(b)) is amended to read as follows:

"(b) An applicant shall be ineligible for financial assistance under this subtitle for crop losses if crop insurance was available to the applicant for such crop losses under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.)."

(2) The amendment made by paragraph (1) shall not apply to a person whose eligibility for an emergency loan is the result of damage to an annual crop planted or harvested before the end of 1986.

(3) Section 324(b)(1) of such Act (7 U.S.C. 1964(b)(1)) is amended by striking out "but (A)" and all that follows through "Secretary" and inserting in lieu thereof "but not in excess of 8 percent per annum".

(c) Subsection (a) of section 324 of such Act (7 U.S.C. 1964(a)) is amended to read as follows:

"(a) No loan made or insured under this subtitle may exceed the amount of the actual loss caused by the disaster or \$500,000, whichever is less, for each disaster."

(d) Section 330 of such Act (7 U.S.C. 1971) is repealed.

#### SETTLEMENT OF CLAIMS

SEC. 1309. Subsection (d) of the second paragraph of section 331 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(d)) is amended to read as follows:

"(d) compromise, adjust, reduce, or charge-off claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Farmers Home Administration under any of its programs, as circumstances may require, to carry out this title. The Secretary may release borrowers or others obligated on a debt incurred under this title from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim, except that no compromise, adjustment, reduction, or charge-off of any claim may be made or carried out—

"(1) on terms more favorable than those recommended by the appropriate county committee utilized pursuant to section 332; or

"(2) after the claim has been referred to the Attorney General, unless the Attorney General approves;"

#### OIL AND GAS ROYALTIES

SEC. 1310. (a) Subtitle D of the Consolidated Farm and Rural Development Act is amended by inserting after section 331B the following new section:

"SEC. 331C. (a) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

"(1) the leasing of oil, gas, or other mineral rights to real property used to secure such loan; or

"(2) the sale of oil, gas, or other minerals removed from real property used to secure such loan, if the value of the rights to such oil, gas, or other minerals has not been used to secure such loan.

"(b) Subsection (a) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Food Security Act of 1985."

(b) Section 204 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. 1947 note) is amended by adding at the end thereof the following new subsection:

"(e)(1) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

"(A) the leasing of oil, gas, or other mineral rights to real property used to secure such loan; or

"(B) the sale of oil, gas, or other minerals removed from real property used to secure such loan if the value of the rights to such oil, gas, or other minerals has not been used to secure such loan.

"(2) Paragraph (1) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Food Security Act of 1985."

#### COUNTY COMMITTEES

SEC. 1311. Section 332(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1982(a)) is amended to read as follows:

"(a) In each county or area in which activities are carried out under this title, there shall be a county committee composed of three members. Two members shall be elected, from among their number, by farmers deriving the principal part of their income from farming who reside within the county or area, and one member, who shall reside within the county or area, shall be appointed by the Secretary for a term of three years. At the first election of county committee members under this subsection, one member shall be elected for a term of one year and one member shall be elected for a term of two years. Thereafter, elected members of the county committee shall be elected for a term of three years. The Secretary, in selecting the appointed member of the county committee, shall ensure that, to the greatest extent practicable, the committee is fairly representative of the farmers in the county or area. The Secretary may appoint an alternate for each member of the county committee. Appointed and alternate members of the county committee shall be removable by the Secretary for cause. The Secretary shall issue such regulations as are necessary relating to the election and appointment of members and alternate members of the county committees."

#### PROMPT APPROVAL OF LOANS AND LOAN GUARANTEES

SEC. 1312. (a) Subtitle D of the Consolidated Farm and Rural Development Act is amended by inserting after section 333 (7 U.S.C. 1983) the following new section:

"SEC. 333A. (a)(1) The Secretary shall approve or disapprove an application for a loan or loan guarantee made under this title, and notify the applicant of such action, not later than 60 days after the Secretary has received a complete application for such loan or loan guarantee.

"(2) If an application for a loan or loan guarantee under this title is incomplete, the Secretary shall inform the applicant of the reasons such application is incomplete not later than 20 days after the Secretary has received such application.

"(3) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, the Secretary shall state the reasons for the disapproval in the notice required under paragraph (1).

"(b)(1) Except as provided in paragraph (2), if an application for an insured loan under this title is approved by the Secretary, the Secretary shall provide the loan proceeds to the applicant not later than 15 days (or such longer period as the applicant may approve) after the application for the loan is approved by the Secretary.

"(2) If the Secretary is unable to provide the loan proceeds to the applicant within such 15-day period because sufficient funds are not available to the Secretary for such purpose, the Secretary shall provide the loan proceeds to the applicant as soon as practicable (but in no event later than 15 days unless the applicant agrees to a longer period) after sufficient funds for such purpose become available to the Secretary.

"(c) In an application for a loan or loan guarantee under this title is disapproved by the Secretary, but such action is subsequently reversed or revised as the result of an appeal within the Department of Agriculture or to the courts of the United States and the application is returned to the Secretary for further consideration, the Secre-



tary shall act on the application and provide the applicant with notice of the action within 15 days after return of the application to the Secretary.

"(d) In carrying out the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations, the Secretary shall ensure that each request of a lending institution for designation as an approved lender under such program is reviewed, and a decision made on the application, not later than 15 days after the Secretary has received a complete application for such designation.

"(e)(1) As soon as practicable after the date of enactment of the Food Security Act of 1985, the Secretary shall take such steps as are necessary to make personnel, including the payment of overtime for such personnel, and other resources of the Department of Agriculture available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications that are submitted by farmers and ranchers.

"(2) In carrying out paragraph (1), the Secretary may use any authority of law provided to the Secretary, including—

"(A) the Agricultural Credit Insurance Fund established under section 309; and

"(B) the employment procedures used in connection with the emergency loan program established under subtitle C."

(b) The amendment made by subsection (a) shall be effective with respect to applications for loans or loan guarantees under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) received by the Secretary of Agriculture after the date of enactment of this Act.

#### APPEALS

SEC. 1313. (a) Subtitle D of the Consolidated Farm and Rural Development Act is amended by inserting after section 333A (as added by section 1312) the following new section:

"SEC. 333B. (a) The Secretary shall provide an applicant for or borrower of a loan, or an applicant for or recipient of a loan guarantee, under this title who has been directly and adversely affected by a decision of the Secretary made under this title (hereafter in this section referred to as the 'appellant') with written notice of the decision, an opportunity for an informal meeting, and an opportunity for a hearing with respect to such decision, in accordance with regulations issued by the Secretary consistent with this section.

"(b)(1) Not later than 10 days after such adverse decision, the Secretary shall provide the appellant with written notice of the decision, an opportunity for an informal meeting, an opportunity for a hearing, and the procedure to appeal such decision (including any deadlines for filing appeals).

"(2) Upon the request of the appellant and in order to provide an opportunity to resolve differences and minimize formal appeals, the Secretary shall hold an informal meeting with the appellant prior to the initiation of any formal appeal of the decision of the Secretary.

"(c)(1) An appellant shall have the right to have—

"(A) access to the personal file of the appellant maintained by the Secretary, including a reasonable opportunity to inspect and reproduce the file at an office of the Farmers Home Administration located in the area of the appellant; and

"(B) representation by an attorney or nonattorney during the inspection and reproduction of files under subparagraph (A) and at any informal meeting or hearing.

"(2) The Secretary may charge an appellant for any reasonable costs incurred in reproducing files under paragraph (1)(A)."

(b)(1) The Secretary of Agriculture shall conduct a study of the administrative appeals procedure used in the farm loan programs of the Farmers Home Administration.

(2) In conducting such study, the Secretary shall examine—

(A) the number and type of appeals initiated by loan applicants and borrowers;

(B) the extent to which initial administrative actions are reversed on appeal;

(C) the reasons that administrative actions are reversed, modified, or sustained on appeal;

(D) the number and disposition of appeals in which the loan applicant or borrower is represented by legal counsel;

(E) the quantity of time required to complete action on appeals and the reasons for delays;

(F) the feasibility of the use of administrative law judges in the appeals process; and

(G) the desirability of electing members of county committees established under section 332 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1982).

(c) Not later than September 1, 1986, the Secretary shall submit a report describing the results of the study required under this section to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

#### DISPOSITION AND LEASING OF FARMLAND

SEC. 1314. (a) Section 335 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985) is amended by—

(1) striking out "Real" in subsection (b) and inserting in lieu thereof "Except as provided in subsection (e), real";

(2) in subsection (c)—

(A) striking out "The" in the first sentence and inserting in lieu thereof "Except as provided in subsection (e), the"; and

(B) adding at the end thereof the following new sentence: "Notwithstanding the preceding sentence, the Secretary may for conservation purposes grant or sell an easement, restriction, development rights, or the equivalent thereof, to a unit of local or State government or a private nonprofit organization separately from the underlying fee or sum of all other rights possessed by the United States."; and

(3) by adding at the end thereof the following new subsection:

*"(e)(1) The Secretary shall to the extent practicable sell or lease farmland administered under this title in the following order of priority:*

*"(A) Sale of such farmland to operators (as of the time immediately before such sale) of not larger than family-size farms.*

*"(B) Lease of such farmland to operators (as of the time immediately before such lease is entered into) of not larger than family-size farms.*

*"(2) The Secretary shall not offer for sale or sell any such farmland if the placing of such farmland on the market will have a detrimental effect on the value of farmland in the area.*

*"(3)(A) The Secretary shall consider granting, and may grant, to an operator of not larger than a family-size farm, in conjunction with paragraph (3), a lease with an option to purchase farmland administered under this title.*

*"(B) The Secretary shall issue regulations providing for leasing such land, or leasing such land with an option to purchase, on a fair and equitable basis.*

*"(C) In leasing such land, the Secretary shall give special consideration to a previous owner or operator of such land if such owner or operator has financial resources, and farm management skills and experience, that the Secretary determines are sufficient to assure a reasonable prospect of success in the proposed farming operation.*

*"(D) To the extent the Secretary may lease or operate real property under this subsection, the Secretary shall, if the Secretary determines to administer such property through management contracts, offer the contracts on a competitive bid basis, giving preference to persons who will live in, and own and operate qualified small businesses in, the area where the property is located.*

*"(4)(A)(i) The Secretary may sell farmland administered under this title through an installment sale or similar device that contains such terms as the Secretary considers necessary to protect the investment of the Federal Government in such land.*

*"(ii) The Secretary may subsequently sell any contract entered into to carry out clause (i).*

*"(B) The Secretary shall offer such land for sale to operators of not larger than family-size farms at a price that reflects the average annual income that may be reasonably anticipated to be generated from farming such land.*

*"(C) If two or more qualified operators of not larger than family-size farms desire to purchase, or lease with an option to purchase, such land, the appropriate county committee shall, by majority vote, select the operator who may purchase such land, on such basis as the Secretary may prescribe by regulation.*

*"(5)(A) If the Secretary determines that farmland administered under this title is not suitable for sale or lease to an operator of not larger than a family-size farm because such farmland is in a tract or tracts that the Secretary determines to be larger than that necessary for family-size farms, the Secretary shall subdivide such land into tracts suitable for such operator.*

*"(B) The Secretary shall dispose of such subdivided farmland in accordance with this subsection.*

"(6) If suitable farmland is available for disposition under this subsection, the Secretary shall—

"(A) publish an announcement of the availability of such farmland in at least one newspaper that is widely circulated in the county in which the farmland is located; and

"(B) post an announcement of the availability of such farmland in a prominent place in the local office of the Farmers Home Administration that serves the county in which the farmland is located.

"(7) In the case of farmland administered under this title that is highly erodible land (as defined in section 1201 of the Food Security Act of 1985), the Secretary may require the use of specified conservation practices on such land as a condition of the sale or lease of such land.

"(8) Notwithstanding any other provisions of law, compliance by the Secretary with this subsection shall not cause any acreage allotment, marketing quota, or acreage base assigned to such property to lapse, terminate, be reduced, or otherwise be adversely affected."

(b) The Secretary of Agriculture shall implement the amendments made by this section not later than 90 days after the date of enactment of this Act.

#### RELEASE OF NORMAL INCOME SECURITY

SEC. 1315. Section 335 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985) (as amended by section 1314(3)) is further amended by adding at the end thereof the following new subsection:

"(f)(1) As used in this subsection, the term 'normal income security' has the same meaning given such term in section 1962.17(b) of title 7, Code of Federal Regulations (as of January 1, 1985).

"(2) Until such time as the Secretary accelerates a loan made or insured under this title, the Secretary shall release from the normal income security provided for such loan an amount sufficient to pay the essential household and farm operating expenses of the borrower, as determined by the Secretary."

#### LOAN SUMMARY STATEMENTS

SEC. 1316. Section 337 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1987) is amended by—

(1) inserting "(a)" after the section designation; and

(2) adding at the end thereof the following new subsection:

"(b)(1) As used in this subsection, the term 'summary period' means—

"(A) the period beginning on the date of enactment of the Food Security Act of 1985 and ending on the date on which the first loan summary statement is issued after such date of enactment; or

"(B) the period beginning on the date of issuance of the preceding loan summary statement and ending on the date of issuance of the current loan summary statement.

"(2) On the request of a borrower of a loan made or insured (but not guaranteed) under this title, the Secretary shall issue to such borrower a loan summary statement that reflects the account activi-

ty during the summary period for each loan made or insured under this title to such borrower, including—

“(A) the outstanding amount of principal due on each such loan at the beginning of the summary period;

“(B) the interest rate charged on each such loan;

“(C) the amount of payments made on and their application to each such loan during the summary period and an explanation of the basis for the application of such payments;

“(D) the amount of principal and interest due on each such loan at the end of the summary period;

“(E) the total amount of unpaid principal and interest on all such loans at the end of the summary period;

“(F) any delinquency in the repayment of any such loan;

“(G) a schedule of the amount and date of payments due on each such loan; and

“(H) the procedure the borrower may use to obtain more information concerning the status of such loans.”.

#### AUTHORIZATION OF LOAN AMOUNTS

SEC. 1317. (a) Subsection (b) of section 346 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1994(b)) is amended to read as follows:

“(b)(1)(A) For each of the fiscal years ending September 30, 1986, through September 30, 1988, real estate and operating loans may be insured, made to be sold and insured, or guaranteed in accordance with subtitles A and B, respectively, from the Agricultural Credit Insurance Fund established under section 309 in an amount equal to \$4,000,000,000, of which not less than \$520,000,000 shall be for farm ownership loans under subtitle A.

“(B) Subject to subparagraph (C), such amount shall be apportioned as follows:

“(i) For the fiscal year ending September 30, 1986—

“(I) \$2,000,000,000 for insured loans, of which not less than \$260,000,000 shall be for farm ownership loans; and

“(II) \$2,000,000,000 for guaranteed loans, of which not less than \$260,000,000 shall be for guarantees of farm ownership loans.

“(ii) For the fiscal year ending September 30, 1987—

“(I) \$1,500,000,000 for insured loans, of which not less than \$195,000,000 shall be for farm ownership loans; and

“(II) \$2,500,000,000 for guaranteed loans, of which not less than \$325,000,000 shall be for guarantees of farm ownership loans.

“(iii) For the fiscal year ending September 30, 1988—

“(I) \$1,000,000,000 for insured loans, of which not less than \$130,000,000 shall be for farm ownership loans; and

“(II) \$3,000,000,000 for guaranteed loans, of which not less than \$390,000,000 shall be for guarantees of farm ownership loans.

“(C) For each of the fiscal years referred to in subparagraph (A), the Secretary may transfer not more than 25 percent of the amounts authorized for guaranteed loans to amounts authorized for insured loans.

"(D)(i) For each of the fiscal years 1986, 1987, and 1988, emergency loans may be made or insured or guaranteed in accordance with subtitle C from the Agricultural Credit Insurance Fund as follows: \$1,300,000,000 for fiscal year 1986, \$700,000,000 for fiscal year 1987, and \$600,000,000 for fiscal year 1988.

"(E) Loans for each of the fiscal years 1986, 1987, and 1988 are authorized to be insured, or made to be sold and insured, or guaranteed under the Rural Development Insurance Fund as follows:

"(i) Insured water and waste disposal facility loans, \$340,000,000.

"(ii) Industrial development loans, \$250,000,000.

"(iii) Insured community facility loans, \$115,000,000."

(b) Section 346(e)(1) of such Act is amended by—

(1) striking out "20" each place it appears and inserting in lieu thereof "25"; and

(2) striking out "fiscal year 1984" and inserting in lieu thereof "each fiscal year".

(c) Section 346 of such Act (as amended by subsection (b)) is amended—

(1) striking out subsection (d); and

(2) redesignating subsection (e) as subsection (d).

## FARM DEBT RESTRUCTURE AND CONSERVATION SET-ASIDE

### CONSERVATION EASEMENTS

SEC. 1318. (a) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 349. (a) For purposes of this section:

"(1) The term 'governmental entity' means any agency of the United States, a State, or a unit of local government of a State.

"(2) The terms 'highly erodible land' and 'wetland' have the meanings, respectively, that such terms are given in section 1201 of the Food Security Act of 1985.

"(3) The term 'wildlife' means fish or wildlife as defined in section 2(a) of the Lacey Act Amendments of 1981 (16 U.S.C. 3371(a)).

"(5) The term 'recreational purposes' includes hunting.

"(b) Subject to subsection (c), the Secretary may acquire and retain an easement in real property, for a term of not less than 50 years, for conservation, recreational, and wildlife purposes.

"(c) Such easement may be acquired or retained for real property if such property—

"(1) is wetland, upland, or highly erodible land;

"(2) is determined by the Secretary to be suitable for the purposes involved;

"(3)(A)(i) secures any loan made under any law administered by the Farmers Home Administration and held by the Secretary; and

"(ii) the borrower of such loan is unable, as determined by the Secretary, to repay such loan in a timely manner; or

"(B) is administered under this title by the Secretary; and

"(4) was (except in the case of wetland) row cropped each year of the 3-year period ending on the date of the enactment of the Food Security Act of 1985.

"(d) The terms and conditions specified in each such easement shall—

"(1) specify the purposes for which such real property may be used;

"(2) identify the conservation measures to be taken, and the recreational and wildlife uses to be allowed, with respect to such real property; and

"(3) require such owner to permit the Secretary, and any person or governmental entity designated by the Secretary, to have access to such real property for the purpose of monitoring compliance with such easement.

"(e) Any such easement acquired by the Secretary shall be purchased from the borrower involved by canceling that part of the aggregate amount of such outstanding loans of the borrower held by the Secretary under laws administered by the Farmers Home Administration that bears the same ratio to the aggregate amount of the outstanding loans of such borrower held by the Secretary under all such laws as the number of acres of the real property of such borrower that are subject to such easement bears to the aggregate number of acres securing such loans. In no case shall the amount so cancelled exceed the value of the land on which the easement is acquired.

"(f) If the Secretary elects to use the authority provided by this section, the Secretary shall consult with the Director of the Fish and Wildlife Service for purposes of—

"(1) selecting real property in which the Secretary may acquire easements under this section;

"(2) formulating the terms and conditions of such easements; and

"(3) enforcing such easements.

"(g) The Secretary, and any person or governmental entity designated by the Secretary, may enforce an easement acquired by the Secretary under this section.

"(h) This section shall not apply with respect to the cancellation of any part of any loan that was made after the date of enactment of the Food Security Act of 1985."

(b)(1) The last sentence of section 335(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(c)) is amended by inserting "other than easements acquired under section 349" before the period at the end thereof.

(2) The second sentence of section 1001 of the Agricultural Act of 1970 (16 U.S.C. 1501) is amended—

(1) by striking out "perpetual"; and

(2) by inserting "for a term of not less than 50 years" after "easements".

#### ADMINISTRATION OF GUARANTEED FARM LOAN PROGRAMS

SEC. 1319. The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding after the section added by section 1318 the following:

*"SEC. 350. Notwithstanding any other provision of this title, the Secretary shall ensure that farm loan guarantee programs carried out under this title are designed so as to be responsive to borrower and lender needs and to include provisions under reasonable terms and conditions for advances, before completion of the liquidation process, of guarantee proceeds on loans in default."*

#### INTEREST RATE REDUCTION PROGRAM

*SEC. 1320. Effective only for the period beginning on the date of enactment of this Act and ending September 30, 1988, the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding after the section added by section 1319 the following:*

*"SEC. 351. (a) The Secretary shall establish and carry out in accordance with this section an interest rate reduction program for loans guaranteed under this title.*

*"(b) Under such program, the Secretary shall enter into a contract with, and make payments to, a legally organized institution to reduce during the term of such contract the interest rate paid by a borrower on a guaranteed loan made by such institution if—*

*"(1) the borrower—*

*"(A) is unable to obtain sufficient credit elsewhere to finance the actual needs of the borrower at reasonable rates and terms, taking into consideration private and cooperative rates and terms for a loan for a similar purpose and period of time in the community in or near which the borrower resides;*

*"(B) is otherwise unable to make payments on such loan in a timely manner; and*

*"(C) has a total estimated cash income during the 12-month period beginning on the date such contract is entered into (including all farm and nonfarm income) that will equal or exceed the total estimated cash expenses to be incurred by the borrower during such period (including all farm and nonfarm expenses); and*

*"(2) the lender reduces during the term of such contract the annual rate of interest payable on such loan by a minimum percentage specified in such contract.*

*"(c) In return for a contract entered into by a lender under subsection (b) for the reduction of the interest rate paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than 50 percent of the cost of reducing the annual rate of interest payable on such loan, except that such payments may not exceed the cost of reducing such rate by more than 2 percent.*

*"(d) The term of a contract entered into under this section to reduce the interest rate on a guaranteed loan may not exceed the outstanding term of such loan, or 3 years, whichever is less.*

*"(e)(1) Notwithstanding any other provision of this title, the Agricultural Credit Insurance Fund established under section 309 may be used by the Secretary to carry out this section.*

*"(2) The total amount of funds used by the Secretary to carry out this section may not exceed \$490,000,000."*



## HOMESTEAD PROTECTION

**SEC. 1321.** *The Consolidated Farm and Rural Development Act is amended by adding after the section added by section 1320 the following:*

**"SEC. 352. (a)** *As used in this section:*

*"(1) The term "Administrator" means the Administrator of the Small Business Administration.*

*"(2) The term "farm program loan" means any loan made by the Administrator under the Small Business Act (15 U.S.C. 631 et seq.) for any of the purposes authorized for loans under subtitles A or B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.).*

*"(3) The term "homestead property" means the principal residence and adjoining property possessed and occupied by a borrower specified in paragraph (2) of this subsection.*

*"(4) The term "Secretary" means the Secretary of Agriculture.*

*"(b)(1) If the Secretary forecloses a loan made or insured under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), the Administrator forecloses a farm program loan made under the Small Business Act (15 U.S.C. 631 et seq.), or a borrower of a loan made or insured by either agency declares bankruptcy or goes into voluntary liquidation to avoid foreclosure or bankruptcy, the Secretary or Administrator may upon application by the borrower, permit the borrower to retain possession and occupancy of any principal residence of the borrower, and a reasonable amount of adjoining land for the purpose of family maintenance.*

*"(2) The value of the homestead property shall be determined insofar as possible by an independent appraisal made within six months from the date of the borrower's application to retain possession and occupancy of the homestead property.*

*"(3) The period of occupancy of homestead property under this subsection may not exceed five years, but in no case shall the Secretary or the Administrator grant a period of occupancy less than three years, subject to compliance with the requirements of subsection (c).*

*"(c) To be eligible to occupy homestead property, a borrower of a loan made or insured by the Secretary or the Administrator must—*

*"(1) apply for such occupancy during the three-year period beginning on the date of the enactment of this Act;*

*"(2) have exhausted all other remedies for the extension or restructuring of such loan, including all remedies afforded under section 331(d);*

*"(3) have made gross annual farm sales of at least \$40,000 in at least two calendar years during the five-year period beginning on January 1, 1981, and ending on December 31, 1985 (or the equivalent crop or fiscal years);*

*"(4) have received from farming operations at least 60 per centum of the gross annual income of the borrower and any spouse of the borrower during at least two years of such five-year period;*

*"(5) have occupied the homestead property, and engaged in farming or ranching operations on adjoining land, or other land controlled by said borrower, during such five-year period;*

"(6) during the period of occupancy of the homestead property, pay a reasonable sum as rent for such property to the Secretary or the Administrator in an amount substantially equivalent to rents charged for similar residential properties in the area in which the homestead property is located, and failure to make rental payments in a timely fashion shall constitute cause for the termination of all rights of a borrower to possession and occupancy of the homestead property under this subsection;

"(7) during the period of occupancy of homestead property, maintain such property in good condition; and

"(8) agree to such other terms and conditions as are prescribed by the Secretary or the Administrator in order to facilitate the administration of this subsection.

"(d) At the end of the period of occupancy described in subsection (c), the Secretary or the Administrator shall grant to the borrower a first right of refusal to reacquire the homestead property on such terms and conditions (which may include payment of principal in installments) as the Secretary or the Administrator shall determine.

"(e) At the time any reacquisition agreement is entered into, the Secretary or the Administrator may not demand a total payment of principal that is in excess of the value of the homestead property as established under subsection (b)(2)."

**EXTENSION OF CREDIT TO ALL RURAL UTILITIES THAT PARTICIPATE IN THE PROGRAM ADMINISTERED BY THE RURAL ELECTRIFICATION ADMINISTRATION**

**SEC. 1322.** Section 3.8 of the Farm Credit Act of 1971 (12 U.S.C. 2129) is amended by—

(1) inserting "(1)" immediately before "Any association"; and

(2) adding at the end thereof a new subsection (2) as follows:

"(2) Notwithstanding any other provision of this title, cooperatives and other entities that have received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration, or a loan or loan commitment from the Rural Telephone Bank, or that have been certified by the Administrator of the Rural Electrification Administration to be eligible for such a loan, loan commitment, or loan guarantee, and subsidiaries of such cooperatives or other entities, shall also be eligible to borrow from a bank for cooperatives."

**NONPROFIT NATIONAL RURAL DEVELOPMENT AND FINANCE CORPORATIONS**

**SEC. 1323.** (a)(1) For the fiscal year ending September 30, 1986, the Secretary of Agriculture (hereafter in this section referred to as the "Secretary") shall guarantee loans made by public agencies or private organizations (including loans made by financial institutions such as insurance companies) to nonprofit national rural development and finance corporations that establish similar and affiliated statewide rural development and finance programs for the purpose of providing loans, guarantees, and other financial assistance to profit or nonprofit local businesses to improve business, industry, and employment opportunities in a rural area (as determined by the Secretary).

(2) To be eligible to obtain a loan guarantee under this subsection, a corporation must—

(A) demonstrate to the Secretary the ability of the corporation to administer a national revolving rural development loan program;

(B) be prepared to commit financial resources under the control of the corporation to the establishment of affiliated statewide rural development and finance programs; and

(C) have secured commitments of significant financial support from public agencies and private organizations for such affiliated statewide programs.

(3) A national rural development and finance corporation receiving a loan guarantee under this subsection shall base a determination to establish an affiliated statewide program in large part on the willingness of States and private organizations to sponsor and make funds available to such program.

(4) Notwithstanding any other provision of law, for the fiscal year ending September 30, 1986, of the amounts available to guarantee loans in accordance with section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) from the Rural Development Insurance Fund, \$20,000,000 shall be used by the Secretary to guarantee loans under the national rural development and finance program established under this subsection, to remain available until expended.

(b)(1) For the fiscal year ending September 30, 1986, the Secretary shall make grants, from funds transferred under paragraph (2), to national rural development and finance corporations for the purpose of establishing a rural development program to provide financial and technical assistance to compliment the loan guarantees made to such corporations under subsection (a).

(2) All funds authorized under the Rural Development Loan Fund, including those on deposit and available upon date of enactment, under sections 623 and 633 of the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.) shall be transferred to the Secretary provided that—

(A) all funds on deposit and available on date of enactment shall be used for the purpose of making grants under paragraph (1) and shall remain available until expended; and

(B) notwithstanding any other provision of law, all loans to intermediary borrowers made prior to date of enactment, shall upon date of enactment, for the life of such loan, bear a rate of interest not to exceed that in effect upon the date of issuance of such loans.

#### PROTECTION FOR PURCHASERS OF FARM PRODUCTS

SEC. 1324. (a) Congress finds that—

(1) certain State laws permit a secured lender to enforce liens against a purchaser of farm products even if the purchaser does not know that the sale of the products violates the lender's security interest in the products, lacks any practical method for discovering the existence of the security interest, and has no reasonable means to ensure that the seller uses the sales proceeds to repay the lender;

(2) these laws subject the purchaser of farm products to double payment for the products, once at the time of purchase, and again when the seller fails to repay the lender;

(3) the exposure of purchasers of farm products to double payment inhibits free competition in the market for farm products; and

(4) this exposure constitutes a burden on and an obstruction to interstate commerce in farm products.

(b) The purpose of this section is to remove such burden on and obstruction to interstate commerce in farm products.

(c) For the purposes of this section—

(1) the term "buyer in the ordinary course of business" means a person who, in the ordinary course of business, buys farm products from a person engaged in farming operations who is in the business of selling farm products.

(2) the term "central filing system" means a system for filing effective financing statements or notice of such financing statements on a statewide basis and which has been certified by the Secretary of the United States Department of Agriculture; the Secretary shall certify such system if the system complies with the requirements of this section; specifically under such system—

(A) effective financing statements or notice of such financing statements are filed with the office of the Secretary of State of a State.

(B) the Secretary of State records the date and hour of the filing of such statements;

(C) the Secretary of State compiles all such statements into a master list—

(i) organized according to farm products;

(ii) arranged within each such product—

(I) in alphabetical order according to the last name of the individual debtors, or, in the case of debtors doing business other than as individuals, the first word in the name of such debtors; and

(II) in numerical order according to the social security number of the individual debtors or, in the case of debtors doing business other than as individuals, the Internal Revenue Service taxpayer identification number of such debtors; and

(III) geographically by county or parish; and

(IV) by crop year;

(iii) containing the information referred to in paragraph (4)(D);

(D) the Secretary of State maintains a list of all buyers of farm products, commission merchants, and selling agents who register with the Secretary of State, on a form indicating—

(i) the name and address of each buyer, commission merchant and selling agent;

(ii) the interest of each buyer, commission merchant, and selling agent in receiving the lists described in subparagraph (E); and

(iii) the farm products in which each buyer, commission merchant, and selling agent has an interest;

(E) the Secretary of State distributes regularly as prescribed by the State to each buyer, commission merchant, and selling agent on the list described in subparagraph (D) a copy in written or printed form of those portions of the master list described in paragraph (C) that cover the farm products in which such buyer, commission merchant, or selling agent has registered an interest;

(F) the Secretary of State furnishes to those who are not registered pursuant to (2)(D) of this section oral confirmation within 24 hours of any effective financing statement on request followed by written confirmation to any buyer of farm products buying from a debtor, or commission merchant or selling agent selling for a seller covered by such statement.

(3) The term "commission merchant" means any person engaged in the business of receiving any farm product for sale, on commission, or for or on behalf of another person.

(4) The term "effective financing statement" means a statement that—

(A) is an original or reproduced copy thereof;

(B) is signed and filed with the Secretary of State of a State by the secured party;

(C) is signed by the debtor;

(D) contains,

(i) the name and address of the secured party;

(ii) the name and address of the person indebted to the secured party;

(iii) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor;

(iv) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where applicable; and a reasonable description of the property, including county or parish in which the property is located;

(E) must be amended in writing, within 3 months, similarly signed and filed, to reflect material changes;

(F) remains effective for a period of 5 years from the date of filing, subject to extensions for additional periods of 5 years each by refileing or filing a continuation statement within 6 months before the expiration of the initial 5 year period;

(G) lapses on either the expiration of the effective period of the statement or the filing of a notice signed by the secured party that the statement has lapsed, whichever occurs first;

(H) is accompanied by the requisite filing fee set by the Secretary of State; and

(I) substantially complies with the requirements of this subparagraph even though it contains minor errors that are not seriously misleading.

(5) The term "farm product" means an agricultural commodity such as wheat, corn, soybeans, or a species of livestock such as cattle, hogs, sheep, horses, or poultry used or produced in farming operations, or a product of such crop or livestock in its unmanufactured state (such as ginned cotton, wool-clip, maple syrup, milk, and eggs), that is in the possession of a person engaged in farming operations.

(6) The term "knows" or "knowledge" means actual knowledge.

(7) The term "security interest" means an interest in farm products that secures payment or performance of an obligation.

(8) The term "selling agent" means any person, other than a commission merchant, who is engaged in the business of negotiating the sale and purchase of any farm product on behalf of a person engaged in farming operations.

(9) The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(10) The term "person" means any individual, partnership, corporation, trust, or any other business entity.

(11) The term "Secretary of State" means the Secretary of State or the designee of the State.

(d) Except as provided in subsection (e) and notwithstanding any other provision of Federal, State, or local law, a buyer who in the ordinary course of business buys a farm product from a seller engaged in farming operations shall take free of a security interest created by the seller, even though the security interest is perfected; and the buyer knows of the existence of such interest.

(e) A buyer of farm products takes subject to a security interest created by the seller if—

(1)(A) within 1 year before the sale of the farm products, the buyer has received from the secured party or the seller written notice of the security interest organized according to farm products that—

(i) is an original or reproduced copy thereof;

(ii) contains,

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor;

(IV) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where applicable, crop year, county or parish, and a reasonable description of the property and

(iii) must be amended in writing, within 3 months, similarly signed and transmitted, to reflect material changes;

(iv) will lapse on either the expiration period of the statement or the transmission of a notice signed by the secured

party that the statement has lapsed, whichever occurs first; and

(v) any payment obligations imposed on the buyer by the secured party as conditions for waiver or release of the security interest; and

(B) the buyer has failed to perform the payment obligations, or

(2) in the case of a farm product produced in a State that has established a central filing system—

(A) the buyer has failed to register with the Secretary of State of such State prior to the purchase of farm products; and

(B) the secured party has filed an effective financing statement or notice that covers the farm products being sold; or

(3) in the case of a farm product produced in a State that has established a central filing system, the buyer—

(A) receives from the Secretary of State of such State written notice as provided in subparagraph (c)(2)(E) or (c)(2)(F) that specifies both the seller and the farm product being sold by such seller as being subject to an effective financing statement or notice; and

(B) does not secure a waiver or release of the security interest specified in such effective financing statement or notice from the secured party by performing any payment obligation or otherwise; and

(f) What constitutes receipt, as used in this section, shall be determined by the law of the State in which the buyer resides.

(g)(1) Except as provided in paragraph (2) and notwithstanding any other provision of Federal, State, or local law, a commission merchant or selling agent who sells, in the ordinary course of business, a farm product for others, shall not be subject to a security interest created by the seller in such farm product even though the security interest is perfected and even though the commission merchant or selling agent knows of the existence of such interest.

(2) A commission merchant or selling agent who sells a farm product for others shall be subject to a security interest created by the seller in such farm product if—

(A) within 1 year before the sale of such farm product the commission merchant or selling agent has received from the secured party or the seller written notice of the security interest; organized according to farm products, that—

(i) is an original or reproduced copy thereof;

(ii) contains,

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor;

(IV) a description of the farm products subject to the security interest created by the debtor, including the amount of such products, where applicable, crop year,

county or parish, and a reasonable description of the property, etc.; and

(iii) must be amended in writing, within 3 months, similarly signed and transmitted, to reflect material changes;

(iv) will lapse on either the expiration period of the statement or the transmission of a notice signed by the secured party that the statement has lapsed, whichever occurs first; and

(v) any payment obligations imposed on the commission merchant or selling agent by the secured party as conditions for waiver or release of the security interest; and

(B) the commission merchant or selling agent has failed to perform the payment obligations;

(C) in the case of a farm product produced in a State that has established a central filing system—

(i) the commission merchant or selling agent has failed to register with the Secretary of State of such State prior to the purchase of farm products; and

(ii) the secured party has filed an effective financing statement or notice that covers the farm products being sold; or

(D) in the case of a farm product produced in a State that has established a central filing system, the commission merchant or selling agent—

(i) receives from the Secretary of State of such State written notice as provided in subsection (c)(2)(E) or (c)(2)(F) that specifies both the seller and the farm products being sold by such seller as being subject to an effective financing statement or notice; and

(ii) does not secure a waiver or release of the security interest specified in such effective financing statement or notice from the secured party by performing any payment obligation or otherwise.

(3) What constitutes receipt, as used in this section, shall be determined by the law of the State in which the buyer resides.

(h)(1) A security agreement in which a person engaged in farming operations creates a security interest in a farm product may require the person to furnish to the secured party a list of the buyers, commission merchants, and selling agents to or through whom the person engaged in farming operations may sell such farm product.

(2) If a security agreement contains a provision described in paragraph (1) and such person engaged in farming operations sells the farm product collateral to a buyer or through a commission merchant or selling agent not included on such list, the person engaged in farming operations shall be subject to paragraph (3) unless the person—

(A) has notified the secured party in writing of the identity of the buyer, commission merchant, or selling agent at least 7 days prior to such sale; or

(B) has accounted to the secured party for the proceeds of such sale not later than 10 days after such sale.

(3) A person violating paragraph (2) shall be fined \$5,000 or 15 per centum of the value or benefit received for such farm product described in the security agreement, whichever is greater.



(i) *The Secretary of Agriculture shall prescribe regulations not later than 90 days after the date of enactment of this Act to aid States in the implementation and management of a central filing system.*

(j) *This section shall become effective 12 months after the date of enactment of this Act.*

#### PROHIBITING COORDINATED FINANCIAL STATEMENT

*SEC. 1325. The Secretary of Agriculture shall not use or require the submission of the coordinated financial statement referred to in the proposed regulations of the Farmers Home Administration published in the Federal Register of November 8, 1983 (48 F.R. 51312-51317) in connection with an application submitted on or after the date of the enactment of this Act for any loan under any program of the Department of Agriculture carried out by the Farmers Home Administration.*

#### REGULATORY RESTRAINT

*SEC. 1326. (a) Congress finds and declares that—*

*(1) high production costs and low commodity prices have combined to reduce farm income to the lowest levels since the depths of the Depression in the 1930's, to subject many agricultural producers, through no fault of their own, to severe economic hardship, and in many cases temporarily but seriously to impair producers' ability to meet loan repayment schedules in a timely fashion; and*

*(2) a policy of adverse classification of agricultural loans by bank examiners under these circumstances will trigger a wave of foreclosures and similar actions on the part of banks, thereby depressing land values and prices for agricultural facilities and equipment and having a devastating effect on farmers and the banking industry, and upon rural areas of the United States in general.*

*(b) It is therefore the sense of Congress that the Federal bank regulatory agencies should ensure, in their examination procedures, that examiners exercise caution and restraint and give due consideration not only to the current cash flow of agricultural borrowers under financial stress, but to factors such as their loan collateral and ultimate ability to repay as well, for so long as the adverse economic effects of the cost-price squeeze of recent years continue to impair the ability of these borrowers to meet scheduled repayments on their loans.*

#### STUDY OF FARM CREDIT SYSTEM

*SEC. 1327. (a) The Farm Credit Administration shall conduct a study of the need for the establishment of a fund to be used—*

*(1) to insure institutions of the Farm Credit System against losses on loans made by such institutions; or*

*(2) for any other purpose that would—*

*(A) assist in stabilizing the financial condition of such System; and*

*(B) provide for the protection of the capital that borrowers of such loans have invested in such System.*

(b) *In conducting the study required under subsection (a), the Farm Credit Administration shall—*

*(1) consider the advisability of using the revolving funds provided for under section 4.1 of the Farm Credit Act of 1971 (12 U.S.C. 2152) to provide initial capital for the fund referred to in subsection (a); and*

*(2) estimate the amount and level of future assessments levied on institutions of the Farm Credit System that would be necessary to ensure the long-term liquidity of such fund.*

*(c) Not later than 180 days after the date of enactment of this Act, the Farm Credit Administration shall submit a report containing the results of the study required under subsection (a) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.*

#### CONTINUATION OF SMALL FARMER TRAINING AND TECHNICAL ASSISTANCE PROGRAM

*SEC. 1328. The Secretary of Agriculture shall, during the period beginning on the date of enactment of this Act and ending on September 30, 1988, maintain at substantially current levels the small farmer training and technical assistance program in the office of the Administrator of the Farmers Home Administration.*

#### STUDY OF FARM AND HOME PLAN

*SEC. 1329. (a) The Secretary of Agriculture shall conduct a study of the appropriateness of the Farm and Home Plan (Form FmHA 431-2) used by the Farmers Home Administration in connection with loans made or insured under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.).*

*(b) After carrying out such study, if the Secretary finds the plan is inappropriate, the Secretary shall—*

*(1) evaluate other alternative farm plan forms for use in connection with such loans;*

*(2) evaluate the need to develop a new farm plan form for such use; and*

*(3) specify the steps that should be taken to improve or replace the current form.*

*(c) Not later than 120 days after the date of enactment of this Act, the Secretary shall report the results of the study required under subsection (a) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.*

### TITLE XIV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

#### SUBTITLE A—GENERAL PROVISIONS

##### SHORT TITLE

*SEC. 1401. This title may be cited as the "National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1985".*