



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

Part 4 of 6

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JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2100) to extend and revise agricultural price support and related programs, to provide for agricultural export, resource conservation, farm credit, and agricultural research and related programs, to continue food assistance to low-income persons, to ensure consumers an abundance of food and fiber at reasonable prices, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

TITLE I—DAIRY

(1) *Short title*

The *House* bill provides that title II may be cited as the "Dairy Unity Act of 1985". (Sec. 201.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(2) *Effective period*

The *House* bill provides that the milk price support and milk diversion programs under the bill, and certain provisions in the bill relating to milk marketing orders, will be effective for five years, through the end of fiscal year 1990. (Secs. 201, 211-214, 232, 233, 251, and 252.)

The related provisions of the *Senate* amendment will be effective for four years, through the end of fiscal year 1989. (Secs. 201, 203, 204, and 205.)

The *Conference* substitute adopts the *House* provision relating to the overall length of the milk program under the bill. (Secs. 101, 104, 108, 132, 151, and 152.)

(3) *Milk price support*

The *House* bill provides that, effective on the date of the enactment of the bill, the price support levels for milk for the fiscal years 1986 through 1990 will be determined as follows:

On October 1 of each of the 1987 through 1990 fiscal years, and on the date of the enactment of the bill in the case of fiscal year 1986, the Secretary of Agriculture will establish the price support level for milk (per hundredweight) to be effective for that fiscal year (or the remaining portion of fiscal year 1986). Price support would be set by the Secretary at a level equal to the product of—

(a) the preliminary support price, and

(b) a percentage figure keyed to changes in the estimated amount of net Community Credit Corporation dairy product acquisitions.

The preliminary support price (per hundredweight) would be determined by multiplying \$8.83 by the adjusted cost of production index for milk (which would be—

(a) the milk cost of production index, less

(b) the product of (i) the milk cost of production index and (ii) the milk productivity factor).

The milk cost of production index for a fiscal year would reflect the ratio between (a) the cost of producing milk during the one-year period ending the preceding June 30 and (b) the average annual cost of producing milk during the three-year period ending with 1978.

The milk productivity factor would be a figure that is the product of—

(a) the average per-cow milk production (measured in hundredweights) during the one-year period ending the preceding June 30 minus 111.01 hundredweights, and

(b) .002.

The cost of producing milk would be computed using the prices for input and other items and a proportional value for each item specified in a schedule contained in the bill.

The Secretary would be required to estimate the level of CCC purchases of milk and milk products (less sales for unrestricted use) that would occur for the fiscal year for which the price support level is being determined if the support level were equal to the preliminary support price. The actual support price would be a percentage—ranging from 92.2 percent at the minimum to 107.8 percent or higher—of the preliminary support price, arrived at by applying the projected net CCC acquisitions if the preliminary price were in effect to a schedule contained in the bill. If the net acquisitions would exceed seven billion pounds, the support level would be 92.2 percent of the preliminary level. As projected net acquisitions become smaller, the percentage would increase, so that if projected net acquisitions would be less than one billion pounds, the support level could not be less than 107.8 percent of the preliminary level. (Sec. 211.)

The *Senate* amendment provides that, effective October 1, 1985, the price of milk would be supported at \$11.60 per hundredweight of milk, with the following exceptions:

(a) If the Secretary estimates that net price support purchases of milk for calendar year 1987 will exceed 5 billion pounds, the Secretary must reduce the support level 50 cents per hundredweight, effective January 1987;

(b) on January 1, 1988, and January 1, 1989, the Secretary will estimate the level of net price support purchases for the calendar year involved and depending on the amount estimated, adjust the support level per hundredweight (on January 1 of the year involved), as follows:

(i) net purchases of 10 billion pounds or more would require a reduction of \$1.00 (except that the Secretary could lessen the amount of the reduction to reflect changes in a cost of production index established by the Secretary);

(ii) net purchases of 5 billion pounds or more but less than 10 billion pounds would require a reduction of 50 cents (with authority for lessening the reduction under the criteria described in clause (i));

(iii) if net purchases were 2 billion pounds or more but less than 5 billion pounds, no adjustment would be permitted; and

(iv) net purchases of less than 2 billion pounds would authorize a 50 cent increase (with further authority for enlarging the increase under the criteria described in clause (i)). (Sec. 203.)

The *Conference* substitute provides that the support price for milk in 1986 shall be \$11.60 per hundredweight for milk containing 3.67 percent milkfat. The support price for the period January 1, 1987, through September 30, 1987, shall be \$11.35 per hundredweight and for the period October 1, 1987, through September 30, 1990, shall be \$11.10 per hundredweight, except as provided below.

On January 1 of each calendar year 1988, 1989, the Secretary is required to (1) increase the support price then in effect by \$.50 per hundredweight if the Secretary projects that removals of milk through the Commodity Credit Corporation will be less than 2.5 billion pounds, milk equivalent, during the upcoming twelve month period; or (2) to reduce the support price then in effect by \$.50 per hundredweight if the Secretary projects that removals will exceed 5 billion pounds, milk equivalent, during the upcoming twelve months.

The *Conference* substitute provides for a limitation on any such reduction that is keyed to the 18 month milk production termination program that will be operated during 1986 and 1987, as described in item (6). The *Conference* substitute will prohibit any such reduction unless the program achieved a reduction in milk production among participants of not less than 12 billion pounds during the life of the program; or the Secretary of Agriculture certifies to Congress that an insufficient number of reasonable bids from producers were offered to achieve such reduction. Determinations of the Secretary of Agriculture relating to the level of milk price supports, reductions in milk prices described in item (5) below, and the milk production termination program described in item (6) would not be subject to the provisions of 5 U.S.C. 553. (Sec. 101.)

(4) Market value of whey

The *House* bill provides that, for the purpose of supporting the price of milk, as described in item (3), the Secretary of Agriculture could not take into consideration the market value of whey. (Sec. 218.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 103.)

(5) Reductions in the price of milk

The *House* bill will require the Secretary of Agriculture to provide for a reduction in the price of milk received by producers, applicable to all milk marketed for commercial use in the contiguous 48 States, during any period that a milk diversion program is in effect (as described in item (6)). The reduction (which the Secretary could adjust downward) would have to be sufficient to cover—

(a) the estimated cost of net CCC acquisitions, during each of the calendar years 1986 through 1989, in excess of five billion pounds (or three-fourths of such amount in the case of the first 9 months of 1990);

(b) the estimated cost of payments to producers under the diversion program; and

(c) in each of the calendar years 1986 and 1987, an additional \$50 million.

The funds represented by the reduction in the price of milk would be collected and remitted to the Commodity Credit Corporation by handlers that buy milk from producers. Producers that market their milk directly to consumers would remit the funds directly to the CCC. The \$50 million remitted in 1986 and 1987, if there is a diversion program, would be transferred to the Dairy Research Trust Fund (see item (12)).

If the funds deducted from milk prices exceed the amount needed to cover the costs of (a) net CCC acquisitions in excess of five billion pounds (on an annual basis), (b) the milk diversion program, and (c) in 1986 and 1987, the special \$50 million allocation to the Dairy Research Trust Fund, the CCC would be required to refund the excess (with interest) to producers on a pro rata basis. In addition, if the actual level of net CCC acquisitions during the period involved were less than the threshold level for that period, the Secretary would be required to refund, to producers, an amount equal to the difference between (i) the estimated cost of purchasing five billion pounds (on an annual basis) and (ii) the sum of the actual cost of purchases for the period and the amount deposited in the Trust Fund, with interest. (Sec. 211.)

The *Senate* amendment states the sense of the Senate that no charge or assessment intended to encourage reductions by producers in total milk production should be imposed on, or collected from, producers of milk. (Sec. 210.)

The *Conference* substitute requires the Secretary of Agriculture to provide for a reduction in the price of milk received by producers, applicable to all milk marketed for commercial use in the contiguous 48 States, to help offset the cost of the milk production termination program and mitigate dairy surpluses. A reduction of 40 cents per hundred pounds of milk marketed for commercial use

will begin on April 1, 1986, and end on December 31, 1986. A reduction of 25 cents per hundred pounds of milk marketed for commercial use will begin on January 1, 1987, and end on September 30, 1987.

The funds represented by the reduction in the price of milk will be collected and remitted to the Commodity Credit Corporation by handlers that buy milk from producers. Producers who market their milk directly to consumers would remit the funds directly to the CCC. (Sec. 101.)

(6) Milk diversion program

(a) The *House* bill will provide for an extension, with revisions, of the provisions for a milk diversion program contained in the Dairy Production Stabilization Act of 1983. Effective for each of the calendar years 1986 through 1989 (and the first 9 months of 1990), if the Secretary estimates that net Commodity Credit Corporation milk price support purchases will be more than five billion pounds, but not more than seven billion pounds, milk equivalent (on an annual basis), the Secretary of Agriculture could implement a milk diversion program for that period. If the Secretary's estimate is that net CCC purchases will exceed seven billion pounds, the Secretary would be required to implement a diversion program for the period involved.

A milk diversion program would have to be designed to ensure that the aggregate amount of the reduction in marketings of milk under the program will not be less than the difference between the estimated amount of net CCC purchases without the program and four billion pounds milk equivalent (annual basis).

In making his determinations as to levels of CCC purchases, the Secretary would adjust his estimates by deducting the net amount of reduction in the quantitative limits on dairy imports, established under section 22 of the Agricultural Adjustment Act, occurring since June 15, 1985.

Under milk diversion programs, the Secretary would enter into contracts with milk producers under which the producers would forgo producing a portion (or all) of their milk production base in return for a payment from the Secretary.

If the Secretary establishes a milk diversion program for calendar year 1986, the program would be two years in duration.

If a milk diversion program is in effect, the Secretary would be required to formulate—

(A) a reduced production program under which producers could enter contracts to reduce the amount of milk they market during the period involved; and, in addition,

(B) a production termination program under which the Secretary could accept a bid from a producer for terminating his milk production entirely in return for a payment by the Secretary. (Sec. 212.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute provides for a mandatory milk production termination program to be carried out by the Secretary of Agriculture over an 18 month period. The program is to be implemented on April 1, 1986.

The program is to be formulated to achieve a reduction in milk production of 12 billion pounds during the period of operation. The program will provide for the termination of milk production by producers who agree, among other things (1) to sell for slaughter or export all dairy cattle in which the producer has an interest, and (2) during a period of three to five years after completion of such sale, not to acquire any interest in dairy cattle or the production of milk.

The Secretary of Agriculture will be required to promulgate regulations to ensure that greater numbers of dairy cattle are slaughtered as a result of the production termination program in each of the periods, April through August 1986, and March through August 1987, than for the other months of the program. To encourage a higher slaughter of dairy cattle during the period of March through August, the *Conference* substitute directs the Secretary to limit the number of dairy cattle slaughtered under the herd reduction program to no more than seven percent of the national dairy herd in addition to the normal dairy herd culling rate per calendar year. USDA statistics include a breakdown of the relationship of dairy cows marketed to beef cows marketed. Through the evaluation of such statistics, the Secretary will implement the orderly and timely flow of cattle that are marketed due to the production-termination program to reduce the effect of such program on red meat markets.

A producer who commenced marketing of milk in the 15 month period ending on March 31, 1986, shall be ineligible to participate in the program, except in the case of intrafamily transfers.

During each of calendar years 1988 through 1990, the Secretary is authorized to carry out a milk diversion or milk production termination program.

The Secretary must also take all feasible steps to minimize any adverse effect of any program under this provision on beef, pork, and poultry production in the United States.

The *Conference* substitute provides marketing and civil penalties for violations of milk production termination contracts and false statements. (Sec. 101.)

(b) Under the *House* bill, a producer seeking to enter a reduced production milk diversion contract, prior to entering the contract, would have to submit, to the Secretary, a plan that shows how the producer will achieve the reduction in milk marketings specified in the contract, including the producer's estimate of the amount of the reduction to be achieved through slaughter of dairy cattle and the approximate number of cattle to be sold for slaughter each month.

In setting the terms and conditions of milk diversion contracts, the Secretary would be required to take into account the adverse effects of diversion contracts on beef, pork, and poultry producers and take all feasible steps to minimize such effects.

Before the beginning of a period in which a milk diversion program is to be in effect, the Secretary would be required to estimate the number of dairy cattle that will be marketed for slaughter as a result of the program. The Secretary also would be required to specify marketing procedures, under contracts under the program, to ensure that not more than 40 percent of the number of dairy

cattle that he estimates will be marketed for slaughter (by producers participating in the program), in excess of the number of dairy cattle they would market in the absence of the program, will be so marketed in January, February, September, October, November, and December of a full calendar year (or in January, February, and September of 1980). The procedures would have to ensure that the excess sales for slaughter occur on a basis that maintains historical marketing patterns. In addition, the Secretary would be required to limit the total dairy cattle slaughter rate under the program in excess of the historical dairy cow herd culling rate to no more than seven percent of the national dairy cow herd. (Sec. 212.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts provisions described in paragraph (a) above. (Sec. 101.)

(c) Under the *House* bill, the terms of reduced production milk diversion contracts would be similar to those in existing law in the 1984-1985 diversion program.

The contracts for production termination would provide that the producer must—

(A) sell for slaughter or export all the producer's dairy cattle;

(B) not acquire any interest in the production of milk during a period (from three to five years) specified by the Secretary, nor acquire (not make available to others) any milk production capacity that becomes available because of compliance by another producer under a production termination contract; and

(C) return the entire payment (with interest) if the producer fails to comply with the contract (Sec. 212.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts provisions described in paragraph (a) above. (Sec. 101.)

(d) Under the *House* bill, authority would be provided for the modification of reduced production milk diversion contracts, within the first month of the diversion period, if the Secretary determines that the program would result in a reduction in the level of milk production below that required under the program or has caused a substantial hardship to beef, hog, or poultry producers. If a modification will be required to prevent an excessive reduction in milk production, the Secretary could modify all contracts, on a uniform basis, to lessen the amount of reduction required under the contract. However, in acting to lessen the required reductions in milk marketings among all reduced production contracts, the Secretary could apportion, among contracts, changes in the reduction required so as to give preference to small or medium-sized producers who request that their reduction not be lessened. No modification to lessen required reductions could be apportioned on the basis of geographic region or area.

A producer who enters into a reduced production milk diversion contract could terminate the contract if the Secretary modifies the contract, as described above. (Sec. 212.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts provisions described in paragraph (a) above. (Sec. 101.)

(e) For purposes of a milk diversion program under the *House* bill, a producer's milk production base would be his marketings of milk for commercial use during the one-year period ending on September 1 prior to the start of the diversion. However, if the producer participated in a milk diversion program in effect for the prior calendar year, the producer's base would be the same base he had for the prior diversion program. If a diversion program is in effect for calendar years 1986 and 1987 and the producer participated in the diversion program in effect in fiscal years 1984 and 1985, the producer's base would be, at year 1982, increased by 2.2 percent, or (B) his average annual marketings during 1981 and 1982, increased by 2.2 percent.

Only producers who were marketing milk prior to fifteen months before the start of a milk diversion program would be eligible to receive a milk production base for purposes of the program. (Sec. 212.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts provisions described in paragraph (a) above. (Sec. 101.)

(f) Under the *House* bill, any person who (A) fails to make a reduction in the price of milk as required under the bill or fails to remit to the CCC the funds represented by a reduction, or (B) fails to reduce milk marketings as required under a reduced production milk diversion contract, would be liable for a marketing penalty. The penalty would be an amount equal to the then current support price for milk and be applied to the quantity of milk to which the failure applies. The Secretary could reduce any penalty if the violation is unintentional or without the knowledge of the person concerned.

A person who (A) buys dairy cattle for slaughter from a producer who has entered a milk diversion contract, knowing that the cattle are sold for slaughter, but (B) fails to have the cattle slaughtered within a reasonable time after receiving the cattle, would be subject to a civil penalty of not to exceed \$5,000 per head.

All other knowing violations under the milk diversion program would be subject to a civil penalty of up to \$1,000.

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts provisions described in paragraph (a) above. (Sec. 101.)

(g) Under the *House* bill, if a milk diversion program is to be in effect for calendar year 1986 and if the bill is enacted after November 1, 1985, then notwithstanding the provisions of the bill establishing deadlines for implementation of any such program, the Secretary would—

(A) establish the 1986 milk diversion program, and publish the information required under the program, not later than thirty days after the date of the enactment of the bill, and

(B) offer to enter into contracts under the program with producers until sixty days after the date of the enactment of the bill. (Sec. 212.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts an amendment as set forth in section (a) above. (Sec. 101.)

(7) Application of amendments

The *House* bill provides that the milk price support and milk diversion program provisions will not affect any liability of any person under the provisions of the Agricultural Act of 1949 relating to milk price support, reductions in minimum prices, and the dairy diversion program, as in effect before the date of the enactment of the bill. (Sec. 213.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with conforming amendments. (Sec. 108.)

(8) Avoidance of adverse effect of milk programs on beef, pork, and lamb producers

The *House* bill provides that, to minimize the adverse effect of a milk diversion program carried out during any year under the bill on beef, pork, and lamb producers in the United States, in such year—

(a) the Secretary of Agriculture must use section 32 funds, other funds available to the Department of Agriculture under the commodity distribution and other nutrition programs, and Commodity Credit Corporation funds to purchase and distribute 250 million pounds (or three-fourths of such amount in the case of the first 9 months of 1990) of red meat in addition to those quantities normally purchased and distributed by the Secretary;

(b) the Secretary of Defense and other Federal agencies, to the maximum extent practicable, must use increased quantities of red meat to meet the food needs of the programs that they administer, and State agencies would be encouraged to cooperate in such an effort; and

(c) the Secretary must act to encourage the consumption of red meat by the public. (Sec. 214.)

The *Senate* amendment will require the Secretary to (a) take into account any adverse effect of reductions in milk production, under the milk program, on U.S. beef and pork producers, and (b) take all feasible steps to prevent such adverse effect. (Sec. 209.)

The *Conference* substitute adopts the *House* provision with an amendment that provides that, to minimize the adverse effect of the milk production termination program on beef, pork, and lamb producers during the period for which the milk production termination program is in effect, the Secretary of Agriculture shall use funds available to purchase 400 million pounds of red meat in addition to those quantities normally purchased and distributed by the Secretary. The Secretary shall make such red meat purchases available for distribution in the quantity of 200 million pounds for domestic programs and 200 million pounds for use in export programs and military program consumption.

Such purchases cannot offset normal red meat purchases, and section 32 purchases cannot result in reducing purchases of other agricultural commodities by the Secretary through the section 32 program.

Purchases under these provisions should be made in recognition of the effect of the milk production termination program on the

beef, pork, and lamb industries, as well as traditional domestic consumption patterns. (Sec. 104.)

The *Conference* substitute also includes a provision that requires the Commodity Credit Corporation to establish and operate an export incentive program for dairy products. The program shall provide for the Corporation to make payments, on a bid basis, to an entity that sells for export United States dairy products. The Secretary shall have the discretion to accept or reject bids under such criteria as the Secretary deems appropriate. (Sec. 153.)

(9) Availability of nonfat dry milk to the domestic casein industry

The *House* bill will require the Commodity Credit Corporation to provide, annually, at least one million pounds of nonfat dry milk to individuals or entities on a bid basis. The CCC would have to take appropriate action to ensure that the nonfat dry milk sold under the bill is used only for the manufacture of casein. The bill also provides that, to promote the strengthening of the domestic casein industry, the CCC could accept bids on nonfat dry milk at lower than resale price for milk required under the Agricultural Act of 1949. (Sec. 215.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 105.)

(10) Casein study

The *House* bill will require the Secretary of Agriculture to conduct a study to determine whether casein imports tend to interfere with, or render ineffective, the milk price support program. The Secretary would be required to report to the agriculture committees of Congress on the results of the study not later than 60 days after the date of enactment of the bill. (Sec. 216.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 106.)

(11) Congressional evaluation of the cost of production schedule

The *House* bill states that it is the sense of Congress that the agriculture committees of Congress, two years after enactment of the bill, should—

(a) determine the cost of each of the items specified in the milk cost of production schedule contained in the bill, and the contribution of each of such items to the milk cost of production index used to determine the milk price support level, to assess the effect of each item on the level of price support for milk; and

(b) assess the effect of the milk cost of production index on the operation of the milk diversion program provided for under the bill. (Sec. 217.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute provides that the Secretary shall monitor Commodity Credit Corporation purchases of dairy products during the milk production termination program. The Secretary is directed to report to Congress on a quarterly basis regarding any disruptions in or attempts by handlers or cooperative marketing associations to circumvent the historical distribution of milk among

processors due to the implementation of the production termination program. (Sec. 107.)

It is the intent of the Conferees that the milk production termination program be appropriately implemented by the Secretary of Agriculture. The amendment is to prevent any weakening of the milk production termination program and to minimize attempts to circumvent the purpose of the program.

(12) Dairy Research Endowment Institute and dairy product research order

(a) The *House* bill will establish a National Dairy Research Endowment Institute within the Department of Agriculture; provide for the issuance of a dairy products research order to be administered through the Institute; and establish a \$100,000,000 Dairy Research Trust Fund in the Treasury, and require importers of dairy products during fiscal years 1986 and 1987 to pay assessments into the Fund, to provide funds to the Institute for activities under the order.

The function of the Institute would be to aid the dairy industry through (A) implementation of the dairy products research order (which its board of trustees would administer), and (B) use of moneys from the Dairy Research Trust Fund to implement the order. In implementing the order, the Institute would provide a permanent system for funding scientific research activities designed to facilitate the expansion of markets for milk and dairy products marketed in the 48 contiguous States. The Institute would be headed by a board of trustees composed of the members of the National Dairy Promotion and Research Board, and the board could appoint from among its members an executive committee whose membership, other than importers, would have to reflect equally each of the different regions in the 48 contiguous States in which milk is produced. (Sec. 221.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provisions with an amendment that makes the establishment of the Institute discretionary with the Secretary of Agriculture. (Sec. 121.)

(b) Not later than 30 days after receipt of a proposed dairy products research order, the Secretary of Agriculture would publish the proposed order in the Federal Register and give notice and reasonable opportunity for public comment on the proposed order. A proposed order could be submitted by an organization certified as eligible to represent milk producers for the purposes of the dairy promotion program, or by any interested person affected by the dairy promotion program.

After the Secretary complies with the notice and comment requirements, he would issue a dairy products research order, to become effective not later than ninety days after publication in the *Federal Register* of the proposed order, as described above.

A dairy products research order would provide for the establishment and administration, by the Institute, of appropriate scientific research activities designed to facilitate the expansion of markets for dairy products.

The order would specify the powers of the board, including the powers to—

(A) receive and evaluate, or on its own initiative develop and budget for, research plans or projects (including projects to improve dairy processing technologies, particularly those appropriate to small and medium-sized family farms);

(B) administer the order in accordance with its terms and provisions; and

(C) enter into agreements, with the approval of the Secretary, for the conduct of activities authorized under the order and for payment of the cost of such activities with any monies in the Fund other than monies deposited in the Fund by the Secretary.

The order would specify the duties of the Institute's board, including the duties to—

(A) develop, and to submit to the Secretary for approval before implementation, any research plan or project; and

(B) submit budgets (on a fiscal year basis) to the Secretary for approval. The budgets would cover the board's anticipated expenses and disbursements in the administration of the order, including projected costs of carrying out dairy products research plans and projects. (Sec. 221.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the House provision. (Sec. 121.)

(c) The order would require, during calendar years 1986 and 1987, importers of dairy products to pay an assessment on dairy product imports at a rate, established by the Secretary, that is equal to the part of any reduction in the price of milk received by domestic producers that is deposited into the Dairy Research Trust Fund, under the milk price support program for those years under the bill.

The provisions of the Dairy Production Stabilization Act of 1983 allowing persons subject to a milk promotion order to petition for relief from the order, providing jurisdiction for the Federal district courts to enforce orders, providing penalties for violations of orders, and generally providing the Secretary with authority to conduct investigations necessary for effective administration of the milk promotion order program would be made applicable to the dairy products research order program. (Sec. 221.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment which makes the issuance of the order discretionary with the Secretary. (Sec. 121.)

(d) The *House* amendment provides that the Dairy Research Trust Fund would be established in the U.S. Treasury, and \$50 million of the amounts to be remitted to the CCC in each of the calendar years 1986 and 1987 (if there is a reduction in the price of milk triggered by the establishment of a milk diversion program for those years), as provided under the bill, along with assessments collected from importers, would be deposited in the Trust Fund. However, if \$50 million is not available for either of those years under a reduction in the price of milk, the Secretary would transfer \$50 million to the Trust Fund from the monies available to the Commodity Credit Corporation.

The monies transferred into the Trust Fund would be invested by the Secretary in interest-bearing accounts. The income from such

investments will be available to pay for the costs of research activities under the order. (Sec. 121.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment which makes the establishment of the Fund discretionary with the Secretary. (Sec. 121.)

(e) The *House* amendment provides that after September 30, 1991, the Secretary would be required, whenever the Secretary finds that the dairy products research order or any provision of the order obstructs or does not tend to facilitate the expansion of markets for milk and dairy products, to terminate or suspend the operation of the order or provision. If the Secretary terminates the order, the Institute would be dissolved 180 days after termination of the order. If the Institute is dissolved, the moneys remaining in the Trust Fund would be disposed of as agreed to by the Institute's board and the Secretary.

The *House* bill could not be construed to preempt or supersede any other program relating to dairy research organized and operated under the laws of the United States or any State. (Sec. 221.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment deleting the reference to September 30, 1991. (Sec. 121.)

(13) *Dairy promotion order program*

The *House* bill will make several changes in the dairy promotion order program under the Dairy Production Stabilization Act of 1983 to—

(a) expand the scope of the order to include activities to maintain and expand markets for imported dairy products as well as fluid milk and dairy products produced domestically;

(b) require that the order contain a provision for the appointment of one or more importers of dairy products to the National Dairy Promotion Board, which administers the order. The number of importers appointed to the Board would be established on a proportional basis, taking into account the amount of dairy products imported into the United States, except that at least one importer would have to be appointed to the Board;

(c) require that the order contain a provision for the imposition of an assessment on each importer of dairy products based on the amount of dairy products imported by the importer, with the rate of assessment being 15 cents for each hundred-weight of milk equivalent;

(d) require that the order contain provisions imposing, on importers of dairy products, the recordkeeping and reporting requirements currently applicable to milk handlers and producer-handlers under the order; and

(e) give importers of dairy products the right to vote in referendums on whether to terminate or suspend the order. (Sec. 222.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute deletes the *House* provision.

(14) Minimum price differentials

The *House* bill will amend section 8c(5)(A) of the Agricultural Adjustment Act, to revise the milk marketing order program. New provisions would be added to section 8c(5)(A), which now provides that milk marketing orders must contain terms and conditions for (a) classifying milk in accordance with the form in which, or the purpose for which, it is used, and (b) fixing, or providing a method for fixing, minimum prices for each use classification. Section 8c(5)(A) also now provides that minimum prices must be uniform as to all handlers, subject only to adjustments for (a) volume, market, and production differentials customarily applied by the handlers subject to the order, (b) grade or quality, and (c) the locations at which delivery is made.

The new added provisions under the *House* bill would specify the minimum aggregate amount of the adjustments (for (a) volume, market, and production differentials customarily applied and (b) grade or quality) to prices for milk of the highest use classification (the "Class I differential") for the 44 milk marketing orders. Each marketing area subject to an order is listed in the *House* bill, along with the minimum Class I differential, specified in dollars and cents, to be applicable to the area.

The minimum Class I differentials specified in the bill would be in effect for the two-year period starting with the first day of the first month beginning more than 120 days after the date the bill is enacted. Further, the specified differentials would continue in effect after the two-year period expires unless modified by amendment to the order involved.

The new provisions also provide that, at the beginning of the two-year effective period, the minimum prices for Class I milk would have to be adjusted for the locations at which delivery of Class I milk is made to handlers. (Sec. 231.)

The *Senate* amendment contains two provisions addressing milk price differentials as follows:

(a) The Secretary would be required to conduct a study of the differentials used to adjust the minimum price for Class I milk, with particular emphasis on the differentials used for the locations at which milk is delivered to handlers. The results of the study, along with any legislative recommendations, would have to be submitted to the agriculture committees of Congress within one year after enactment of the bill. (Sec. 206.)

(b) The *Senate* amendment states the sense of the Senate that any adjustment, under section 8c(5)(A), to the price received for Class I milk produced under Federal milk marketing orders be made only through regulations issued by the Secretary. (Sec. 211.)

The *Conference* substitute adopts the *House* provision. (Sec. 131.)

(15) Cooperative association representation

The *House* bill will revise the provisions of section 8c(17) of the Agricultural Adjustment Act, which permit one-third or more of the producers supplying milk under a Federal milk marketing order to petition for a hearing on a proposed amendment to the order, to permit a cooperative to act for its members in the application for the hearing. (Sec. 233.)

The *Senate* amendment contains no comparable provision.
The *Conference* substitute deletes the *House* provision.

(16) *Marketwide service payments*

The *House* bill will provide for the inclusion of a new provision in milk marketing orders, relating to marketwide service payments. The new provision in orders would provide for the payment, from the total sums payable by all handlers for milk and before computing uniform prices and making adjustments in payments, to handlers who are cooperative marketing associations and to handlers with respect to whom adjustments in payments are made, for services of marketwide benefit including, but not limited to—

(a) providing facilities to furnish additional supplies of milk needed by handlers and to handle and dispose of milk supplies in excess of quantities needed by handlers;

(b) handling—on specific days—quantities of milk that exceed the quantities needed by handlers; and

(c) transporting milk from the one location to another for the purpose of fulfilling requirements for milk of a higher use classification or for providing a market outlet for milk of any use classification. (Sec. 234.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 133.)

(17) *National Commission on Dairy Policy*

(a) The *House* bill states that it is to be the policy of Congress to respond to new technologies in the milk production industry by reviewing the present milk price support program and its alternatives, and by adopting policies that are needed to prevent significant surplus production in the future while ensuring that the current small and medium-sized family farm structure of the industry will be preserved. (Sec. 241.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 141.)

(b) The *House* bill will establish a temporary National Commission on Dairy Policy to study and make recommendations concerning the future operation of the Federal milk price support program. The Commission would be composed of eighteen members who are engaged in the commercial production of milk in the United States, to be appointed by the Secretary of Agriculture. Not fewer than twelve members would be appointed from nominations submitted to the Secretary by the Chairman and ranking minority member of the congressional agriculture committees. Each such Member of Congress would make at least eighteen nominations for appointment to the Commission, but not more than two nominations for any particular vacancy on the Commission. The Secretary would appoint at least three individuals from among the nominations submitted by each Member of Congress. Each member of the Commission would represent a milk-producing region of the United States. The Commission would elect a chairman from among the members of the Commission, and would meet at the call of the chairman or a majority of the members. (Sec. 242.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 142.)

(c) The Commission will study—

(A) the current federal price support program for milk, alternatives to the program, and the future functioning of the program;

(B) new technologies that will become a part of the milk production industry before the end of this century;

(C) the effect that developing technologies will have on surplus milk production; and

(D) the future structure of the milk production industry.

On the basis of its study, the Commission would make findings and develop recommendations for consideration by the Secretary and Congress with respect to the future operation of the Federal price support program for milk. A report containing the results of the Commission's study, and recommendations based on such results, would be submitted to the Secretary and Congress by March 31, 1987. Thirty days after the submission of such report, the Commission will be dissolved. (Secs. 243 and 246.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 143.)

(d) The heads of executive agencies, the General Accounting Office, the Office of Technology Assessment, and the Congressional Budget Office, to the extent permitted by law, would provide information that the Commission requires to carry out its duties and functions. To the extent there will be sufficient funds available to the Commission, it could hire a staff. On the request of the Commission, the heads of executive agencies, the General Accounting Office, and the Office of Technology Assessment could furnish the Commission with personnel and support services necessary to assist the Commission to carry out its duties and functions. The Commission would not be required to pay or reimburse an agency for personnel and support services so provided. The Commission would be exempt from provisions of the Federal Advisory Committee Act relating to pay scales, oversight by Federal officials, and termination of advisory committees, and the employee evaluation requirements of the United States Code. (Sec. 244.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 144.)

(e) Following the appointment or designation of the members of the Commission, the Secretary could receive, on behalf of the Commission, from persons, groups, and entities within the United States, contributions to assist the Commission to carry out its duties and functions. In no event could the Secretary accept an aggregate amount of contributions from any one person, group, or entity exceeding 10 percent of the budget of the Commission. If the contributions were insufficient for the Commission's work, the Secretary could transfer to the Commission, from funds available to the Commodity Credit Corporation, an amount not to exceed \$1,000,000. (Sec. 245.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts House provision. (Sec. 145.)

(18) *Study of milk price support payment limitations*

The *Senate* amendment will require the Secretary to conduct a study of the feasibility and desirability of limiting annual pay-

ments under the milk program to \$50,000 per person. The Secretary would have to submit the results of the study, along with any recommendations for legislation or regulations, to the agriculture committees of Congress not later than one year after the bill is enacted. (Sec. 207.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(19) Accurate ingredient disclosure on labels

The *Senate* amendment states the sense of the Senate that (a) the Secretary must promulgate standards requiring accurate disclosure, on the label of food products under the jurisdiction of the Department of Agriculture, of a description of each ingredient in the product, and (b) the Secretary must require prominent disclosure of the presence of imitation dairy products. (Sec. 208.)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes *Senate* provision.

TITLE II—WOOL AND MOHAIR

(1) Effective period

The provisions of the *House* bill extending the wool and mohair price support programs will be effective for five years, until December 31, 1990. (Sec. 301.)

The provisions of the *Senate* amendment similarly extending the price support programs will be effective for four years, until December 31, 1989. (Sec. 301(1).)

The *Conference* substitute adopts the *House* provision.

(2) Payment limitation

The *Senate* amendment will impose a limitation on the amount of payments a person can receive under the wool and mohair programs for any marketing year. The annual limitation would be \$50,000. The *Senate* amendment also specifically will require the Secretary of Agriculture to issue regulations (a) defining the term "person" for the purposes of the limitation, and (b) prescribing rules that will ensure a fair and reasonable application of the limitation. The regulations issued by the Secretary on December 18, 1970, would be used to determine whether a corporation and its stockholders are separate persons for the purpose of the limitation. (Sec. 301(2).)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes the *Senate* provision.

TITLE III—WHEAT

(1) Wheat marketing quotas

(a) The *Senate* amendment requires the Secretary of Agriculture, not later than April 1, 1986, to conduct, by mail, a poll of producers who produced wheat in at least one of the 1981 through 1985 crops to determine whether such producers favor the proclamation of marketing quotas for wheat for the 1987 through 1989 marketing years and the conduct of a marketing quota referendum for such period.

If more than 50 percent of the eligible producers responding to the poll favor the proclamation of marketing quotas and the conduct of a referendum, the Secretary must (A) proclaim national marketing quotas for wheat for each of the 1987 through 1989 marketing years not later than June 15 of the calendar year preceding such period and (B) conduct, by mail ballot, a referendum not later than August 1 of the calendar year preceding such period.

The quantity of the national marketing quota for wheat for any marketing year would be a quantity of wheat that the Secretary estimates is required to meet anticipated needs during such marketing year, taking into consideration domestic requirements, export demand, emergency food aid needs, and adequate carryover stocks.

If, after the proclamation of a national marketing quota for wheat for any marketing year, the Secretary determines that the national marketing quota should be terminated or adjusted to meet a national emergency or a material change in the demand for wheat, the Secretary must adjust or terminate the national marketing quota. (Sec. 401.)

The *House* bill contains no comparable provision.

(Note: See item (3) under title X (General Commodity Provisions) for House provisions repealing the wheat marketing quota provisions of the Agricultural Adjustment Act of 1938.)

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

In addition, the Secretary is required to conduct, by mail, not later than July 1, 1986, a poll of wheat producers who produced wheat in at least one of the 1981 through 1985 crops on a farm having a minimum crop base of 40 acres for each crop surveyed, to determine producer support for mandatory limits on production that would result in commodity prices no lower than 125 percent of the cost of production, excluding land and residual returns to management, as determined by the Secretary.

The poll shall be conducted in such manner as will reflect the type and size of farm operations, including livestock, distinctions among types and classes of grain produced, and such demographic and other information as the Secretary determines is necessary to reflect State, regional, and national responses.

(The conferees note that the Secretary may conduct a similar poll of producers who produce feed grains.)

(b) The *Senate* amendment requires the Secretary to establish a marketing quota apportionment factor for each crop of wheat for which a national marketing quota is proclaimed. The apportionment factor would be determined by dividing the national marketing quota for the crop of wheat by the average number of bushels of wheat the Secretary determines was produced in the United States during the 1981 through 1985 marketing years. The average bushels of wheat produced may be adjusted to reflect (A) drought, flood, or other natural disaster, or other conditions beyond the control of producers, and (B) participation in any acreage reduction, set-aside, or diversion programs for wheat during 1981 through 1985. (Sec. 402.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(c) The *Senate* amendment requires the Secretary, if marketing quotas have been proclaimed for a crop, to establish, by July 15 of the calendar year preceding the crop year, a farm marketing quota for each farm on which wheat was planted for harvest, or considered planted for harvest, during 1981 through 1985.

The farm marketing quota would be equal to (A) the average number of acres of wheat planted for harvest, or considered planted for harvest, on the farm during 1981 through 1985, multiplied by (B) the average yield per acre of wheat planted for harvest, or considered planted for harvest, on the farm during such period, multiplied by (C) the marketing quota apportionment factor.

Wheat would be considered to have been planted for harvest on the farm in any crop year to the extent wheat was not planted for harvest (A) because of drought, flood, or other natural disaster, or other condition beyond the control of the producer, or (B) because the producer on the farm participated in any acreage reduction, set-aside, or diversion program for wheat during such crop year. (Sec. 403.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(d) The *Senate* amendment provides that the marketing of wheat produced on a farm in excess of a farm marketing quota shall be subject to a penalty at a rate per bushel equal to 75 percent of the national average market price for wheat during the preceding marketing year. Provisions are contained relating to payment of the penalty, false certification of planted acreage, joint liability for the penalty, carryover of wheat subject to a marketing quota from one year to the next, collection of the penalty, deposit of penalties collected in the Treasury, refund of overpayments, liability for interest on penalties due. (Sec. 404.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(e) The *Senate* amendment provides that, if a national marketing quota for wheat is proclaimed for the 1987 through 1989 crops, the Secretary must conduct, by mail ballot, a referendum of producers who produced wheat in at least one of the 1981 through 1985 crops to determine whether they favor or oppose marketing quotas for the 1987 through 1989 crops. If 60 percent or more of the producers voting in the referendum approve marketing quotas, the Secretary must proclaim that marketing quotas will be in effect for that period. (Sec. 405.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(f) The *Senate* amendment provides that farm marketing quotas are not transferable, except that such quotas, or any portion of a

quota, for a marketing year may be voluntarily surrendered to the Secretary by the producer. The Secretary may reallocate any quota so surrendered to other farms having a farm marketing quota on such basis as the Secretary determines. (Sec. 406.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the Senate provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(2) *Wheat loan rates*

(a) The *Senate* amendment provides that for any crop of wheat for which marketing quotas are in effect the loan and purchase level shall not be less than the higher of (A) 75 percent of the national average cost of production per bushel of wheat, taking into consideration variable expenses, general farm overhead, taxes, insurance, interest, and capital replacement costs (excluding residual returns for management and risk), or (B) \$3.55 per bushel. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the Senate provision.

(b) The *House* bill requires the Secretary of Agriculture, unless the Secretary opts to make available recourse loans described in paragraph (c) below, to make available to producers loans and purchases for the marketing years for the 1986 through 1990 crops at a level not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any year may not be less than 95 percent of the level for the preceding year as determined prior to any reduction under the next sentence. If the Secretary determines that (A) the average price of wheat received by producers in the previous marketing year was not more than 105 percent of the loan and purchase level for wheat for such marketing year, or (B) the loan level computed under the foregoing provisions would discourage the exportation of wheat and cause excessive stocks of wheat in the United States, the Secretary may reduce the loan and purchase level as necessary to maintain domestic and export markets for grain, but not to a level that is less than 80 percent of the level determined under the preceding sentence. Nonrecourse loans under this provision could be made only on an amount of wheat produced on the farm equal to the acreage planted for harvest times the farm's program yield for the crop (Sec. 401.)

The *Senate* amendment requires the Secretary, if marketing quotas are not in effect, to make available to producers loans and purchases for the 1986 crop of wheat at a level of not less than \$3.00 per bushel and for the 1987 through 1989 crops at not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any of the 1987 through 1989 crops may not be reduced by more than 5 percent from the level for the preceding crop. If the Secretary determines that the average price of wheat received by producers in any marketing year is not more than 110 percent of the loan and purchase level for such marketing year, the

Secretary may reduce the loan and purchase level for the next marketing year as necessary to maintain domestic and export markets for grain, but not by more than 20 percent in any year. Any reduction under the preceding sentence may not be considered in determining the loan and purchase level for subsequent years. (Sec. 407.)

The *Conference* substitute requires the Secretary, if marketing quotas are not in effect, to make available to producers loans and purchases for the 1986 crop of wheat at a level of not less than \$3.00 per bushel and for the 1987 through 1990 crops at not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any of the 1987 through 1990 crops may not be reduced by more than 5 percent from the level for the preceding crop.

If the Secretary determines that (A) the average price of wheat received by producers in the previous marketing year was not more than 110 percent of the loan and purchase level for wheat for such marketing year, or (B) the loan level computed under the foregoing provisions would discourage the exportation of wheat and cause excessive stocks of wheat in the United States, the Secretary may reduce the loan and purchase level as necessary to maintain domestic and export markets for grain, but not by more than 20 percent in any one year. For the 1986 crop of wheat the Secretary is required to reduce the loan and purchase level by not less than 10 percent of the loan and purchase level for such crop. Any such reduction, including 1986, may not be considered in determining the loan and purchase level for subsequent years.

(c) The *House* bill authorizes the Secretary, if the Secretary does not make nonrecourse loans as described in paragraph (b) above, to make available *recourse* loans to producers for each of the marketing years for the 1986 through 1990 crops at a level not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any year may not be less than the 95 percent of the level for the preceding marketing year. The maximum term for a recourse loan under this provision would be 270 days. (Sec. 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(d) The *House* bill authorizes a producer to repay a *recourse* loan at a level, per bushel, that is the lesser of (A) the original loan level, or (B) at any time through the maturity date of the loan that the producer redeems the wheat under loan: (i) the then current State monthly weighted average market price for wheat, adjusted for each county, or (ii) the then current State weekly or daily weighted average market price for wheat, adjusted for each county, if the Secretary determines that it is administratively feasible and reduces the fluctuation in the repayment market price for producers. (Sec. 401.)

The *Senate* amendment requires the Secretary to permit repayment at (A) original loan level, or (B) the higher of (i) 70 percent of the original loan level, (ii) if the loan level is reduced because in

the previous year the average producer price did not exceed 110 percent of the loan rate, 70 percent of the loan level that would have been in effect but for such a reduction, or (iii) the prevailing world market price. The Secretary is required to prescribe by regulation a formula to define the prevailing world market price for wheat and a mechanism for announcing periodically such world market price. (Sec. 407.)

The *Conference* substitute adopts the *Senate* provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(e) Note: See item (6) of title X (General Commodity Provisions) relating to a nonrecourse loan limit for wheat.

(3) Loan deficiency payments

The *Senate* amendment authorizes the Secretary of Agriculture, for each of the 1986 through 1989 crops of wheat, to make payments available to producers who, although eligible to obtain a wheat loan or purchase agreement, agree to forgo obtaining such loan or agreement in return for such payments. Such a payment is computed by multiplying the loan payment rate by the quantity of wheat the producer is eligible to place under loan. For purposes of this provision, the quantity of wheat eligible to be placed under loan may not exceed the individual farm program acreage for the crop multiplied by the farm program payment yield established for the farm. The loan payment rate is the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to the 1986 through 1990 crops of wheat.

(4) Wheat target prices

(a) The *Senate* amendment provides that for any crop of wheat for which marketing quotas are in effect the established price shall not be less than the higher of (A) the national average cost of production per bushel of wheat using the same factors as for determining the loan rate if marketing quotas are in effect, or (B) \$4.65 per bushel. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(b) The *House* bill provides that the established price for the 1986 and 1987 crops of wheat shall be \$4.38 per bushel. For each of the 1988 through 1990 crops, the established price shall be a price determined by the Secretary of Agriculture that is not less than 110 percent nor more than 125 percent of the simple average price received by farmers during the marketing years for the 5 preceding crops, excluding the high and low years, except that (A) the established price may not be set at a level that is less than 95 percent of the established price for the preceding crop, and (B) the established price may not be set at a level that is less than the level for the preceding crop unless the Secretary certifies to Congress when the program is announced that the cost of production for such crop of wheat for all producers, as estimated by the Economic Research

Service in consultation with the National Agricultural Cost of Production Standards Review Board, will be 5 percent below the cost of production for the preceding crop of wheat for all producers. (Sec. 401.)

The *Senate* amendment provides that for any of the 1986 through 1988 crops of wheat for which marketing quotas are not in effect, with the exceptions noted below, the established price applicable to producers shall be not less than an amount determined on the basis of the percentage by which the producers reduce the acreage planted to wheat on the farm for harvest from the acreage base for the farm under an acreage limitation program as provided in the following table:

Acreage percent- age	Limitation 1986 crop	Minimum established price	
		1987 crop	1988 crop
10			\$3.80.
15	\$4.20.	\$3.95.	3.95
20	3.85 on the first 2,000 bushels.	3.66 on the first 2,000 bushels.	3.66 on the first 2,000 bushels.
	4.65 on the next 18,000 bushels	4.42 on the next 18,000 bushels	4.42 on the next 18,000 bushels
	4.15 on more than 20,000 bushels	3.94 on more than 20,000 bushels	3.94 on more than 20,000 bushels.
25	4.60.	4.35	4.35.
30	4.85.	4.60	4.55
35	5.15.	4.85	
40	5.50.	5.20	

In determining the established price applicable to a portion of a crop, the determination shall be made on the basis of the farm program acreage and the farm program payment yield.

In the case of producers who produce less than 2,000 bushels of wheat in such a crop year, who choose the 20 percent acreage reduction percentage, and who have gross annual sales of agricultural commodities of more than \$20,000, the established price shall not be less than \$4.65 per bushel for the 1986 crop and \$4.42 per bushel for the 1987 and 1988 crops.

Also, in the case of producers who produce less than 2,000 bushels of wheat in such a crop year, who choose any of the acreage reduction percentages in the above table, and who have gross annual sales of agricultural commodities of less than \$20,000, the established price shall not be less than \$3.85 per bushel.

For the 1989 crop of wheat, if marketing quotas are not in effect, the established price shall be set at a level determined by the Secretary taking into consideration supply and demand for wheat, program costs, and other appropriate factors, except that the established price may not be less than 85 percent of the established price for the 1985 crop of wheat. (Sec. 407.)

The *Conference* substitute provides that when marketing quotas are not in effect the established price for the 1986 and 1987 crops of wheat shall be \$4.38 per bushel. The established price for the 1988 crop may not be set at a level that is less than 98 percent of the established price for the 1986 and 1987 crops, and; the established price for the 1989 crop may not be set at a level that is less than 95 percent of the established price for the 1986 and 1987 crops, and; the established price for the 1990 crop may not be set at

a level that is less than 90 percent of the established price for the 1986 and 1987 crops, or \$4.00, whichever is higher.

The *Conference* substitute further provides that the Secretary is authorized, at his discretion, for any of the 1986 through 1988 crops of wheat for which marketing quotas are not in effect, to formulate flexible and optional programs with respect to the established price for a crop of wheat under which the established prices applicable to producers on a farm depends upon the percentages, as specified by the Secretary, by which the producers reduce the acreage planted to wheat on the farm for harvest from the acreage base for the farm. In addition, the Secretary may formulate a program by which the established price for wheat is determined in relation to the number of bushels produced on a farm.

(c) The *Senate* amendment requires the Secretary for the 1987 crop, if marketing quotas are not in effect, to make in-kind payments (in wheat) to producers in such amounts as will ensure that the effective established price for the 1987 crop for the acreage reduction percentage selected by the producers on a farm will not be less than the established price applicable to the same acreage reduction percentage for the 1986 crop. For the 1988 crop, the Secretary is required to make in-kind payments (in wheat), or cash payments to the extent wheat owned by the Commodity Credit Corporation is not available, in such amounts as will ensure that the effective established price for the 1988 crop for the acreage reduction percentage selected by the producers will not be less than the cash established price applicable to the equivalent acreage reduction percentage for the 1987 crop. If there is no equivalent acreage reduction percentage for the preceding crop, such payments would be made in amounts the Secretary determines fair and equitable in relation to the established price for the acreage reduction most equivalent to the acreage reduction selected by the producers. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute provides that up to 5 percent of the total deficiency payment may be made in commodities at the discretion of the Secretary.

(d) The *House* bill provides that if the Secretary reduces the loan and purchase level based on low market prices or the world market and supply situation, the Secretary must provide emergency compensation by increasing the established price payments for wheat by such amount as necessary to provide the same total return to producers as if the reduction had not been made. The Secretary is to use the national weighted average market price, per bushel of wheat, received by farmers during the marketing year (instead of the average price received during the first 5 months of the marketing year) in determining the payment rate for such established price payments. Payments under this provision would not be subject to the payment limitation. (Sec. 401.)

The *Senate* amendment contains no comparable provision, but see item (f) below relating to the payment rate.

The *Conference* substitute adopts the House provision.

(e) The *House* bill provides that whenever an acreage limitation program is in effect for a crop of wheat, if producers on a farm devote a portion of the farm's permitted wheat acreage (base minus acreage reduction) equal to more than 5 percent of the farm's

wheat crop acreage base for the crop to conservation uses or non-program crops, the portion of the wheat permitted acreage in excess of 5 percent of the base that is devoted to conservation uses or nonprogram crops would be considered as part of the farm's wheat program acreage and the producers would be eligible for target price payments on such acreage if the producers actually plant wheat for harvest on at least 50 percent of the farm's wheat crop acreage base. The farm's wheat crop acreage base and wheat program yield would not be reduced due to the fact that such portion of the farm's permitted acreage was devoted to conserving uses or nonprogram crops. Other than under this exception, target price payments would be made only on acreage actually planted to wheat for harvest. (Sec. 401.)

The *Senate* amendment provides that whenever the producer reduces the acreage of wheat planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, or an acreage limitation program is in effect, if the producer plants at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary) or the permitted wheat acreage, as the case may be, to wheat or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary) or the permitted wheat acreage, as the case may be, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to wheat. However, this provision would not apply to producers who reduce their wheat acreage by more than 20 percent under an acreage limitation program. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans. (Sec. 407.)

The *Conference* substitute adopts the *Senate* provision with a modification which provides that the producer would be eligible for 92 percent of the deficiency payments otherwise applicable, if at least 50 percent of the permitted acres are planted to wheat. If the Secretary announces a flexible established prices and acreage limitation option, this provision would not apply.

(f) The *House* bill provides that the payment rate is the amount by which the established price for the crop (less 13 cents per bushel if the Secretary establishes a wheat export certificate program for the crop (see item (23) under title X)) exceeds the higher of—

(A) the national weighted average market price received by farmers during the first 5 months of the marketing year for the crop, or

(B) the loan level determined for the crop prior to any adjustment based on low market prices or the world market and supply situation. (Sec. 401.)

The *Senate* amendment provides that the payment rate is the amount by which the established price for the crop exceeds the higher of—

(A) the lower of—

(i) the national weighted average market price received by farmers during the marketing year for such crop, or

(ii) \$2.55 per bushel in the case of the 1986 crop, \$2.65 per bushel in the case of the 1987 crop, and \$2.82 per bushel in the case of the 1988 crop, or

(B) the loan level determined for the crop. (Sec. 407.)

The *Conference* substitute adopts both the *House* and *Senate* provisions, except that the Secretary is authorized to carry out the *Senate* provision at his discretion.

(g) The *Senate* amendment provides that payments for any crop of wheat for which marketing quotas are in effect may not exceed an amount equal to the payment rate multiplied by the farm marketing quota. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(5) *Disaster payments*

The *House* bill provides that prevented planting disaster payments for wheat may be made in the form of cash or from stocks of wheat held by the Commodity Credit Corporation. (Sec. 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(6) *National program acreage*

The *House* bill requires the Secretary of Agriculture to proclaim the national program acreage for each crop of wheat by May 1 of each calendar year for the crop harvested in the next succeeding calendar year. (Sec. 401.)

The *Senate* amendment requires this proclamation to be made by July 1. (Sec. 407.)

The *Conference* substitute adopts the *House* provision with a modification requiring the Secretary to make a preliminary announcement by June 1, with authorization to make adjustments in the announced program not later than July 31.

(7) *Individual farm program acreage*

The *Senate* amendment provides that for any crop of wheat for which marketing quotas are in effect the individual farm program acreage shall be the acreage on the farm that the Secretary of Agriculture determines is sufficient to produce the quantity of wheat equal to the marketing quota established for the farm. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(8) *Farm program yields*

(See item (2)(f) relating to acreage base and program yield system under title X (General Commodity Provisions).)

(9) *Wheat acreage limitation and set-aside program*

(a) The *House* bill requires the Secretary of Agriculture to announce any wheat acreage limitation or set-aside program by May 1 prior to the calendar year in which the crop is harvested. (Sec. 401.)

The *Senate* amendment requires announcement of any acreage limitation program by July 1. (Sec. 407.)

The *Conference* substitute adopts the *House* provision with a modification requiring the Secretary to make a preliminary announcement by June 1, with authorization to make adjustments in the announced program not later than July 31.

(b) The *House* bill requires the Secretary to provide for an acreage limitation program for the 1986 crop of wheat under which the acreage on the farm planted to wheat for harvest would be limited to the wheat crop acreage base reduced by 30 percent. However, in the case of producers who plant the 1986 crop before the acreage limitation program announcement for that crop, the Secretary must provide for a combination of a 20 percent acreage limitation program and a 10 percent paid diversion program. Payments under the paid diversion program would be calculated by multiplying the diversion payment rate (\$2.00 per bushel) by the diverted acreage by the farm's wheat program yield.

With respect to any of the 1987 through 1990 crops of wheat, if the Secretary estimates—not later than May 1 of the year prior to the calendar year for that crop will exceed 800 million bushels, the Secretary would be required to provide for a 20 percent acreage limitation program and could provide for a paid diversion program or an additional acreage limitation program for any reduction above 20 percent.

Any wheat acreage limitation would be achieved by applying a uniform percentage reduction to the wheat crop acreage base for the crop for each wheat-producing farm.

As a condition for eligibility for price support loans and target price payments for any crop for which a mandatory acreage reduction program applies, producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, the paid diversion program. (Sec. 401.)

The *Senate* amendment, in the case of each of the 1986 through 1988 crops of wheat for which marketing quotas are not in effect, requires the Secretary to provide for an acreage limitation program under which producers would select the percentage reduction to be applied to the wheat acreage base that is specified in the established price tables as follows:

Acreage limitation percentages		
1986 crop	1987 crop	1988 crop
		10
15	15	15
20	20	20
25	25	25
30	30	30
35	35	
40	40	

(Note: See item (9) under title X (General Commodity Provisions) for a provision authorizing a 5 percent increase in the acreage limitation percentages if estimated wheat carryover would be more than 33 percent of annual wheat usage.)

In the case of the 1989 crop of wheat if marketing quotas are not in effect the Secretary is prohibited from providing for an acreage limitation program. (Sec. 407.)

The *Conference* substitute authorizes the Secretary to establish wheat acreage limitation, set-aside, and paid land diversion programs.

In crop year 1986 an acreage limitation program shall be in effect if triggered by projected carryin stocks greater than 1 billion bushels of wheat, and in such event shall be no less than 17.5 percent. In such instance, 2.5 percent of the acreage limitation must be paid with commodities. In addition, the Secretary is required to offer a 10 percent cash paid diversion program at \$2.00 per bushel to those wheat producers who planted wheat prior to the final announcement of the 1986 wheat program. In no instance shall the wheat acreage limitation program for 1986 be greater than 25 percent.

In crop year 1987 an acreage limitation program shall be in effect if triggered by projected carryin stocks greater than 1 billion bushels, and in such event shall be no less than 20 percent, and no greater than 27.5 percent.

In crop years 1988 through 1990 acreage limitation programs shall be in effect if triggered by projected carryin stocks greater than 1 billion bushels, and in such event shall be no less than 20 percent, and no greater than 30 percent.

In the event carryin stocks of 1 billion bushels of wheat are not attained, the acreage limitation may not be greater than 15 percent in 1986 and 20 percent in 1987 through 1990.

For crop years 1986 through 1990 the Secretary is authorized to offer at his discretion voluntary paid land diversion programs at such levels as he determines.

It is the intent of the conferees that, whenever the Secretary announces an acreage reduction program, he must send a report to the House and Senate agriculture committees. The report is to contain an economic analysis of the effect of the size of the acreage reduction program on the farm economy—including, in particular, the effect of the program on farm income. In addition to the effect of the program on farm income, the analysis is to take into account the effect of the size of the program on farm input and agricultural processing industries, livestock producers, consumers of agricultural products, agricultural trade, jobs, tax revenues, and farm production efficiencies. (For the purposes of the report and analysis, the term "acreage reduction program" includes any set-aside, paid diversion, payment-in-kind, or acreage limitation program of any kind (except conservation acreage reserve) administered by the Secretary.)

(c) (For differences concerning acreage bases see item (2)(e) relating to acreage base and program yield system under title X (General Commodity Provisions).)

(d) The *House* bill authorizes the Secretary to establish an acreage limitation or a set-aside program for any crop for which an acreage limitation program is not required as specified above. If a set-aside program is announced, then as a condition of eligibility for loans and target price payments for a crop of wheat, the producer must set aside and devote to conservation uses an acreage of

cropland on the farm equal to a percentage (specified by the Secretary) of the acreage on the farm planted to wheat for harvest. If a set-aside is announced, the Secretary could also limit the acreage planted to wheat, such limitation to be applied on a uniform basis to all wheat-producing farms. The Secretary may make adjustments in individual set-aside acreages to correct for abnormal factors affecting production and to give due consideration to crop-rotation practices, types of soil, soil and water conservation measures, topography, and other factors the Secretary deems necessary. (Sec. 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(e) The *Senate* amendment requires the Secretary to permit, at the request of the State ASC committee for a State and subject to such terms and conditions as the Secretary may prescribe, acreage required to be diverted from production by participating producers in such State to be devoted to (A) haying and grazing for the 1986 crop, and (B) grazing for the 1987 through 1989 crops. Haying and grazing may not be permitted, however, for any crop of wheat during any 5-consecutive-month period that is established for such crop for a State by the State ASC committee. (Sec. 407.)

The *House* bill, in a provision applicable to wheat, feed grains, upland cotton, and rice, requires the Secretary to permit producers in any State who participate in any acreage limitation, set-aside, or land diversion program for such commodity to devote acreage diverted from production under such a program to haying and grazing during the 8 months of each year selected by the State ASC committee for such State, except that a producer may not sell any hay or other crop harvested from the acreage devoted to haying and grazing under this provision. (Sec. 1017.)

The *Conference* substitute adopts the *Senate* provision.

(f) The *House* bill authorizes the Secretary to pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by the producer on reduced acreage, set-aside acreage, or additional diverted acreage. (See 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(g) The *House* bill authorizes the Secretary in carrying out any acreage limitation, set-aside, or paid diversion program to prescribe production targets for participating farms expressed in bushels of production so that all participating farms achieve the same pro rata reduction in production as prescribed by the national program targets. (Sec. 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(10) Inventory reduction payments

The *Senate* amendment authorizes the Secretary, for each of the 1986 through 1989 crops of wheat, to make payments available to producers who (A) agree to forgo obtaining a loan or purchase agreement for wheat, (B) agree to forgo receiving wheat deficiency payments, (C) do not plant wheat for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be di-

verted from production under an acreage limitation program, and (D) otherwise comply with the wheat program. Such payments would be made in the form of wheat owned by the Commodity Credit Corporation and would be subject to the availability of such wheat. Payments would be determined in the same manner as for loan deficiency payments, that is by multiplying the quantity of wheat the producer is eligible to place under loan by the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to the 1986 through 1990 crops of wheat.

(11) Cross compliance

The *House* bill provides that compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans, purchases, or payments under the wheat program if an acreage limitation program is established, but may be required if a set-aside program is established. (Sec. 401.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute provides the Secretary with authority to require compliance on a farm with the terms and conditions of any other commodity program as a condition of eligibility for loans, purchases, or payments under the wheat program if an acreage limitation program or set-aside is established, but only to the extent that producers who participate in any acreage limitation program or set-aside may not expand acreage of another crop for which there is an acreage limitation or set-aside in effect.

(12) Safeguarding tenants and sharecroppers

The *Senate* amendment requires the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers. (Sec. 407.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(13) Loan and deficiency payment rate study

The *Senate* amendment requires the Secretary of Agriculture to conduct a study of the feasibility of establishing separate loan rates and deficiency payment rates for (A) hard red winter wheat, (B) soft red winter wheat, (C) hard red spring wheat, (D) white wheat, and (E) durum wheat, as defined in the official United States standards for wheat established under the United States Grain Standards Act. Within 18 months after the date of enactment of the bill, the Secretary would be required to report the results of the study, together with recommendations for legislation, to the House and Senate agriculture committees.

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the House provision.

(14) Targeting of wheat deficiency payments

The *Senate* amendment makes certain findings relating to family farms and states the sense of the Senate that the Senate conferees

should work toward targeting, to the maximum extent practicable, the benefits of wheat deficiency payments to family farms that rely on agriculture for their primary source of income and should take into consideration producers whose wheat production may be minimal but who rely on agriculture for their primary source of income. (Sec. 413.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the House provision.

TITLE IV—FEED GRAINS

(1) *Feed grain loan rates*

(a) The *House* bill requires the Secretary of Agriculture, unless the Secretary opts to make available recourse loans described in paragraph (b) below, to make available to producers loans and purchases for the marketing years for the 1986 through 1990 crops of corn at a level not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any year may not be less than 95 percent of the level for the preceding year as determined prior to any reduction under the next sentence. If the Secretary determines that (A) the average price of corn received by producers in the previous marketing year was not more than 105 percent of the loan and purchase level for corn for such marketing year, or (B) the loan level computed under the foregoing provisions would discourage the exportation of corn and cause excessive stocks of corn in the United States, the Secretary may reduce the loan and purchase level as necessary to maintain domestic and export markets for grain, but not to a level that is less than 80 percent of the level determined under the preceding sentence. Nonrecourse loans under this provision could be made only on an amount of corn produced on the farm equal to the acreage planted to corn for harvest times the farm's program yield for the crop. (Sec. 501.)

The *Senate* amendment requires the Secretary to make available to producers loans and purchases for the 1986 crop of corn at a level of not less than \$2.40 per bushel and for the 1987 through 1989 crops at not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any of the 1987 through 1989 crops may not be reduced by more than 5 percent from the level for the preceding crop. If the Secretary determines that the average price of corn received by producers in any marketing year is not more than 110 percent of the loan and purchase level for such marketing year, the Secretary may reduce the loan and purchase level for the next marketing year as necessary to maintain domestic and export markets for grain, but not by more than 20 percent in any year. Any reduction under the preceding sentence may not be considered in determining the loan and purchase level for subsequent years. (Sec. 501.)

The *Conference* substitute requires the Secretary of Agriculture to make available to producers loans and purchases for the 1986 crop of feed grains at a level of not less than \$2.40 per bushel and

for the 1987 through 1990 crops at not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for any of the 1987 through 1990 crops may not be reduced by more than 5 percent from the level for the preceding crop.

If the Secretary determines that (A) the average price of feed grains received by producers in the previous marketing year was not more than 110 percent of the loan and purchase level for feed grains for such marketing year, or (B) the loan level computed under the foregoing provisions would discourage the exportation of feed grains and cause excessive stocks of feed grains in the United States, the Secretary may reduce the loan and purchase level as necessary to maintain domestic and export markets for grain, but not by more than 20 percent in any one year. For the 1986 crop of feed grains the Secretary is required to reduce the loan and purchase level by not less than 10 percent of the loan and purchase level for such crop. Any such reduction, including 1986, may not be considered in determining the loan and purchase level for subsequent years.

(b) The *House* bill authorizes the Secretary, if the Secretary does not make available nonrecourse loans as described in paragraph (a) above, to make available *recourse* loans to producers of corn for each of the marketing years for the 1986 through 1990 crops at a level not less than 75 percent nor more than 85 percent of the simple average price received by farmers during the 5 preceding marketing years, excluding the highest and lowest years, except that the loan and purchase level for corn for any year may not be less than 95 percent of the level for the preceding marketing year. The maximum term for a recourse loan under this provision would be 270 days.

The Secretary may also make available recourse loans for each of the 1986 through 1990 crops of grain sorghums, barley, oats, and rye at a level that is fair and reasonable in relation to the corn recourse loan level, taking into consideration the feeding value of the commodity in relation to corn and other specified factors. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(c) The *House* bill authorizes a producer to repay a *recourse* loan at a level, per bushel, that is the lesser of (A) the original loan level, or (B) at any time through the maturity date of the loan that the producer redeems the feed grain under loan: (i) the then current State monthly weighted average market price for the feed grain, adjusted for each county, or (ii) the then current State weekly or daily weighted average market price for the feed grain, adjusted for each county, if the Secretary determines that it is administratively feasible and reduces the fluctuation in the repayment market price for producers. (Sec. 501.)

The *Senate* amendment requires the Secretary to permit a producer to repay a feed grain loan at a level that is the lesser of (A) the original loan level, or (B) the higher of (i) 70 percent of the original loan level, (ii) if the loan level is reduced because in the previous year the average producer price did not exceed 110 per-

cent of the loan rate, 70 percent of the loan level that would have been in effect but for such a reduction, or (iii) the prevailing world market price for such feed grain. The Secretary is required to prescribe by regulation a formula to define the prevailing world market price for feed grains and a mechanism for announcing periodically such world market price. (Sec. 501.)

The *Conference* substitute adopts the Senate provision, except that the Secretary is authorized to carry out the provisions at his discretion.

(d) Note: See item (6) of title X (General Commodity Provisions) relating to nonrecourse loan limit for feed grains.

(2) Loan deficiency payments

The *Senate* amendment authorizes the Secretary of Agriculture, for each of the 1986 through 1989 crops of corn, grain sorghums, barley, oats, and rye, to make payments available to producers who, although eligible to obtain a loan or purchase agreement on such commodity, agree to forgo obtaining such loan or agreement in return for such payments. Such a payment is computed by multiplying the loan payment rate by the quantity of such feed grains the producer is eligible to place under loan. For purposes of this provision, the quantity of feed grains eligible to be placed under loan may not exceed the individual farm program acreage for the crop multiplied by the farm program payment yield established for the farm. The loan payment rate is the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the Senate provision except that the provision will apply to each of the 1986 through 1990 crops of feed grains.

(3) Corn target prices

(a) The *House* bill provides that the established price for the 1986 and 1987 crops of corn shall be \$3.03 per bushel. For each of the 1988 through 1990 crops, the established price shall be a price determined by the Secretary of Agriculture that is not less than 110 percent nor more than 125 percent of the simple average price received by farmers during the marketing years for the 5 preceding crops, excluding the high and low years, except that (A) the established price may not be set at a level that is less than 95 percent of the established price for the preceding crop, and (B) the established price may not be set at a level that is less than the level for the preceding crop unless the Secretary certifies to Congress when the program is announced that the cost of production for such crop of corn for all producers, as estimated by the Economic Research Service in consultation with National Agricultural Cost of Production Standards Review Board, will be 5 percent below the cost of production for preceding crop of corn for all producers. (Sec 501.)

The *Senate* amendment provides that the established price for the 1986 crop of corn shall not be less than \$3.03 per bushel. For each of the 1987 through 1989 crops of corn, the established price shall not be less than such level as the Secretary determines appropriate taking into consideration the supply and demand for corn,

program costs, and other factors the Secretary determines appropriate, except that the established price may not be reduced by more than 5 percent from the level for the preceding crop. (Sec. 501.)

The *Conference* substitute provides that the established price for the 1986 and 1987 crops of corn shall be \$3.03 per bushel. The established price for other feed grains will be set by the Secretary at such levels as the Secretary determines are fair and reasonable in relation to the established price for corn. The established price for the 1988 crop may not be set at a level that is less than 98 percent of the established price for the 1986 and 1987 crops, and; the established price for the 1989 crop may not be set at a level that is less than 95 percent of the established price for the 1986 and 1987 crops, and; the established price for the 1990 crop may not be set at a level that is less than 90 percent of the established price for the 1986 and 1987 crops, or \$2.75 per bushel, whichever is higher.

(b) The *Senate* amendment provides that if the Secretary reduces the established price for the 1987 crop of corn, the Secretary must make in-kind payments (in corn) to producers in such amounts as will ensure that the effective established price for the 1987 crop will not be less than the established price for the 1986 crop. If the Secretary reduces the established price for the 1988 crop, the Secretary must make in-kind payments (in corn), or cash payments to the extent corn owned by the Commodity Credit Corporation is not available, in such amounts as will ensure that the effective established price for the 1988 crop will not be less than the cash established price for the 1987 crop. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute provides that up to 5 percent of the total deficiency payment may be made in commodities at the discretion of the Secretary.

(c) The *House* bill provides that if the Secretary reduces the loan and purchase level for corn based on low market prices or the world market and supply situation, the Secretary must provide emergency compensation by increasing the established price payments for corn by such amount as necessary to provide the same total return to producers as if the reduction had not been made. The Secretary is to use the national weighted average market price, per bushel of corn, received by farmers during the marketing year (instead of the average price received during the first 5 months of the marketing year) in determining the payment rate for such established price payments. Payments under this provision would not be subject to the payment limitation. (Sec. 501.)

The *Senate* amendment contains no comparable provision, but see item (e) below relating to the payment rate.

The *Conference* substitute adopts the *House* provision.

(d) The *House* bill provides that whenever an acreage limitation program is in effect for a crop of feed grains, if producers on a farm devote a portion of the farm's permitted feed grain acreage (base minus acreage reduction) equal to more than 5 percent of the farm's feed grain crop acreage base for the crop to conservation uses of nonprogram crops, the portion of the feed grain permitted acreage in excess of 5 percent of the base that is devoted to conservation uses or nonprogram crops would be considered as part of the

farm's feed grain program acreage and the producers would be eligible for target price payments on such acreage if the producers actually plant feed grains for harvest on at least 50 percent of the farm's feed grain crop acreage base. The farm's feed grain crop acreage base and feed grain program yield would not be reduced due to the fact that such portion of the farm's permitted acreage was devoted to conserving uses or nonprogram crops. Other than under this exception, target price payments would be made only on acreage actually planted to feed grains for harvest. (Sec. 501.)

The *Senate* amendment provides that whenever (A) the producers on a farm reduce the acreage of feed grains planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (B) an acreage limitation program is in effect, or (C) a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to feed grains, if the producers plant at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), 50 percent of the permitted feed grain acreage, or 50 percent of the limited farm acreage, as the case may be, to feed grains or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted feed grain acreage, or the limited farm acreage, as the case may be, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage would also be considered to be planted to feed grains. For purposes of this provision, a "nonprogram" crop means any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans. (Sec 501.)

The *Conference* substitute adopts the *Senate* provision with a modification which provides that the producer would be eligible for 92 percent of the deficiency payments otherwise applicable, if at least 50 percent of the permitted acres are planted to feed grains.

(e) The *House* bill provides that the payment rate for a crop of corn is the amount by which the established price for the crop (less 6 cents per bushel if the Secretary establishes a feed grain export certificate program for the crop (see item (23) under title X)) exceeds the higher of—

(A) the national weighted average market price received by farmers during the first 5 months of the marketing year for the crop, or

(B) the loan level determined for the crop prior to any adjustment based on low market prices or the world market and supply situation. (Sec. 501.)

The *Senate* amendment provides that the payment rate for corn is the amount by which the established price for the crop exceeds the higher of—

(A) the lower of—

(i) the national weighted average market price received by farmers during the marketing year for such crop, or

(ii) \$2.04 per bushel in the case of the 1986 crop, \$2.19 per bushel in the case of the 1987 crop, and \$2.24 per bushel in the case of the 1988 crop, or

(B) the loan level determined for the crop. (Sec. 501.)

The *Conference* substitute adopts both the *House* and *Senate* provisions, except that the Secretary is authorized to carry out the *Senate* provision at his discretion.

(4) Disaster payments

The *House* bill provides that prevented planting disaster payments for feed grains may be made in the form of cash or from stocks of feed grains held by the Commodity Credit Corporation. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(5) National program acreage

The *House* bill requires the Secretary of Agriculture to proclaim the national program acreage for each crop of feed grains by September 30 of each calendar year for the crop harvested in the next succeeding calendar year. (Sec. 501.)

The *Senate* amendment requires this proclamation to be made by November 15. (Sec. 501.)

The *Conference* substitute adopts the *House* provision with a modification requiring the Secretary to make a preliminary announcement by September 30, with authorization to make adjustments in the announced program not later than November 15.

(6) Farm program yields

(See item (2)(f) relating to acreage base and program yield system under title X (General Commodity Provisions).)

(7) Feed grain acreage limitation and set-aside program

(a) The *House* bill authorizes the Secretary of Agriculture to provide for any of the 1986 through 1990 crops of feed grains either for an acreage limitation program or a set-aside program. (Sec. 501.)

The *Senate* amendment authorizes the Secretary to provide for any of the 1986 through 1988 crops of feed grains either for an acreage limitation program or a set-aside program. For the 1989 crop, the Secretary is prohibited from providing for either of such programs. (Sec. 501.)

The *Conference* substitute adopts the *House* provision.

(b) The *Senate* amendment requires the Secretary, in making a determination of whether to provide for an acreage limitation of set-aside program, to take into consideration the number of acres placed in the conservation acreage reserve established under the bill. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision, with a modification to cover wheat.

(c) The *House* bill requires the Secretary to announce any feed grain acreage limitation or set-aside program by September 30 prior to the calendar year in which the crop is harvested, except that the Secretary may make appropriate adjustments in such announcement by October 30 if there has been a significant change in the total supply of feed grains since the earlier announcement. (Sec. 501.)

The *Senate* amendment requires announcement of any acreage limitation program by November 15. (Sec. 501.)

The *Conference* substitute adopts the *House* provision, with a modification requiring the Secretary to make a preliminary announcement by September 30, with authorization to make adjustments in the announced program not later than November 15.

(d) The *House* bill requires the Secretary to provide for an acreage limitation program for the 1986 crop of feed grains under which the acreage on the farm planted to feed grains for harvest would be limited to the feed grain crop acreage base reduced by 20 percent. However, in the case of producers who plant the 1986 crop before the acreage limitation program announcement for that crop, the Secretary must provide for a combination of a 10 percent acreage limitation program and a 10 percent paid diversion program.

With respect to any of the 1987 through 1990 crops of feed grains, if the Secretary estimates—not later than September 30 of the years prior to the calendar year in which the crop is harvested—that the carryover of feed grains on hand on the first day of the marketing year for that crop will exceed 1.1 billion bushels, the Secretary would be required to provide for a 10 percent acreage limitation program and could provide for a paid diversion program or an additional acreage limitation program for any reduction above 10 percent.

As a condition of eligibility for price support loans and target price payments for any crop for which a mandatory acreage reduction program applies, producers on a farm must comply with the terms and conditions of the acreage limitation program and, if applicable, the paid diversion program. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute authorizes the Secretary to establish feed grain acreage limitation, set-aside and paid land diversion programs.

In crop year 1986, an acreage limitation program shall be in effect if triggered by projected carryin stocks greater than 2 billion bushels of corn, and in such event shall be no less than 15 percent. In such instance, 2.5 percent of the acreage limitation must be paid with commodities. In no instance shall the feed grain acreage limitation program for 1986 be greater than 20 percent.

In crop years 1987 through 1990 acreage limitation programs shall be in effect if triggered by projected carryin stocks greater than 2 billion bushels of corn, and in such event shall be no less than 12.5 percent, and no greater than 20 percent.

In the event carry in stocks of 2 billion bushels of corn are not attained, the acreage limitation may not be greater than 12.5 percent.

For crop years 1986 through 1990 the Secretary is authorized to offer at his discretion voluntary paid land diversion programs at such levels as he determines.

(e) The *Senate* amendment, in the case of each of the 1986 through 1988 crops of feed grains, limits the maximum percentage reduction under an acreage limitation program to 15 percent. (Sec. 501.)

(Note: See item (9) under title X (General Commodity Provisions) for a provision authorizing a 5 percent increase in the acreage limi-

tation percentage if estimated feed grain carryover would be more than 33 percent of annual feed grain usage.)

The *House* bill contains no comparable provision, except as provided for the 1986 crop described in item (d) above.

The *Conference* substitute deletes the Senate provision.

(f) (For differences concerning acreage bases see item (2)(e) relating to acreage base and program yield system under title X (General Commodity Provisions).)

(g) The *Senate* amendment limits to 15 percent the percentage reduction of the acreage of feed grains planted for harvest under a set-aside program. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the Senate provision.

(h) The *House* bill authorizes the Secretary to pay an appropriate share of the cost of approved soil and water conservation practices (including practices that may be effective for a number of years) established by the producer on reduced acreage, set-aside acreage, or additional diverted acreage. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the House provision.

(i) The *House* bill authorizes the Secretary in carrying out any acreage limitation, set-aside, or paid diversion program to prescribe production targets for participating farms expressed in bushels of production so that all participating farms achieve the same pro rata reduction in production as prescribed by the national program targets. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the House provision.

• (8) *Inventory reduction payments*

The *Senate* amendment authorizes the Secretary of Agriculture, for each of the 1986 through 1989 crops of corn, grain sorghums, oats, and, if designated by the Secretary, barley, to make payments available to producers who (A) agree to forgo obtaining a loan or purchase agreement for feed grains, (B) agree to forgo receiving feed grain deficiency payments, (C) do not plant feed grains for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program, and (D) otherwise comply with the feed grain program. Such payments would be made in the form of feed grains owned by the Commodity Credit Corporation and would be subject to the availability of such feed grains. Payments would be determined in the same manner as for loan deficiency payments, that is by multiplying the quantity of feed grains the producer is eligible to place under loan by the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the Senate provision except that the provision will apply to each of the 1986 through 1990 crops of feed grains.

(9) Cross compliance

The *House* bill provides that compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans, purchases, or payments under the feed grain program if an acreage limitation program is established, but may be required if a set-aside program is established. (Sec. 501.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute provides the Secretary of Agriculture with authority to require compliance on a farm with the terms and conditions of any other commodity program as a condition of eligibility for loans, purchases, or payments under the feed grains program if an acreage limitation program or set-aside is established, but only to the extent that producers who participate in any acreage limitation program or set-aside may not expand acreage of another crop for which there is an acreage limitation or set-aside in effect.

(10) Safeguarding tenants and sharecroppers

The *Senate* amendment requires the Secretary of Agriculture to provide adequate safeguards to protect the interests of tenants and sharecroppers. (Sec. 501.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(11) Price support for corn silage

The *Senate* amendment authorizes the Secretary of Agriculture, effective only for each of the 1986 through 1989 crops of feed grains, to make available loans and purchases to producers on a farm who (A) for silage, cut corn (including mutilated corn) that the producers have produced in the crop year, or purchase or exchange corn (including mutilated corn) that has been produced in the crop year by another producer (including a producer that is not participating in a set-aside program for the crop established by the Secretary), and (B) participate in a set-aside program for the crop.

The loans and purchases could be made on a quantity of corn of the same crop, other than the corn obtained for silage, acquired by the producer equivalent to a quantity determined by multiplying the acreage of corn obtained for silage by the lower of the farm program payment yield or the actual yield on a field, as determined by the Secretary, that is similar to the field from which the silage was obtained. (Sec. 1940.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

TITLE V—COTTON

(1) Upland cotton program loans

(a) The *House* bill will require the Secretary of Agriculture to make available to producers nonrecourse loans for each of the 1986 through 1990 crops of upland cotton. Such loans on a crop would be made available at a level that reflects for Strict Low Middling one-and-one-sixteenth-inch cotton at average location in the United

States the smaller of (A) 85 percent of the average price of such cotton in designated United States spot markets during three years of the five-year period ending July 31 in the year in which the level is announced, excluding the years when the price was highest and lowest, or (B) 90 percent of the average, for the 15-week period beginning July 1 of the year in which the level is announced, of the five lowest priced growths quoted for Middling one-and-three-thirty-seconds-inch cotton, C.I.F. northern Europe (adjusted downward by the average difference between July 15 and October 15 of the year in which the loan is announced, between such average northern Europe price and the market quotations in the designated United States spot markets). If the average northern Europe price is less than the average United States spot market price, the Secretary could increase the loan level as he deems appropriate, but not in excess of the United States spot market price. In no event could the loan level for any crop so determined be less than 95 percent of the level for the preceding crop. However, if the Secretary determines that the world price for upland cotton is below such loan level, the Secretary would have to reduce the loan level to a level—not less than 80 percent of the level that otherwise would have applied—that the Secretary determines necessary to make upland cotton competitive in domestic and export markets. (Sec. 601.)

The *Senate* amendment will require the Secretary to make non-recourse loans available for each of the 1986 through 1989 crops of upland cotton. Under the *Senate* amendment, loans on a crop would be made available at a level that is not less than—

(A) in the case of the 1986 crop, 55 cents per pound; and

(B) in the case of the 1987 through 1989 crops, the higher of—

(i) 85 percent of the average price for Strict Low Middling one-and-one-sixteenth-inch cotton (at average location in the United States) as quoted in the designated United States spot markets during three years of the five-year period ending July 31 in the year in which the loan level is announced, excluding the years in which the price was the highest and lowest, or

(ii) 50 cents per pound.

In no event could the loan level for any crop so determined be less than 95 percent of the level for the preceding crop. (Sec. 601.)

The *Conference* substitute adopts the *Senate* provision with an amendment that in the case of the 1987 through 1990 crops, the loan level will be the higher of (1) a level that reflects for Strict Low Middling one-and-one-sixteenth-inch cotton at average location in the United States the smaller of (A) 85 percent of the average price of such cotton in designated United States spot markets during three years of the five-year period ending July 31 in the year in which the level is announced, excluding the years when the price was highest and lowest, or (B) 90 percent of the average, for the 15-week period beginning July 1 of the year in which the level is announced, of the five lowest priced growths quoted for Middling one-and-three-thirty-seconds-inch cotton, C.I.F. northern Europe (adjusted downward by the average difference between July 15 and October 15 of the year in which the loan is announced, between such average northern Europe price and the market quota-

tions in the designated United States spot markets). If the average northern Europe price is less than the average United States spot market price, the Secretary could increase the loan level as he deems appropriate, but not in excess of the United States spot market price, or (2) 50 cents a pound, but in no event less than 95 percent of the level for the preceding crop.

(b) The *Senate* amendment will require the Secretary to permit a producer to repay an upland cotton loan at a level that is the lesser of—

(A) the original loan level; or

(B) the prevailing world market price for cotton.

However, for each of the 1987 through 1989 crops, if the world price is less than 80 percent of the original loan level, the Secretary could permit a producer to repay a loan at a level—not more than 80 percent of the original loan level—that the Secretary determines will minimize forfeitures, accumulation of Government stocks, and Government storage costs, and allow free marketing of United States cotton in domestic and international markets. The Secretary will be required to prescribe, by regulation, a formula to define the prevailing world market price for cotton and a mechanism for announcing periodically such price. Within 60 days after enactment of the bill, the Secretary would have to publish in the *Federal Register* proposed regulations specifying the formula and mechanism and invite public comment on the proposal. (Sec. 601.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision with an amendment that whenever U.S. upland cotton is not competitive in world markets, the Secretary shall implement either the *Senate* provision or Plan A. Plan A provides that the Secretary, in order to make U.S. upland cotton competitive in world markets, shall announce, on November 1, a one-time adjustment in the loan repayment level of up to 20 percent of the loan level.

(2) *Loan deficiency payments*

The *Senate* amendment will authorize the Secretary of Agriculture, for each of the 1986 through 1989 crops of upland cotton, to make payments available to producers who, although eligible to obtain a loan on such cotton, agree to forgo obtaining such loan in return for such payments. Such a payment would be computed by multiplying the loan payment rate by the quantity of upland cotton the producer is eligible to place under loan. For purposes of this provision, the quantity of upland cotton eligible to be placed under loan could not exceed the individual farm program acreage for the crop multiplied by the farm program payment yield established for the farm. The loan payment rate would be the amount by which the loan level determined for the crop exceeds the level at which a loan can be repaid. (Sec. 601.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to each of the 1986 through 1990 crops of upland cotton.

(3) Upland cotton target price payments

(a) The *House* bill provides that the established price for the 1986 and 1987 crops of upland cotton will be 81 cents per pound.

For each of the 1988 through 1990 crops, the established price will be not less than 90 percent of the United States average cost of production per pound for the three crops immediately preceding the most recent crop prior to the current crop. In no event could such established price be set at a level that is less than 95 percent of the established price for the preceding crop; nor could the Secretary of Agriculture set the established price at a level that is less than the level for the preceding crop unless the Secretary certifies to Congress when the program is announced that the cost of production for such crop of upland cotton for all producers, as estimated by the Economic Research Service in consultation with the National Agricultural Cost of Production Standards Review Board, will be 5 percent below the cost of production for the preceding crop of upland cotton for all producers. (Sec. 601.)

The *Senate* amendment provides that the established price for the 1986 crop of upland cotton will be not less than 81 cents per pound. For each of the 1987 through 1989 crops of upland cotton, the established price will be not less than such level as the Secretary determines appropriate taking into consideration the supply and demand for upland cotton, program costs, and other factors the Secretary determines appropriate, except that the established price could not be reduced by more than 5 percent from the level for the preceding crop. (Sec. 601.)

The *Conference* substitute provides that the established price of the 1986 crop of upland cotton shall be \$0.81 per pound.

The established price for the 1987 crop may not be set at a level that is less than 98 percent of the established price for the 1986 crop; and, the established price for the 1988 crop may not be set at a level that is less than 95 percent of the established price for the 1986 crop; and, the established price for the 1989 crop may not be set at a level that is less than 92 percent of the established price for the 1986 crop; and, the established price for the 1990 crop may not be set at a level that is less than 90 percent of the established price for the 1986 crop.

(b) The *Senate* amendment provides that if the Secretary reduces the established price for the 1987 crop of upland cotton, the Secretary would have to make in-kind payments (in upland cotton) to producers in such amounts as will ensure that the effective established price for the 1987 crop will not be less than the established price for the 1986 crop. If the Secretary reduces the established price for the 1988 crop, the Secretary would have to make in-kind payments (in upland cotton), or cash payments to the extent upland cotton owned by the Commodity Credit Corporation is not available, in such amounts as will ensure that the effective established price for the 1988 crop will not be less than the cash established price for the 1987 crop. (Sec. 601.)

The *House* bill contains no comparable provisions.

The *Conference* substitute provides that up to 5 percent of the total deficiency payment may be made in commodities at the discretion of the Secretary.

(c) The *House* bill provides that, if (A) the Secretary reduces the loan level for upland cotton based on world prices, or (B) the loan level before such adjustment is below 55 cents per pound, the Secretary would have to provide emergency compensation by increasing the established price payments for upland cotton by such amount as necessary to provide the same total return to producers as if the reduction had not been made, or as if the reduction in the loan rate before the adjustment to a level below 55 cents per pound had not occurred. Payments under this provision would not be subject to the payment limitation. (Sec. 601.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute deletes the *House* provision.

(d) The *Senate* amendment provides that whenever (A) the producers on a farm reduce the acreage of cotton planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (B) an acreage limitation program is in effect, or (C) a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted to upland cotton, if the producers plant at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), 50 percent of the permitted upland cotton acreage, or 50 percent of the limited farm acreage, as the case may be, to upland cotton or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted upland cotton acreage, or the limited farm acreage, as the case may be, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage also would be considered to be planted to upland cotton. For purposes of this provision, the term "nonprogram crop" includes any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans. (Sec. 601.)

The *House* bill contains no comparable provisions, except that it provides that established price payments for a crop of upland cotton could not be made on a greater acreage than the acreage actually planted to upland cotton for harvest. (Sec. 601.)

The *Conference* substitute adopts the *Senate* provision with a modification which provides that the producer would be eligible for 92 percent of the deficiency payments otherwise applicable, if at least 50 percent of the permitted acres are planted to cotton.

(4) *Upland cotton disaster payments*

The *Senate* amendment will provide for the making of prevented planting and reduced yield disaster payments to producers for the 1986 through 1989 crops of upland cotton, and the quantity of cotton on which established price payments for any such crop are made would be reduced by the quantity on which disaster payments are made.

The Secretary of Agriculture would be required to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that the producers are prevented from planting any portion of the acreage intended for cotton to cotton or other nonconserving crops because of drought, flood, or other natu-

ral disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (a) the number of acres so affected but not to exceed the acreage planted to cotton for harvest (including any acreage that the producers were prevented from planting 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 for the crop established by the Secretary, by (c) a payment rate equal to $33\frac{1}{3}$ percent of the established price for the crop.

The Secretary would be required to make a reduced yield disaster payment to the producers on a farm 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 cotton that the producers are able to harvest on a farm is less than the result of multiplying 75 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop. Payments would be made at a rate equal to $33\frac{1}{3}$ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Producers on a farm would not be eligible for (a) prevented planting disaster payments if prevented planting crop insurance is available to them under the Federal Crop Insurance Act with respect to their cotton acreage, or (b) reduced yield disaster payments if reduced yield crop insurance is available to them under that Act with respect to their cotton acreage.

However, the Secretary could make a disaster payment to the producers on a farm if the Secretary determines that (a) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting cotton or other nonconserving crops or from reduced yields; (b) such losses have created an economic emergency for the producers; (c) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and (d) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary could make adjustments in the amount of payments made available under this discretionary authority with respect to an individual farm to ensure 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. (Sec. 601.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision.

(5) *Upland cotton acreage reduction programs*

The *House* bill, effective for each of the 1986 through 1990 crops of upland cotton, will direct the Secretary of Agriculture, if he estimates that, in the absence of an acreage reduction program, the quantity of upland cotton on hand in the United States on the last day of the marketing year for the crop will exceed one-third of the upland cotton the Secretary determines will be used domestically

and for export during the marketing year, to establish (a) an acreage limitation program to ensure progress toward achieving the goal described below; and (b) if he determines that the acreage limitation program will not achieve the goal, a payment-in-kind diversion program. The goal referred to above would be that the quantity of upland cotton on hand on the last day of the marketing year for the crop involved not exceed one-third of the amount of the crop the Secretary estimates will be used domestically and for export during the marketing year. The acreage limitation for a crop would be limited to 25 percent of each farm's upland cotton acreage base, and the diversion program would be limited to an additional 25 percent of the base. Producers would have to comply with any such acreage limitation program and, as applicable, diversion program to be eligible for loans and payments for the crop involved.

If a payment-in-kind diversion program is in effect for a crop, diversion payments would be made to producers who devote to conservation uses an acreage equivalent to the reduction, applied uniformly to all farms, required from the farm base in accordance with diversion contracts with the Secretary. Diversion payments would be made to producers from Commodity Credit Corporation upland cotton stocks and, if such stocks are insufficient, in cash on a uniform basis. Payments in kind (including cash substitutes) would not be subject to the general payment limitation, but would have a separate limitation of \$50,000 per person per crop. (Sec. 601.)

The *Senate* amendment would authorize the Secretary to provide either an acreage limitation program or a set-aside program for any of the 1986 through 1988 crops of upland cotton, if the Secretary determines that the total supply of upland cotton, in the absence of the program, would be excessive. For the 1989 crop, the Secretary would be prohibited from providing for either of such programs. In making a determination as to whether to provide for an acreage limitation or set-aside program, the Secretary would be required to take into consideration the number of acres placed in the conservation acreage reserve established under the bill. The maximum percentage reduction under an acreage limitation or set-aside program for a crop of cotton would be 20 percent.

(Note: See item (9) under title X (General Commodity Provisions) for a provision in the *Senate* amendment authorizing a 5 percent increase in the acreage limitation percentage if estimated upland cotton carryover would be more than 33 percent of annual upland cotton usage.)

The Secretary also would be authorized to make land diversion payments to producers of upland cotton, whether or not an acreage limitation or set-aside program for upland cotton is in effect, for any of the 1986 through 1989 crops, if land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments would be determined through the submission of bids or through other means. In determining the acceptability of contract offers, the Secretary would take into consid-

eration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary also would have to limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the county or local community. (Sec. 601.)

The *Conference* substitute authorizes the Secretary to establish upland cotton acreage limitation and paid land diversion programs.

The acreage limitation that may be established for the 1986 through 1990 crops of rice may be no greater than 25 percent.

For crop years 1986 through 1990 the Secretary is authorized to offer, at his discretion, voluntary paid land diversion programs at such levels as he determines.

The Secretary is encouraged to operate acreage limitation and paid diversion programs so as to achieve carrying stocks of upland cotton no greater than 4 million bales.

(6) Acreage bases and yields

(For differences concerning upland cotton acreage bases and program yields, set item (2) under title X—General Commodity Provisions.)

(7) Inventory reduction payments

The *Senate* amendment would authorize the Secretary of Agriculture, for each of the 1986 through 1989 crops of upland cotton, to make payments available to producers who (a) agree to forgo obtaining a loan for upland cotton, (b) agree to forgo receiving upland cotton deficiency payments, (c) do not plant upland cotton for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program, and (d) otherwise comply with the upland cotton program. Such payments would be made in the form of cotton owned by the Commodity Credit Corporation and would be subject to the availability of such cotton. Payments would be determined in the same manner as for loan deficiency payments, that is, by multiplying the quantity of upland cotton the producer is eligible to place under loan by the amount by which the loan level determined for the crop exceeds the level at which a loan may be repaid. (Sec. 601.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to each of the 1986 through 1990 crops of upland cotton.

(8) Cross-compliance and offsetting compliance

The *House* bill provides that compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans or payments under the upland cotton program under the bill. Also, the Secretary of Agriculture could not require producers on a farm, as a condition of loan or payment eligibility for the farm, to comply with upland cotton program conditions with respect to any other farm operated by such producers. (Sec. 601.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment that the Secretary may require that, in order for producers on a farm to be eligible for upland cotton program benefits, the acreage planted for harvest on the farm to any other program crop for which an acreage reduction program is in effect, shall not exceed the crop acreage base for that crop.

(9) Commodity Credit Corporation sales price restrictions

(a) The provisions in the *House* bill relating to Commodity Credit Corporation sales price restrictions applicable to upland cotton will be effective through July 31, 1991. (Sec. 602.)

The similar provisions in the *Senate* amendment will be effective through July 31, 1990. (Sec. 603.)

The *Conference* substitute adopts the *House* provision.

(b) The *Senate* amendment provides that, if the Secretary of Agriculture permits loan repayments with respect to a crop of upland cotton, at a rate less than the loan level for the crop, the CCC may not sell any of its stocks of upland cotton at less than 115 percent of the average loan repayment rate during the period of the loans. (Sec. 603.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment.

(10) Upland cotton marketing certificates

The *House* bill provides for an upland cotton marketing certificate program whenever, during the period beginning August 1, 1986, and ending July 31, 1991, the world price of upland cotton is below the current loan rate for upland cotton. To make United States upland cotton competitive in world markets and to maintain and expand domestic consumption and exports of United States cotton, the Commodity Credit Corporation would be required to make payments, through the issuance of payment-in-kind certificates, to first handlers of cotton (persons regularly engaged in buying or selling upland cotton) who have entered into an agreement with the CCC to participate in the program, in such monetary amounts and subject to such terms and conditions as the Secretary of Agriculture determines will make cotton available for domestic consumption or for export at competitive prices, including payments that may be necessary to make raw cotton in inventory on August 1, 1986, available on the same basis.

The value of each certificate issued would be based on the difference between the loan rate for upland cotton and the prevailing world market price of cotton. The CCC could assist the persons receiving certificates in the redemption of certificates for cash, or marketing or exchange of such certificates for (a) CCC cotton or (b) (if the Secretary and the person agree) other agricultural commodities or products owned by the CCC, at such time, in such manner, and at such price levels as the Secretary determines will best effectuate the purposes of the program.

The Secretary, insofar as possible, would have to permit owners of certificates to designate the commodities and products, including storage sites, they would prefer to receive in exchange for certificates. In the case of any certificate not presented for redemption, marketing, or exchange within a reasonable number of days after

its issuance, reasonable carrying charges would be deducted from the value of the certificate.

The Secretary would take such measures as necessary to prevent the marketing or exchange of agricultural commodities and products for certificates from adversely affecting the income of producers of such commodities or products. Certificates issued to cotton handlers could be transferred to other handlers and persons approved by the Secretary.

With respect to any year or other period for which a payment-in-kind program under this provision is in effect, for purposes of calculating loan levels, the Secretary would be required to consider the average market prices for such year or period to be increased by the average rate of payment under the program if the average market prices are below the loan level. (Sec. 605.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment to provide that the Secretary shall implement this certificate program whenever, during the specified period, the prevailing world price of upland cotton (adjusted to United States qualities and location) is below the current loan repayment rate rather than the current loan rate. Likewise, the value of each certificate shall be based on the difference between the loan repayment rate for upland cotton and the loan repayment rate.

(11) Extra long staple cotton

The *Senate* amendment would revise the provisions of law relating to the program for extra long staple cotton, as follows:

- (a) the minimum loan rate for any crop of ELS cotton will be set at 85 percent of the average price received by producers for ELS cotton during three years of the preceding five-year period (excluding the years when the average price was the highest and the lowest);
- (b) the date by which the loan level for a crop has to be announced by the Secretary of Agriculture would be established as December 1 of the year preceding the marketing year for which the loan level is to be effective; and
- (c) the ELS cotton program under Section 103(b) of the Agricultural Act of 1949 would expire at the end of the program for the 1989 crop. (Sec. 1958.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment.

TITLE VI—RICE

(1) Rice program loans

(a) The *House* bill will require the Secretary of Agriculture to make available to producers loans and purchases for each of the 1986 through 1990 crops of rice. Such loans on a crop would be made available at a level, per hundredweight, not less than 85 percent of the average price for rice received by farmers during the marketing years for the three preceding crops of rice, except that the loan level for any crop so determined could not be less than 95 percent of the level for the preceding crop. However, if the Secretary determines that the world price for rice is below such loan

level, the Secretary would have to reduce the loan level to a level—not less than 80 percent of the level that would otherwise have applied—that the Secretary determines necessary to make rice competitive in domestic and export markets. (See. 701.)

The *Senate* amendment will require the Secretary to make loans and purchases available for each of the 1986 through 1989 crops of rice. Under the *Senate* amendment, loans on a crop would be made available at a level that is not less than—

(A) in the case of the 1986 crop, \$7.20 per hundredweight; and

(B) in the case of each of the 1987 through 1989 crops, the higher of—

(i) 85 percent of the simple average price received by producers during the 5 preceding marketing years, excluding the years in which the price was the highest and lowers, or

(ii) \$6.50 per hundredweight.

In no event could the loan level for any crop so determined be less than 95 percent of the level for the preceding crop. (Sec. 701.)

The *Conference* substitute adopts the *Senate* provision.

(b) The *Senate* amendment will require the Secretary to permit a producer to repay a rice loan at a level that is the lesser of—

(A) the original loan level; or

(B) the higher of—

(i) the prevailing world market price for rice; or

(ii) for either of the 1986 or 1987 crops, 50 percent of the loan level; for the 1988 crop, 60 percent of the loan level; and for the 1989 crop, 70 percent of the loan level.

As a condition to permitting a producer to repay a loan at such level, the Secretary could require the producer to purchase payment-in-kind certificates equal in value to not to exceed one-half the difference between the original loan amount and the amount of the loan repayment. The certificates would be negotiable and redeemable in rice owned by the Commodity Credit Corporation valued at the prevailing market price. The certificates would be redeemable in cash if CCC rice is not available in the State in which the rice pledged as collateral for the loan was produced (or other location approved by the owner of the certificate). The CCC would assist persons receiving certificates in marketing or redeeming them, and the Secretary would have to permit, insofar as practicable, any certificate owner to designate the storage facility at which the owner would prefer to receive rice in exchange for the certificate. If a certificate is not redeemed within a reasonable period of time after issuance (as determined by the Secretary), carrying charges would be deducted from the value of the certificate for the period beginning at the expiration of the reasonable period of time and ending when the certificate is presented to the CCC. (See. 701.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision. It is the intent of the conferees that the Secretary establish repayment prices for producers based on the prevailing world market price for the class of rice under loan.

(c) The *House* bill provides that rice loans will have a term of ten months beginning on the first day of the month in which the loan is made. (Sec. 701.)

The *Senate* amendment provides that rice loans will have a term of nine months beginning on the first day of the month after the month in which the application for the loan is made. (Sec. 701.)

The *Conference* substitute adopts the *Senate* provision with a modification that provides that loans will have a term of no longer than nine months, beginning on the first day of the month in which the application for the loan is made.

(d) The *House* bill will require that the loan and purchase level and the established price for each crop of rice be announced not later than January 31 of the year in which the crop is harvested. (Sec. 701.)

The *Senate* amendment provides that such announcements for a crop be made not later than March 1 of the year in which the crop is harvested. (Sec. 701.)

The *Conference* substitute adopts the *House* provision.

(2) *Loan deficiency payments*

The *Senate* amendment will authorize the Secretary of Agriculture, for each of the 1986 through 1989 crops of rice, to make payments available to producers who, although eligible to obtain a loan or purchase agreement on such rice, agree to forgo obtaining such loan or agreement in return for such payments. Such a payment would be computed by multiplying the loan payment rate by the quantity of rice the producer is eligible to place under loan. For purposes of this provision, the quantity of rice eligible to be placed under loan could not exceed the individual farm program acreage for the crop multiplied by the yield established for the farm for the crop. The loan payment rate would be the amount by which the loan level determined for the crop exceeds the level at which a loan can be repaid. The Secretary would be required to make as much as one-half the amount of each loan deficiency payment for rice in the form of negotiable payment-in-kind certificates, subject to the terms and conditions for certificates described in item (1)(b) above. (Sec. 701.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision.

(3) *Rice target price payments*

(a) The *House* bill provides that the deficiency payment rate, per hundredweight, for each of the 1986 through 1990 crops of rice will be the amount by which the established price for the crop exceeds the higher of (A) the average market price received by farmers during the calendar year that includes the first 5 months of the marketing year for the crop, or (B) the loan level for the crop. (Sec. 701.)

The *Senate* amendment provides that the deficiency payment rate, per hundredweight, for each of the 1986 through 1989 crops of rice, will be the amount by which the established price exceeds the higher of (A) the average market price received by farmers during the marketing year for the crop, or (B) the loan level for the crop. (Sec. 701.)

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to the 1986 through 1990 crops of rice.

(b) The *House* bill provides that the established price for the 1986 and 1987 crops of rice will be \$11.90 per hundredweight.

For each of the 1988 through 1990 crops, the established price will be not less than 90 percent of the United States average cost of production per hundredweight for the three crops immediately preceding the most recent crop prior to the current crop. In no event could such established price be set at a level that is less than 95 percent of the established price for the preceding crop; nor could the Secretary set the established price at a level that is less than the level for the preceding crop unless the Secretary certifies to Congress when the program is announced that the cost of production for such crop of rice for all producers, as estimated by the Economic Research Service in consultation with the National Agricultural Cost of Production Standards Review Board, will be 5 percent below the cost of production for the preceding crop of rice for all producers. (Sec. 701.)

The *Senate* amendment provides that the established price for the 1986 crop of rice will be not less than \$11.90 per hundredweight. For each of the 1987 through 1989 crops of rice, the established price will be not less than such level as the Secretary determines appropriate taking into consideration the supply and demand for rice, program costs, and other factors the Secretary determines appropriate, except that the established price could not be reduced by more than 5 percent from the level for the preceding crop. (Sec. 701.)

The *Conference* substitute provides that the established price of the 1986 crop of rice shall be \$11.90 per hundredweight.

The established price for the 1987 crop may not be set at a level that is less than 98 percent of the established price for the 1986 crop, and; the established price for the 1988 crop may not be set at a level that is less than 95 percent of the established price for the 1986 crop, and; the established price for the 1989 crop may not be set at a level that is less than 92 percent of the established price for the 1986 crop, and; the established price for the 1990 crop may not be set at a level that is less than 90 percent of the established price for the 1986 crop.

(c) The *Senate* amendment provides that if the Secretary reduces the established price for the 1987 crop of rice, the Secretary would have to make in-kind payments (in rice) to producers in such amounts as will ensure that the effective established price for the 1987 crop will not be less than the established price for the 1986 crop. If the Secretary reduces the established price for the 1988 crop, the Secretary would have to make in-kind payments (in rice), or cash payments to the extent rice owned by the Commodity Credit Corporation is not available, in such amounts as will ensure that the effective established price for the 1988 crop will not be less than the cash established price for the 1987 crop. (Sec. 701.)

The *House* bill contains no comparable provisions.

The *Conference* substitute provides that up to 5 percent of the total deficiency payment may be made in commodities at the discretion of the Secretary.

(d) The *House* bill provides that, if the Secretary reduces the loan level for rice based on world prices, the Secretary would have to provide emergency compensation by increasing the established price payments for rice by such amount as necessary to provide the same total return to producers as if the reduction had not been made. Payments under this provision would not be subject to the general payment limitation. (Sec. 701.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision.

(e) The *Senate* amendment provides that whenever (A) the producers on a farm reduce the acreage of rice planted for harvest from the acreage base by at least the percentage recommended by the Secretary in the announcement of the national program acreage, (B) an acreage limitation program is in effect, or (C) a set-aside program is in effect and the Secretary has announced a limitation on the acreage planted on rice, if the producers plant at least 50 percent of the acreage base (reduced by the percentage recommended by the Secretary), 50 percent of the permitted rice acreage, or 50 percent of the limited farm acreage, as the case may be, to rice or a nonprogram crop, any portion of the acreage base (reduced by the percentage recommended by the Secretary), the permitted rice acreage, or the limited farm acreage, as the case may be, that is devoted to conserving uses or nonprogram crops would be considered as part of the individual farm program acreage, and the producer would be eligible for deficiency payments with respect to such acreage. Such acreage also would be considered to be planted to rice. For purposes of this provision, the term "nonprogram crop" includes any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans. (Sec. 701.)

The *House* bill contains no comparable provisions, except that it provides that established price payments for a crop of rice could not be made on a greater acreage than the acreage actually planted to rice. (Sec. 701.)

The *Conference* substitute adopts the *Senate* provision with a modification which provides that the producer would be eligible for 92 percent of the deficiency payments otherwise applicable, if at least 50 percent of the permitted acres are planted to rice.

(4) *Rice disaster payments*

The *Senate* amendment will provide for the making of prevented planting and reduced yield disaster payments to producers for the 1986 through 1989 crop of rice, and the quantity of rice on which established price payments for any such crop are made would be reduced by the quantity on which disaster payments are made.

The Secretary of Agriculture would be required to make a prevented planting disaster payment to the producers on a farm if the Secretary determines that the producers are prevented from planting any portion of the acreage intended for rice to rice or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The payment would be computed by multiplying (a) the number of acres so affected but not to exceed the acreage planted to rice for harvest (including any acreage that the producers were prevented from planting 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 yield for the farm established by the Secretary, by (c) a payment rate equal to 33½ percent of the established price for the crop.

The Secretary would be required to make a reduced yield disaster payment to the producers on a farm 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 rice that the producers are able to harvest on a farm is less than result of the multiplying 75 percent of the yield established for the farm for such crop by the acreage planted for harvest for such crop. Payments would be made at a rate equal to 33½ percent of the established price for the crop for the deficiency in production below 75 percent for the crop.

Producers on a farm would not be eligible for (a) prevented planting disaster payments if prevented planting crop insurance is available to them under the Federal Crop Insurance Act with respect to their rice acreage, or (b) reduced yield disaster payments if reduced yield crop insurance is available to them under that Act with respect to their rice acreage.

However, the Secretary could make a disaster payment to the producers on a farm if the Secretary determines that (a) as the result of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the producers on a farm have suffered substantial losses of production either from being prevented from planting rice or other nonconserving crops or from reduced yields; (b) such losses have created an economic emergency for the producers; (c) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and (d) additional assistance must be made available to such producers to alleviate such economic emergency. The Secretary could make adjustments in the amount of payments made available under this discretionary authority with respect to an individual farm to ensure 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. (Sec. 701.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provisions.

(5) Rice acreage reduction programs

The *House* bill, effective for each of the 1986 through 1990 crops of rice, will direct the Secretary of Agriculture, if he estimates that, in the absence of an acreage reduction program, the quantity of rice on hand in the United States on the last day of the marketing year for the crop will exceed one-fifth of the rice the Secretary determines will be used domestically and for export during the marketing year, to establish (a) an acreage limitation program to ensure progress toward achieving the goal described below; and (b) if he determines that the acreage limitation program will not achieve the goal, a payment-in-kind diversion program. The goal referred to above would be that the quantity of rice on hand on the last day of the marketing year for the crop involved not exceed

one-fifth of the amount of the crop the Secretary estimates will be used domestically and for export during the marketing year. The acreage limitation for a crop would be limited to 25 percent of each farm's rice acreage base, and the diversion program would be limited to an additional 25 percent of the base. Producers would have to comply with any such acreage limitation program and, as applicable, diversion program to be eligible for rice loans and payments for the crop involved.

If a payment-in-kind diversion program is in effect for a crop, diversion payments would be made to producers who devote to conservation uses an acreage equivalent to the reduction, applied uniformly to all farms, required from the farm base in accordance with diversion contracts with the Secretary. Diversion payments would be made to producers from Commodity Credit Corporation rice stocks and, if such stocks are insufficient, in cash on a uniform basis. Payments in kind (including cash substitutes) would not be subject to the general payment limitation, but would have a separate limitation of \$50,000 per person per crop. (Sec. 701.)

The *Senate* amendment would authorize the Secretary to provide either an acreage limitation program or a set-aside program for any of the 1986 through 1988 crops of rice if the Secretary determines that the total supply of rice, in the absence of the program would be excessive. For the 1989 crop, the Secretary would be prohibited from providing for either of such programs. In making a determination for either of such programs. In making a determination as to whether to provide for an acreage limitation or set-aside program, the Secretary would be required to take into consideration the number of acres placed in the conservation acreage reserve established under the bill. The maximum percentage reduction under an acreage limitation or set-aside program for a crop of rice would be 35 percent.

(Note: See item (9) under title X (General Commodity Provisions) for a provision in the *Senate* amendment authorizing a 5 percent increase in the acreage limitation percentage if estimated rice carryover would be more than 33 percent of annual rice usage.)

The Secretary also would be authorized to make land diversion payments to producers of rice, whether or not an acreage limitation or set-aside program for rice is in effect, for any of the 1986 through 1989 crops, if land diversion payments are necessary to assist in adjusting the total national acreage of rice to desirable goals. Land diversion payments would be made to producers who devote cropland to approved conservation uses in accordance with land diversion contracts entered into with the Secretary. Land diversion payments would be determined through the submission of bids or through other means. In determining the acceptability of contract offers, the Secretary would take into consideration the extent of the diversion to be undertaken and the productivity of the acreage diverted. The Secretary would also have to limit the total acreage to be diverted in any county or local community so as not to affect adversely the economy of the county or local community. (Sec. 701.)

The *Conference* substitute authorizes the Secretary to establish rice acreage limitation and paid land diversion programs.

The acreage limitation that may be established for the 1986 through 1990 crops of rice may be no greater than 35 percent.

For crop years 1986 through 1990 the Secretary is authorized to offer, at his discretion, voluntary paid land diversion programs at such levels as he determines.

The Secretary is encouraged to operate acreage limitation and paid diversion programs so as to achieve carryin stocks of rice no greater than 30 million hundredweight.

(6) Acreage bases and yields

(For differences concerning rice acreage bases and program yields, see item (2) under title X—General Commodity Provisions.)

(7) Inventory reduction payments

The *Senate* amendment would authorize the Secretary of Agriculture, for each of the 1986 through 1989 crops of rice, to make payments available to producers who (a) agree to forgo obtaining a loan or purchase agreement for rice, (b) agree to forgo receiving rice deficiency payments, (c) do not plant rice for harvest in excess of the farm acreage base reduced by one-half of any acreage required to be diverted from production under an acreage limitation program, and (d) otherwise comply with the rice program. Such payments would be made in the form of rice owned by the Commodity Credit Corporation and would be subject to the availability of such rice. Payments would be determined in the same manner as for loan deficiency payments, that is, by multiplying the quantity of rice the producer is eligible to place under loan by the amount by which the loan level determined for the crop exceeds the level at which a loan can be repaid. (Sec. 701.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision except that the provision will apply to the 1986 through 1990 crops of rice.

(8) Cross-compliance and offsetting compliance

The *House* bill provides that compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans, purchases, or payments under the rice program under the bill. Also, the Secretary of Agriculture could not require producers on a farm, as a condition of loan or payment eligibility for the farm, to comply with rice program conditions with respect to any other farm operated by such producers. (Sec. 701.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment that the Secretary may require that, in order for producers on a farm to be eligible for upland cotton program benefits, the acreage planted for harvest on the farm to any other program crop for which an acreage reduction program is in effect, shall not exceed the crop acreage base for that crop.

(9) *Marketing loans and deficiency payments for the 1985 crop of rice*

(a) The *Senate* amendment would require the Secretary of Agriculture to permit producers to repay loans on the 1985 crop of rice at a level that is the lesser of—

(A) the original loan level, or

(B) the prevailing world market price for rice.

Loans under this provision would have to be repaid at the end of nine months after the month in which the application for the loan is made. As a condition to permitting a producer to repay a loan at such level, the Secretary could require the producer to purchase payment-in-kind certificates equal in value to not to exceed the difference between the amount of the loan and the amount of the loan repayment. The other terms and conditions of the certificate program under this provision would be the same as described in item (1)(b) above for 1986 through 1989 certificate programs. The current payment limitation under the Agriculture and Food Act of 1981 would not apply to any gain realized from repaying a loan at the rate permitted under this provision. (Sec. 702.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* provision, with a modification that makes the 1985 rice crop marketing loan program effective beginning April 15, 1986 and requires the Secretary to offer loan deficiency payments on rice not eligible for loans and purchases and not sold or delivered under sales contracts. The Secretary is authorized to adjust the loan maturity deadline for 1985 crop rice to provide for orderly program administration.

(b) The *Senate* amendment also will authorize the Secretary, for the 1985 crop of rice, to make loan deficiency payments to producers subject to the same terms and conditions as described in item (2) above for the 1986 through 1989 crops, except that the Secretary could make all or part of the payment in the form of the payment-in-kind certificates described in paragraph (a) above. The current payment limitation under the Agriculture and Food Act of 1981 would not apply to any loan deficiency payment under this provision. (Sec. 702.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(10) *Rice export marketing certificates*

The *House* bill will require the establishment of a rice export marketing certificate program whenever, during the period beginning August 1, 1986, and ending July 31, 1991, the world price for rice is below the current loan rate for rice. To make United States rice competitive in world markets and to maintain and expand domestic consumption and exports of United States rice, the Commodity Credit Corporation would be required to make payments, through the issuance of payment-in-kind certificates, to exporters of rice who have entered into an agreement with the CCC to participate in the program, in such monetary amounts and subject to such terms and conditions as the Secretary determines will make United States rice available for export at competitive prices, in-

cluding payments that may be necessary to make rice in inventory on August 1, 1986, available on the same basis.

The value of each certificate issued would be based on the difference between the loan rate for rice and the prevailing world market price of rice. The CCC could assist the persons receiving certificates in the redemption of certificates for cash, or marketing or exchange of such certificates for (a) CCC rice or (b) (if the Secretary of Agriculture and the person agree) other agricultural commodities or products owned by the CCC, at such times, in such manner, and at such price levels as the Secretary determines will best effectuate the purposes of the program.

The Secretary, insofar as possible, would have to permit owners of certificates to designate the commodities and products, including storage sites, they would prefer to receive in exchange for certificates. In the case of any certificate not presented for redemption, marketing, or exchange within a reasonable number of days after its issuance reasonable carrying charges would be deducted from the value of the certificate.

The Secretary would take such measures as necessary to prevent the marketing or exchange of agricultural commodities and products for certificates from adversely affecting the income of producers of such commodities or products. Certificates issued to rice exporters could be transferred to other exporters and persons approved by the Secretary.

With respect to any year or other period for which a payment-in-kind program under this provision is in effect, for purposes of calculating loan levels, the Secretary would be required to consider the average market prices for such year or period to be increased by the average rate of payment under the program if the average market prices are below the loan level. (Sec. 703.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with a modification requiring the Secretary of Agriculture to implement a rice marketing certificate program whenever the world price for a class of rice is below the loan repayment level for that class of rice.

TITLE VII—PEANUTS

(1) *National poundage quota*

(a) The *House* bill requires the Secretary of Agriculture to establish a national poundage quota for each of the 1986 through 1990 crops of peanuts. (Sec. 802.)

The *Senate* amendment requires a national poundage quota to be established for each of the 1986 through 1989 crops of peanuts. (Sec. 801.)

The *Conference* substitute adopts the *House* provision. (Sec. 702.)

(b) The *Senate* amendment requires the Secretary in establishing the national poundage quota to take into consideration any estimated carryover of industry stocks and producer undermarketings. (Sec. 801.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment.

(c) The *House* bill establishes the minimum national poundage quota for peanuts for any marketing year at 1.1 million tons. (Sec. 802.)

The *Senate* amendment establishes the minimum national poundage quota for peanuts for any marketing year at 1.1 million tons, increased by a quantity that the Secretary estimates the domestic edible, seed, and related uses of peanuts in such year will exceed such quantity. (Sec. 801.)

The *Conference* substitute adopts the *House* provision. (Sec. 702.)

(2) *Farm poundage quota*

(a) The *House* bill provides that a farm poundage quota would be established for each farm that did not have a farm poundage quota for the 1985 marketing year but on which peanuts were produced for marketing in at least 2 of the 3 immediately preceding crop years if the poundage quota apportioned to a State for a marketing year is larger than the quota for the immediately preceding marketing year. (Sec. 802.)

The *Senate* amendment provides that a farm poundage quota would be established for each farm that did not have a farm poundage quota for the 1985 crop but on which peanuts were produced in at least 2 of the 1983 through 1985 crop years. (Sec. 801.)

The *Conference* substitute adopts the *House* provision. (Sec. 702.)

(b) The *Senate* amendment provides that a farm poundage quota established for a farm as a result of an increase in the poundage quota apportioned to a State or as a result of the reduction or release of farm poundage quotas from farms in the State would be considered as being established for all subsequent marketing years unless reduced to the extent the Secretary determines that the farm poundage quota established for the farm for any 2 of the 3 marketing years immediately preceding the year for which the determination is made was not produced or considered produced on the farm, permanently released, or transferred. (Sec. 801.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment.

(c) The *House* bill provides that if the poundage quota apportioned to a State for any of the 1987 through 1990 marketing years is decreased from the poundage quota apportioned to the State for the immediately preceding marketing year, the decrease would be allocated equally to each farm in the State for which a farm poundage quota was established for the preceding marketing year. (Sec. 802.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 702.)

(3) *Referendum*

The *House* bill provides that the referendum of farmers engaged in the production of quota peanuts would be to determine whether the farmers favor or oppose poundage quotas with respect to the crops of peanuts produced in the 5 calendar years immediately following the year in which the referendum is held. (Sec. 802.)

The *Senate* amendment is the same except the referendum would be held with respect to the crops of peanuts produced in the 4 cal-

endar years immediately following the year in which the referendum is held. (Sec. 801.)

The *Conference* substitute adopts the *House* provision.

(4) *Lease of farm poundage quota*

The *House* bill provides that a lease of a poundage quota may be entered into *in the fall* only if the quota has been planted on the farm from which the quota is to be leased and only under such terms and conditions as the Secretary may prescribe by regulation. (Sec. 803.)

The *Senate* amendment provides that a lease of a poundage quota may be entered into *after the normal planting season* under the same conditions. (Sec. 802.)

The *Conference* substitute adopts the *House* provision with an amendment inserting after the reference to "fall" leases in the *House* bill, the reference in the *Senate* amendment to leases entered into "after the normal planting season". The inclusion of both *House* and *Senate* references conforms to the Department of Agriculture's identification of such leases in the Code of Federal Regulations. (Sec. 703.)

(5) *Disposition of additional peanuts*

(a) The *House* bill provides that the supervision of the handling and disposal of additional peanuts by a handler would not be required if the handler agrees in writing, prior to any handling or disposal of additional peanuts, to comply with regulations prescribed by the Secretary. (Sec. 804.)

The *Senate* amendment provides that the supervision of the handling and disposal of additional peanuts contracted by a handler would not be required if the handling and disposal of the additional peanuts is conducted in the manner prescribed in regulations issued by the Secretary. (Sec. 803.)

The *Conference* substitute adopts the *House* provision. (Sec. 704.)

(b) The *House* bill requires the Secretary to issue regulations which would permit a handler of *shelled* peanuts to export, without supervision, peanuts classified by type in specified quantities. (Sec. 804.)

The *Senate* amendment is similar except it applies to *milled* peanuts. (Sec. 803.)

The *Conference* substitute adopts the *House* provision with an amendment inserting after the reference to "shelled" peanuts in the *House* bill, the reference in the *Senate* amendment to "milled" peanuts; and including related language conditioning the regulatory authority of the Secretary of Agriculture with respect to additional peanuts owned or controlled by the Commodity Credit Corporation such that disposition of additional peanuts will be conducted in such a way that does not result in substantially increased cost to the Commodity Credit Corporation. (Sec. 704.)

The inclusion of the reference to milled peanuts broadens the definition to include peanuts processed in the shell as well as shelled peanuts.

The second part of the *Conference* substitute will prevent loss to the Commodity Credit Corporation by directing that regulations promulgated by the Secretary be written in a manner to prevent

any substantial increased costs to the Commodity Credit Corporation that could result under the so-called "buy-back" practices. The Secretary of Agriculture will be required to operate the "buy-back" provisions in a manner that will not result in substantially increased cost to the Commodity Credit Corporation.

The practice known as "buy-back" is practically the only part of the peanut program to which Government cost is associated. The *Conference* substitute will correct abuses such as the dissolution of export or crushing contracts that results in those peanuts entering the domestic market through the "buy-back".

The *Conference* substitute in no way will interfere with the Secretary's authority to implement and administer the peanut price support program. It does, however, provide the Secretary with the authority to prohibit or curb all practices dealing with the storage or disposition of any peanuts owned or controlled by the Commodity Credit Corporation that result in substantially increased cost to the Government.

(6) Marketing penalties

The *House* bill provides that until a marketing penalty is paid, other than a penalty on an importer for reentering in commercial quantities into the United States additional peanuts exported by a handler, a lien would be in effect in favor of the United States on the crop of peanuts with respect to which the penalty is incurred, and on any subsequent crop of peanuts subject to farm poundage quotas in which the person liable for payment of the penalty has an interest. (Sec. 804.)

The *Senate* amendment provides for a lien in favor of the United States for all unpaid marketing penalties for peanuts, including penalties on importers. (Sec. 803.)

The *Conference* substitute adopts the *Senate* amendment. (Sec. 704.)

(7) Price support

(a) The *House* bill requires the Secretary of Agriculture to make price support available for the 1986 through 1990 crops of peanuts. (Sec. 805.)

The *Senate* amendment requires the Secretary to make price support available for the 1986 through 1989 crops of peanuts. (Sec. 804.)

The *Conference* substitute adopts the *House* provision. (Sec. 705.)

(b) The *House* bill provides that the national average quota support rate for each of the 1987 through 1990 crops of quota peanuts would be the national average quota support rate for the immediately preceding crop, adjusted to reflect any *increase* in the national average cost of peanut production during the calendar year immediately preceding the marketing year for the crop for which a level of support is being determined. (Sec. 805.)

The *Senate* amendment provides that the national average quota support rate for each of the 1987 through 1989 crops of quota peanuts would be the national average quota support rate for quota peanuts for the preceding crop, adjusted to reflect any *change* in the national average cost of peanut production during the calendar year immediately preceding the marketing year for the crop for

which a level of support is being determined and could not be less than the national average quota support rate for the 1985 crop of quota peanuts. (Sec. 804.)

The *Conference* substitute adopts the *House* provision. (Sec. 705.)

(8) *Marketing pools*

(a) The *Senate* amendment requires each area marketing association to establish pools and maintain records by area and segregation for additional peanuts produced without a contract between a handler and a producer. (Sec. 804.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment. The *Senate* amendment (as does current law) requires each area marketing association to establish pools and maintain records for "additional peanuts produced without a contract between a handler and a producer". Such pool has never been maintained and it is clear that the statutory provision in question is meaningless.

(b) The *House* bill provides that bright hull and dark hull Valencia peanuts would be considered as separate types for the purpose of establishing separate pools for Valencia peanuts produced in New Mexico. (Sec. 805.)

The *Senate* amendment requires separate pools to be established for bright hull and dark hull Valencia peanuts produced in New Mexico but does not consider such peanuts as separate types. (Sec. 804.)

The *Conference* substitute adopts the *House* provision. (Sec. 705.)

(c) The *House* bill excludes separate type pools established for Valencia peanuts produced in New Mexico from the requirement that losses in area quota pools other than losses incurred as a result of transfers from additional loan pools to quota loan pools be offset by any gains or profits from pools in other production areas. (Sec. 805.)

The *Senate* amendment contains no comparable provision. (Sec. 804.)

The *Conference* substitute adopts the *House* provision with a technical amendment clarifying the exclusion of Valencia peanuts produced in New Mexico from the area "offset" requirement. (Sec. 705.)

TITLE VIII—SOYBEANS

(1) *Soybean price support*

(a) The *House* bill requires that the price of soybeans be supported during each of the 1986 through 1990 marketing years. (Sec. 901.)

The *Senate* amendment requires that the price of soybeans be supported during each of the 1986 through 1989 marketing years. (Sec. 901.)

The *Conference* substitute adopts the *House* provision.

(b) The *House* bill provides that the minimum support price for soybeans will be \$5.02 per bushel. (Sec. 901.)

The *Senate* amendment provides that the minimum support price for soybeans will be \$4.25 per bushel. (Sec. 901.)

The *Conference* substitute adopts the *House* provision for the 1986 and 1987 crop years. For the 1988 through 1990 crop years, the Secretary of Agriculture would set the loan level at 75 percent of the average market price in the preceding 5 years, excluding the high and low years. The loan level, however, could not be reduced by more than 5 percent in any year and in no event could the loan level be less than \$4.50 per bushel.

(c) The *House* bill provides that if the Secretary determines, with respect to the 1986 crop of soybeans, that the level of loans and purchases computed under the formula using the 5 year average market prices 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 the 1986 crop by the amount the Secretary determines necessary to maintain domestic and export markets, but not by more than 5 percent. (Sec. 901.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to authorize the additional 5 percent reduction in the loan level for each of the 1987 through 1990 crops in addition to the 1986 crop. Any reduction in the loan purchase level for soybeans under this paragraph shall not be considered in determining the loan and purchase level for soybeans for subsequent years.

(d) The *House* bill provides that the level of loans and purchases for soybeans may not be set below \$4.50 per bushel under the authority of the Secretary to reduce the level of loans and purchases when the market price of soybeans in the previous marketing year is not more than 105 percent of the level of loans and purchases for such year. (Sec. 901.)

The *Senate* amendment sets this minimum at \$4.25 per bushel. (Sec. 901.)

The *Conference* substitute adopts the *House* provision with an amendment to delete reference to the authority of the Secretary to reduce the loan level when the market price of soybeans in the previous marketing year is not more than 105 percent of the level of loans and purchases for such year.

(e) The *Senate* amendment provides that 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 shall permit a producer to repay a soybean loan for a crop at the lesser of (A) the loan level determined for such crop, or (B) the prevailing world market price for soybeans. If the Secretary exercises this authority, the Secretary is required to prescribe by regulation a formula to define the prevailing world market price for soybeans and a mechanism for announcing periodically such world market price. Not later than 60 days after making the determination to exercise this authority, the Secretary must publish in the Federal Register proposed regulations specifying such formula and mechanism and invite public comment on the proposal. (Sec. 901.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment to authorize, instead of require, the Secretary to permit a producer to repay loans at less than the loan level.

(f) The *House* bill provides that the Secretary may not allow the planting of soybeans for harvest on acreage set aside or diverted from production under any other Government program. (Sec. 901.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(g) The *Senate* amendment provides that (A) soybeans may not be considered an eligible commodity for any reserve program, and (B) the Secretary may not authorize payments to producers to cover the cost of storing soybeans. (Sec. 901.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(2) Soybean payments for the 1985 crop

(a) The *Senate* amendment provides that any producer who redeems, within 60 days after enactment of the bill, soybeans pledged as collateral for a 1985-crop loan will not be required to pay interest on the loan. (Sec. 902.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(b) The *Senate* amendment requires the Secretary of Agriculture to make payments available to producers of the 1985 crop of soybeans (A) who have outstanding price support loans secured by 1985-crop soybeans on the date of enactment of the bill and who redeem such loan collateral, (B) who, although eligible to obtain a loan or purchase agreement, agree to forgo obtaining such loan or purchase agreement in return for such payments, or (C) who have marketed such crop before the enactment of the bill.

Payments would be made in an amount equal to the higher of—

(A) an amount determined by multiplying \$35 by the number of acres of soybeans harvested for such crop, or

(B) an amount determined by multiplying—

(i) the actual yield per harvested acre of soybeans on the farm for the 1985 crop, by

(ii) the number of acres of soybeans harvested on the farm for such crop, by

(iii) \$1.00 per bushel.

The actual yield of soybeans may be adjusted by the Secretary to correct for abnormal factors affecting such yield as a result of drought, other natural disaster, or other condition beyond the control of the producer and as may otherwise be adjusted by the Secretary to provide for a fair and equitable yield. If no actual yield can be established for the farm for the 1985 crop, the Secretary may determine such yield on such basis as the Secretary determines to be fair and equitable.

The Secretary of Agriculture may make up to 15 percent of the payments under this provision in soybeans. (Sec. 902.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(3) *Foreign soybeans*

The *Senate* amendment requires the head of an agency (as defined in 5 U.S.C. 551(1)), before making a loan or grant to a major soybean producing country in competition with the United States for export markets, to certify to Congress that such loan or grant will not be used to enhance the capability of such country to export soybeans. (Sec. 903.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(4) *Cottonseed program*

The *Senate* amendment requires the Secretary of Agriculture to implement a program providing for fair and equitable treatment for the cottonseed industry based on oilseed product value existing on November 1, 1985, if the price of the 1985 crop of cottonseed is adversely affected as a result of any change in the 1985 soybean program authorized by the bill. (Sec. 1317.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(5) *Sunflower payment program for the 1985 crop*

The *Senate* amendment requires the Secretary of Agriculture to make available payments to producers of the 1985 crop of sunflowers. Payments would be made in an amount equal to the higher of—

(A) an amount determined by multiplying—

(i) the actual yield of sunflowers harvested for the 1985 crop, by

(ii) the number of acres harvested on the farm for such crop, by

(iii) \$2.00 per hundredweight, or

(B) an amount determined by multiplying \$35 by the number of acres of sunflowers harvested for the 1985 crop.

The actual yield of sunflowers may be adjusted by the Secretary to correct for abnormal factors affecting such yield as a result of drought, other natural disaster, or other condition beyond the control of the producer and to provide for a fair and equitable yield. If no actual yield can be established for the farm for the 1985 crop, the Secretary may determine the yield on such basis as is fair and equitable.

The Secretary is authorized to issue rules and regulations as necessary to carry out this provision, and the Secretary is to make payments under this provision through the Commodity Credit Corporation. (Sec. 1310.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

TITLE IX—SUGAR

(1) *Sugar price support (Sec. 901)*

(a) The *House* bill requires the Secretary of Agriculture to support the price of the 1986 through 1990 crops of domestically grown sugarcane and sugar beets. (Sec. 101.)

The *Senate* amendment requires the same except for only the 1986 through the 1989 crops. (Sec. 1001.)

The *Conference* substitute adopts the *Senate* provision except that the language shall apply for the 1986 through 1990 crops. (Sec. 901.)

(b) The *House* bill requires the Secretary to consider making annual adjustments in the loan rate for each of the 1986 through 1990 crops of sugarcane and sugar beets based on changes in such factors as inflation, costs of production, and other circumstances that may adversely affect domestic sugar production. (Sec. 101.)

The *Senate* amendment authorizes the Secretary to increase the support price for each of the 1986 through 1989 crops of sugarcane and sugar beets based on such factors as the Secretary determines appropriate, including changes in the cost of sugar products, the cost of domestic sugar production, and other circumstances that may adversely affect domestic sugar production. (Sec. 1001.)

The *Conference* substitute adopts the *Senate* provision except that the language shall apply for the 1986 through 1990 crops. (Sec. 901.)

(c) The *House* bill provides that if the Secretary determines not to adjust the loan rate, the Secretary's findings, decision, and supporting data must be submitted to the House and Senate Agriculture Committees prior to any public announcement of the loan rate for the crop involved. (Sec. 101.)

The *Senate* amendment contains the same provision except submission of the material is not required prior to public announcement of the loan rate. (Sec. 1001.)

The *Conference* substitute adopts the *Senate* provision. (Sec. 901.)

(2) Prevention of sugar loan forfeitures (Sec. 902)

The *Senate* amendment requires the President to use all authorities available to the President, including section 22 of the Agricultural Adjustment Act of 1933 and headnote 2 of subpart A of part 10 of schedule 1 of the Tariff Schedules of the United States, as may be necessary to enable the Secretary of Agriculture to operate the sugar program at no cost to the Federal Government by preventing the accumulation of sugar acquired by the Commodity Credit Corporation. (Sec. 1002.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment to (1) require that (a) the current quota year (December 1, 1985 through September 30, 1986) be extended by no less than 3 months, and the shipping schedules rearranged so that shipments are equally divided throughout the quota year, as extended, or (b) the sugar import program be administered in such a way as to result in at least the equivalent reduction in loan forfeitures; (2) defer the effective date of the no-net-cost requirement for the sugar program until the expiration of the current quota year; (3) delete references in the Senate bill to specific trade legislation and regulations; and (4) upon expiration of the current quota year, prohibit the allocation of a sugar import quota to any country that is a net importer of sugar unless officials of that country verify that it does not import for reexport to the United States any sugar produced in Cuba.

In administering the sugar program established under this Act, the President shall, before making any adjustments in a previously established sugar quota, use all available legal means to otherwise dispose of accumulated stocks of sugar through sale, tender, loan, or grant-in-aid.

The Conferees intend that the current quota period be extended for a minimum of 3 months and the shipping schedules be rearranged accordingly or that a reduction be made in the current quota so as to prevent an equivalent amount of forfeitures. However, upon expiration of the current quota year, the Conferees intend that the quota be adjusted to the level necessary to ensure that there are no forfeitures and thus no cost to the government.

Raw cane sugar must be refined before use for food for human consumption. Since the cane refiners play an important role in the domestic industry, the Conferees are concerned that cane sugar refining capacity should not be further impaired. To assure refineries of supplies to permit efficient operation, the Conferees encourage the Secretary to use authority contained in Section 22 to impose import fees and to continue a properly supervised import-reexport program for sugar. (Sec. 902.)

(3) Protection of sugar producers (Sec. 903)

The *Senate* amendment provides that if the bankruptcy or other insolvency of a processor has caused producers of sugar beets and sugarcane not 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 of Agriculture, on demand of the producers and on such assurances as to nonpayment as the Secretary may require, shall pay such producers the maximum benefits from the price support program, less any benefits previously received by the producers. After making such payments, the Secretary would be subrogated to the claims of the producers against the processor and other persons responsible for nonpayment and would have authority to pursue such claims. The Secretary would be required to carry out this provision through the Commodity Credit Corporation. This provision will apply to nonpayments occurring after January 1, 1985. (Sec. 1314.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision. (Sec. 903.)

TITLE X—MISCELLANEOUS COMMODITY PROVISIONS

SUBTITLE A

(1) Payment limitation

(a) The *House* bill will provide for payment limitations for each of the 1986 through 1990 crops of wheat, feed grains, upland cotton, extra long staple cotton, and rice. (Sec. 1011.)

The *Senate* amendment will apply to each of the 1986 through 1989 crops. (Sec. 1301.)

The *Conference* substitute adopts the *House* amendment. (Sec. 1001.)

(b) The \$100,000 annual payment limitation applicable to disaster payments under the *House* bill will apply to wheat and feed grains. (Sec. 1011(2).)

The disaster payment limitation under the *Senate* amendment will apply to wheat, feed grains, upland cotton, and rice. (Sec. 1301(2).)

The *Conference* substitute adopts the *Senate* amendment.

(c) The *House* bill will exclude, from the definition of payments, (A) cotton and rice diversion payments made under the *House* cotton and rice programs, and (B) payments made under certain cost reduction options given to the Secretary of Agriculture in the *House* bill (described in item (16) below). (Sec. 1011 (3).)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision relating to cost reduction options, but deletes the *House* provision relating to cotton and rice diversion payments (Sec. 1001.)

(d) The *Senate* amendment will exclude, from the definition of payments, certain gains and payments as follows: (A) any gain realized from the repayment of loans for wheat, feed grains, upland cotton, or rice at a level less than the actual loan level; (B) any deficiency payment received for a crop of wheat or feed grains as a result of a loan level reduction; (C) any loan deficiency payment for a crop of wheat, feed grains, upland cotton, or rice received by agreeing to forgo crop loans; and (D) any inventory reduction payment received for a crop of wheat, feed grains, upland cotton, or rice. (Sec. 1301(3).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1001.)

(e) The *House* bill provides that the personal payment limitation will 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 of Agriculture. (Sec. 1011(5).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* amendment. (Sec. 1001.)

(f) The *House* bill provides that the rules for determining whether corporations and their stockholders can be considered as separate persons will have to be in accordance with regulations issued by the Secretary on December 18, 1970. (Sec. 1011(5).)

The *Senate* amendment provides that such regulations will be used to establish the percentage ownership of a corporation for the purpose of determining whether such corporation and stockholders are separate persons for purposes of the payment limitation. (Sec. 1301(5).)

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1001.)

(g) The *Senate* amendment will require the Secretary to issue regulations under which subchapter S corporations will be treated as partnerships for purposes of the maximum payment limitation. (Sec. 1301(5).)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment.

(2) Nonrecourse loan limit

The *House* bill, effective with respect to each of the 1986 through 1990 crops of wheat, feed grains, soybeans, peanuts, and tobacco, will limit, to \$250,000, the total amount of nonrecourse loans that a person may receive annually for all such crops. Any loans to a person in excess of that amount will be recourse in nature. (Sec. 1012.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* amendment.

(3) Honey loan maximum

The *House* bill will authorize the Secretary of Agriculture to declare that the outstanding balance of nonrecourse loans a person may receive for honey in a crop year shall not exceed \$250,000. Any loans to a person in excess of that amount will be recourse in nature. However, the Secretary could not make such a declaration if it would have an undue ill effect on the structure of the honey industry or on agricultural interests that depend on commercial bee colonies for pollination. (Sec. 1884.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute deletes the *House* provision.

(4) Disaster payments for soybeans and sugar

The *Senate* amendment will authorize the Secretary of Agriculture to make prevented planting and reduced yield disaster payments available for each of the 1985 through 1989 crops of soybeans, sugar beets, and sugarcane.

If the Secretary determines that the producers on a farm are prevented from planting any portion of the acreage intended for soybeans, sugar beets, or sugarcane to such commodities or other nonconserving crops because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, the Secretary could make prevented planting payments to the producers in an amount equal to the product obtained by multiplying (a) the number of acres affected (but not to exceed the acreage planted to the described commodities for harvest—including prevented planting acreage—in the 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 level for the crop.

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 soybeans, sugar beets, or sugarcane that producers are able to harvest on any farm is less than the result of multiplying 60 percent of the farm program payment yield for the crop by the acreage planted for harvest, he could make a reduced yield disaster payment to producers. Such payment would be made at a rate equal to 50 percent of the loan level for the crop for the deficiency in production below 60 percent for the crop.

The *Senate* amendment provides the Secretary with authority to adjust payments made available for a farm so as to ensure the equitable allotment of payments among producers, taking into ac-

count other Federal disaster assistance provided to producers for the crop involved. (Sec. 1311.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with an amendment to include peanuts plus a conforming amendment to conform the provision to the life of the bill as annually provided in the *House* bill. (Sec. 1008.)

(5) Increase in acreage limitations

The *Senate* amendment will authorize the Secretary of Agriculture to increase the acreage limitation percentages for any of the 1986 through 1988 crops of wheat, feed grains, upland cotton, and rice by not to exceed 5 percent if the Secretary determines that the carryover stocks of the commodity involved at the end of the crop year will exceed 33 percent of the annual usage of such commodity. (Sec. 1312.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment.

(6) Cost of Production Board

The *House* bill will extend the National Agricultural Cost of Production Standards Review Board for five years. (Sec. 1013.)

The *Senate* amendment will extend the Board for four years. (Sec. 1430.)

The *Conference* substitute adopts the *House* provision. (Sec. 1022.)

(7) Commodity Credit Corporation sales price restrictions

(a) The provisions in the *House* bill relating to Commodity Credit Corporation sales price restrictions applicable to wheat and feed grains will be effective through the marketing years for the 1990 crops. (Sec. 1014.)

The similar provisions in the *House* amendment will be effective through the marketing years for the 1989 crops. (Sec. 1306.)

The *Conference* substitute adopts the *House* provision. (Sec. 1007.)

(b) The *Senate* amendment provides that, if the Secretary of Agriculture permits loan repayments with respect to a crop of wheat, corn, grain sorghum, barley, oats, or rye at a rate less than the loan level for the crop, the Corporation could not sell any of its stocks of the commodity at less than 115 percent of the average loan repayment rate during the period of the loans. (Sec. 1306(1).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1007.)

(8) Application of terms

The *House* bill provides that the application of certain terms (contained in title IV of the Agricultural Act of 1949) to wheat, feed grains, upland cotton, and rice under the bill will be effective through the 1990 crops of such commodities. (Sec. 1015.)

The similar provisions in the *Senate* amendment will be effective through the 1989 crops. (Sec. 1307.)

The *Conference* substitute adopts the *House* provision. (Sec. 1017.)

(9) Normal crop acreage

(a) The *House* bill will extend, through the 1990 crops, provisions of section 1001 of the Food and Agriculture Act of 1977 that authorize the Secretary of Agriculture to impose a normal crop acreage requirement as a condition of eligibility for participation in the wheat and feed grain programs when a set-aside program for the crop involved is in effect. (Sec. 1016.)

The *Senate* amendment will extend this authority through the 1989 crops and apply it to upland cotton and rice also. (Sec. 1302(1).)

The *Conference* substitute adopts the *House* provision. (Sec. 1012.)

(b) The *Senate* amendment will add a new subsection to section 1001 of the 1977 Act authorizing the Secretary to require, whenever marketing quotas are in effect for any of the 1987 through 1989 crops of wheat, that, as a condition of eligibility for loans, purchases, and payments on any commodity under the 1949 Act, the acreage on a farm normally planted to crops designated by the Secretary be reduced by a quantity equal to the acreage that normally would be planted to wheat on the farm minus the individual farm program acreage for wheat for the farm. (Sec. 1303(c).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment. With a continuing amendment making it effective through the 1990 crops. (Sec. 1012.)

(10) Determinations of the Secretary

(a) The *Senate* amendment will expand the provisions of the Agricultural Adjustment Act of 1938 relating to the finality of determinations of facts concerning payments and loans under commodity programs to make them applicable to extra long staple cotton, in addition to wheat, feed grains, upland cotton and rice.

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1016.)

(b) The *Senate* amendment will require the Secretary of Agriculture to determine rates of loans, payments, and purchases under the 1986 through 1989 commodity programs under the Agricultural Act of 1949 without regard to the requirements for notice and public participation in rulemaking prescribed under title 5 of the U.S. Code, or in any directive of the Secretary. (Sec. 1303.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with a conforming amendment making the provision effective through the 1990 crop. (Sec. 1016.)

(11) Multiple commodity planting

The *Senate* amendment will authorize the Secretary of Agriculture, effective for the 1986 through 1989 crops, if a producer historically has produced crops of two commodities on the same land in the same year and the producer has diverted acreage on the farm from the production of one of the commodities under an acreage reduction program, to permit the producer to plant a second crop of the other commodity on the diverted acreage. (Sec. 1304.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment.

(12) *Haying and grazing*

(a) The *House* bill will extend the special haying and grazing program under section 109 of the Agricultural Act of 1949 through the 1990 crops. (Sec. 1017(a).)

The *Senate* amendment will extend the program through the 1989 crop year. (Sec. 1309.)

The *Conference* substitute adopts the *House* amendment.

(b) The *House* bill will add to the Agricultural Act of 1949 a new section providing that, notwithstanding any other provisions of the Act, in carrying out any acreage limitation, set-aside, or land diversion program under the Act for wheat, feed grains, upland cotton, or rice, the Secretary of Agriculture must permit participating producers in any State to devote all or any part of the acreage diverted from production under the program to haying and grazing during the eight months of each year selected by the State ASC committee. However, a producer could not sell any hay or other crop harvested from the acreage devoted to such haying and grazing. (Sec. 1017(b).)

The *Senate* amendment contains comparable provisions applicable only to wheat. See item 9(e) under title IV—Wheat.

The *Conference* adopts the *Senate* amendment and applies it to feed grains, upland cotton, and rice. (Sec. 308, 401, 501, and 601.)

(13) *Supplemental set-aside and acreage limitation authority*

The *House* bill will provide authority for the Secretary of Agriculture to announce and provide for a set-aside or acreage limitation program for one or more of the 1986 through 1990 crops of wheat and feed grains if the Secretary determines 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 government. (Sec. 1018.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 1011.)

(14) *Normal supply*

The *House* bill provides that, if the Secretary of Agriculture determines that the supply of wheat, corn, upland cotton, or rice for any of the 1986 through 1990 marketing years is not likely to be excessive and that program measures to reduce or control the planted acreage are not necessary, such decision will constitute a determination that the total supply of the commodity does not exceed the normal supply and no determination can be made to the contrary. (Sec. 1019.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 1018.)

(15) *Multiyear set-asides*

The *House* bill will authorize the Secretary of Agriculture to enter into multiyear set-aside contracts, for a period not to extend beyond the 1990 crops, with participants in the wheat, feed grains, upland cotton, and rice programs for the 1986 through 1990 crops.

Producers entering such agreements would have to devote the set-aside acreage to vegetative cover; and livestock grazing would be prohibited, absent a presidentially-determined disaster. The Secretary would provide cost sharing incentives to farm operators for the establishment of vegetative cover, whenever a multiyear set-aside contract is entered into. (Sec. 1020.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 1010.)

(16) *Cost reduction options*

The *House* bill will provide the Secretary of Agriculture with certain authorities to reduce the direct or indirect cost of commodity programs, when this can be accomplished without adversely affecting income to small and medium-sized producers in the program. Actions that the Secretary could take under the *House* bill are: (a) whenever a nonrecourse loan program is in effect for a commodity, the purchase of amounts of the commodity to strengthen prices if the cost of such purchases plus carrying charges will probably be less than the comparable cost of acquiring the commodity through defaults on loans; (b) when the domestic price of a commodity is too low to cover principal and interest on program loans, the forgiveness of interest on loans if such action will yield savings to the Government; and (c) if conditions change after the announcement of a production control program, the reopening of the program prior to harvest to allow producers to submit bids to divert crop acres in return for payments in kind from Commodity Credit Corporation stocks. Such PIK payments would not be subject to the payment limitation described in item (1) above, but would be limited to total of \$20,000 per year per producer for any one commodity. (Sec. 1021.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision. (Sec. 1009.)

(17) *Interest payment certificates*

The *Senate* amendment will authorize the Secretary of Agriculture, effective for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice, to issue, to producers who repay (with interest) loans made under a program for any such commodity, negotiable certificates redeemable in wheat, feed grains, upland cotton, or rice, as the case may be, equal to the amount of interest repaid by the producer on the loan. The issuance of the certificates will be subject to the availability of Commodity Credit Corporation commodities. (Sec. 1305.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with a change making the provision effective through the 1990 crops. (Sec. 1004.)

(18) *Advance deficiency and diversion payments*

(a) The *House* bill will *require* the Secretary of Agriculture, if an acreage limitation or set-aside program is established for any of the 1986 through 1990 crops of wheat, upland cotton, rice, and feed grains, to make advance deficiency payments available to producers who agree to participate in the program. (Sec. 1023.)

The *Senate* amendment will *authorize* the Secretary to make such advance deficiency payments, and will be effective for each of the 1986 through 1989 crops of such commodities. (Sec. 1308.)

The *Conference* substitute adopts the *Senate* amendment with an amendment that requires the Secretary to make advance deficiency payments available to producers who agree to participate in the 1986 wheat, feed grain, upland cotton, and rice programs, and also with a conforming change to make the provision effective through the 1990 crops. (Sec. 1002.)

(b) The *House* bill provides that advance deficiency payments will have to be made available to producers as soon as practicable after October 1 of the calendar year in which the crop involved is harvested, except that, at the Secretary's discretion, the Secretary could make the payments available to any producer prior to such date at any time after notice of intention to participate in the program is filed. (Sec. 1023.)

The *Senate* amendment will require that advance deficiency payments be made as soon as practicable after a producer enters a contract with the Secretary to participate in the program. (Sec. 1308.)

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1002.)

(c) The *Senate* amendment provides for the making of advance deficiency payments in cash, in commodities owned by the Commodity Credit Corporation (or, at the option of the producer, negotiable certificates redeemable in such commodities), or in a combination of cash and commodities (or certificates). Certificates would be redeemable for up to three years after they are issued. Not more than 50 percent of payments could be made in commodities. The CCC would pay the cost of storing a commodity to be received under a certificate until such time as the certificate is redeemed. (Sec. 1308.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1002.)

(d) The *House* bill would limit the payment, per unit of production, the 50 percent of the projected deficiency payment rate under the program involved. (Sec. 1023.)

The *Senate* amendment would limit the per unit payment to 90 percent of the payment rate, as based on the estimated market price received by producers during the first five months of the marketing year for the crop involved. (Sec. 1308.)

The *Conference* substitute adopts the *Senate* amendment. (Sec. 1002.)

(e) *Senate* amendment will authorize the Secretary, if land diversion payments are to be made to assist in adjusting the total national acreage of any of the 1986 through 1989 crops of wheat, feed grains, upland cotton, or rice to desirable levels, to make at least 50 percent of such payments available to each producer as soon as possible after the producer agrees to undertake the diversion of land in return for such payments. (Sec. 1308.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with a conforming change extending the provision to the 1990 crops. (Sec. 1002.)

(19) Wheat and feed grain export certificate programs

The *House* bill, effective for the 1986 through 1990 crops of wheat and feed grains, provides for two alternative export certificate programs for wheat and feed grains.

Under one alternative, a *cash export certificate program*, the Secretary of Agriculture could furnish incentives, applicable to any of the eligible crops of the commodity involved, for the export of wheat and feed grains from private stocks. The incentives will be provided as follows:

(a) The Secretary will issue export certificates to producers of the crop to whom the Secretary makes loans and payments.

(b) Each certificate will bear a monetary denomination and a designation specifying a quantity of the crop selected by the Secretary.

(c) The aggregate quantity of wheat or feed grains specified in all certificates for a crop will be equal to (A) the aggregate amount of wheat or feed grains produced by farmers participating in the program for that crop, as determined by multiplying the acreage planted by each producer for harvest by the producer's program yield for the commodity, times (B) an export production factor.

(d) The export production factor will be determined by the Secretary by dividing the quantity of the 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 the crop by the quantity of the crop that the Secretary estimates will be harvested domestically.

(e) Certificates will be distributed among eligible producers in a manner that will ensure that each producer receives certificates having an aggregate face value that represents a rate of return per unit of wheat or feed grains produced that is uniform among farmers.

(f) Certificates will be redeemed by the Secretary for a cash amount equal to the monetary denomination on the certificate (or, at the option of the Secretary, a quantity of the commodity involved having a current fair market value equal to such amount) on presentation by a holder who exports a quantity of the crop (including processed wheat or feed grains) involved equal to the quantity designated in the certificate.

The Secretary would expend to carry out the program, with respect to a crop of wheat or feed grains, in addition to other amounts provided by law to finance or encourage exports, an amount not less than the product of (a) 21 cents for wheat, 11 cents for corn, and such amounts for grain sorghums, oats, and, if designated by the Secretary, barley as he 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 times (c) the average of the program yields for the crop.

Under the other export certificate program, involving noncash certificates, effective for each of the 1986 through 1990 crops of wheat and feed grains, the Secretary could issue, to producers of wheat or feed grains participating in the program for the crop who meet the requirements of the program, export marketing certifi-

cates denominated in bushels of wheat or feed grains. The program would be operated as follows:

(a) Not later than three months prior to the beginning of the marketing year for the crop, certificates would be issued to eligible producers that plant at least 50 percent of their farm's wheat or feed grain crop acreage base for the crop. The certificates would be applicable to the marketing year for the crop and, in the aggregate, would equal the quantity of the commodity the Secretary estimates will be exported during the marketing year. Each eligible producer would 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 eligible producers' crop acreage bases for that crop. Each certificate would designate the producer by name and crop involved.

(b) If seven months after the beginning of the marketing year, the Secretary determines that the amount of the commodity that will be exported during the marketing year will exceed the quantity of the commodity represented by the certificates so issued, the Secretary could issue additional certificates to producers that initially received certificates sufficient to cover the additional exports.

(c) Producers could convey certificates to purchasers of the commodity sold by the producers at any time prior to the end of the marketing year. If a producer has less wheat or feed grains to sell than the quantity represented by the certificates issued to him, the producer, at any time prior to the end of the marketing year, could sell the extra certificates to any person for such price as agreed on by the producer and purchaser. Any certificate could be reconveyed without restriction.

(d) To be eligible to receive certificates, a producer would have to participate in the price support program for the 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, or

(B) if an acreage limitation or set-aside program is in effect for the crop, comply with the terms of the program.

(e) Whenever the Secretary issued certificates, no person could export wheat or wheat products, or feed grains or feed grain products, 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 the 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 exported. Persons that fail to comply would be guilty of a misdemeanor and be subject to a fine of not more than \$25,000 or imprisonment for not to exceed one year, or both. (Sec. 1024.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the House provision with an amendment providing that these programs be funded through the general funds of the Commodity Credit Corporation, rather than through a reduction in deficiency payments. (Sec. 1006.)

The conferees particularly encourage the Secretary to utilize the Export Certificate Program, inasmuch as it is producer-oriented

with income enhancement going to those participating in the farm commodity programs designed to achieve national farm policy objectives contained in agricultural legislation such as the Food Security Act of 1985.

(20) Required disposition of surplus commodities

The *House* bill provides that, if the Secretary of Agriculture determines that food and feed stocks acquired by the Commodity Credit Corporation through nonrecourse loan programs cannot be disposed of in normal domestic trade channels without impairment of price support programs or sold abroad at competitive world prices, the CCC will have to dispose of such commodities for the purposes of emergency domestic food assistance, emergency humanitarian food needs in developing countries, market development, export enhancement, or other such appropriate uses. (Sec. 1025.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(21) Noncompliance based on excess idled acres

The *House* bill provides that a producer who removes land from production under an acreage limitation or set-aside program for a crop of wheat, feed grains, cotton or rice, and idles more land than required, will not have payments reduced, nor be subject to penalty, for failure to plant on the excess idled acres or for failure to accurately report acreage, unless the Secretary of Agriculture determines by the preponderance of evidence that the producer's acts were committed to obtain funds to which such producer was not entitled by law. (Sec. 1026.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(22) Advance recourse commodity loans

The *House* bill will authorize the Secretary of Agriculture to make advance recourse loans available to producers of commodities of the 1986 through 1990 crops for which nonrecourse loans are made available, if the Secretary finds such action is necessary to ensure that adequate operating credit is available to producers. Crop insurance would be required as a condition of eligibility for any such loan. (Sec. 1027.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 1003.)

(23) Corn marketing year

The *House* bill will redesignate the marketing year for corn from October 1–September 30 to September 1–August 31. (Sec. 1029.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision. (Sec. 1020.)

(24) Crop diversion land eligibility

The *Senate* amendment states the sense of the Senate that the Secretary of Agriculture should revise Department of Agriculture regulations concerning land eligibility for crop diversion programs to prohibit farmers from placing the same cropland in any crop di-

version program that may be in effect during consecutive years, except under uncontrollable circumstances such as heavy rains, drought, or other adverse weather conditions. (Sec. 1313.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(25) Crop insurance coverage of winter and spring wheat

(a) The *Senate* amendment will revise the Federal crop insurance program to include winterkill of winter wheat as one of the insured perils covered by multiperil crop insurance sold under the program.

The *House* bill contains no comparable provision. (See paragraph (b) below.)

The *Conference* substitute deletes the *Senate* provision.

(b) The *Senate* amendment will require the Secretary of Agriculture to conduct a study of the practice of offsetting the quantity of winter and spring wheat producers to determine the benefits due under Federal crop insurance policies. The Secretary would have to report the results of the study, along with any recommendations for legislation or regulations, to the agriculture committees of Congress not later than 180 days after enactment of the bill. (Sec. 1315.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with an amendment requiring the Secretary to study the feasibility and desirability of including winterkill of winter wheat as a loss covered by Federal crop insurance. (Sec. 1022.)

(26) Federal Crop Insurance Corporation funding

The *Senate* amendment will revise the mechanisms by which certain operations of the Federal Crop Insurance Corporation are funded, as follows:

(a) All capital stock in the Corporation currently issued and subscribed by the United States essentially will be cancelled. (Under existing law, the Corporation has an authorized capital stock of \$500 million; under the bill, the authorized capital stock will be \$1.)

(b) The general powers of the Corporation described in the Federal Crop Insurance Act would be expanded to include the powers to—

(A) borrow money, as permitted under the Act; and

(B) use all funds and assets of the Corporation including capital, net earnings, allocated funds, and borrowed funds.

(c) Appropriations would be authorized to cover the redemption of obligations issued to the Corporation by the Secretary of the Treasury. However, such appropriations could be used only after all other sources of funds available to the Corporation (including premium income) is used to redeem the obligations.

(d) Whenever the Corporation earns a net realized gain for a year, the earnings will be held in an interest-bearing account in the Treasury, to be available to the Corporation without fiscal year limitation. The Corporation would have to use such earnings, as practicable, to repay Treasury obligations.

(e) The *Senate* amendment would repeal the provision in current law that the Corporation can borrow from the Treasury only to the

extent or in the amounts provided in appropriation Acts. In place of that provision, a new provision would be added stating that not more than \$1 billion can be borrowed and outstanding from the Treasury at any one time. (Sec. 1316.)

The *House* bills contains no comparable provisions.

The *Conference* substitute replaces the language of the original *Senate* amendment with language authorizing the Federal Crop Insurance Corporation to borrow from the Commodity Credit Corporation at any time the moneys available to the Federal Crop Insurance Corporation are insufficient to pay the claims of farmers for insured crop losses. (Sec. 1021).

(27) Advance announcement

The *Senate* amendment will require the Secretary of Agriculture to offer an option to producers of the 1987 through 1990 crops of wheat, feed grains, upland cotton, and rice with respect to participation in the commodity price support, production adjustment, and payment programs, as follows: If, in any county, the Secretary has not made final announcement of the terms of the program for a crop on or before the later of—

(a) 60 days prior to the normal planting date for the commodity in the county, and

(b) in the case of—

(i) wheat, July 1 of the calendar year prior to the crop year for which such program is announced,

(ii) feed grains, November 15 of the calendar year prior to the crop year for which such program is announced,

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

(iv) rice, January 31 of the year for which such program is announced,

then the Secretary would have to permit producers of such commodities to elect to receive price support payments and other program benefits as provided (A) in the program announced for the crop year or (B) in the alternate program described below, which would be based on the program for the crop immediately preceding the crop with respect to which the election is made.

Under the alternate program, the Secretary would permit eligible producers to participate in the program for the commodity involved by complying with the terms of the program announced for the preceding crop of the commodity. Further, the Secretary would have to make available to such producers, if they complied fully with the terms and conditions of any acreage reduction program as established for the preceding year's crop of the commodity—

(a) loans at the level established for the then current program for the commodity;

(b) deficiency payments calculated on the same basis as the deficiency payments were calculated for the preceding crop; and

(c) payments equal to the difference between the level of loans for the current crop and the level of loans for the preceding crop (in cash or in-kind commodities).

In the case of the 1990 crops, the Secretary would make available to such producers if they comply fully with the terms and conditions of any acreage reduction program established for the 1989 crops of the commodity—

(a) loans at the level established for the 1991 crop under future legislation;

(b) deficiency payments calculated on the basis of the established price for the 1989 crop; and

(c) payments equal to the difference between the level of loans that the producer is eligible to receive for the 1990 crop and the level of loans for such commodity for the 1989 crop (in cash or in-kind commodities).

If legislation is not enacted that provides for loans to be made with respect to the 1990 crop of a commodity, none of these provisions will apply to the 1990 crop.

The Secretary would consider the acreage base and yield for any farm with respect to which a producer exercises the option described herein to be equal to the acreage base and yield that was established, or would have been established, for such farm for the year preceding the year for which the election is made. (Sec. 1318.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with an amendment that authorizes the Secretary to implement the advance announcement authority, rather than being required to. The amendment to the *Senate* provision would also change the years 1989 and 1990 to 1990 and 1991, respectively, wherever they appear in the *Senate* provision.

The conferees agree that the Secretary's discretionary authority is to include the ability to offer producers partial as well as total program options. The Secretary could offer producers the option of the previous year's bases and set asides, wheat grazing, and other appropriate provisions needed to allow farmers to make planting decisions, without providing the price support provisions of the current year's program.

This section is particularly intended to be used in a year, such as 1985, when the Secretary is concerned that he lacks statutory authority to announce next year's commodity programs. Under such circumstances, the Secretary is encouraged to provide the full program option so that producers can arrange financing as well as decide how many acres to plant or graze. (Sec. 1016.)

(28) Producer reserve program for wheat and feed grains

The *House* bill, effective beginning with the 1986 crops, will revise the provisions of the producer storage program for wheat and feed grains to—

(a) add, as a purpose of the program, providing for adequate, but not excessive, carryover stocks to ensure a reliable supply of the commodities;

(b) provide for repayment of loans in not less than three years, with extensions as warranted by market conditions;

(c) provide for recovery of storage payments, and the payment of additional interest or other charges, if producers repay loans when (A) the total amount of wheat or feed grains in storage under programs under the section is below the upper

limits for such storage described in clause (f) below and (B) the market price for the commodity is under the release levels described in clause (d) below;

(d) provide for inducing producers to redeem and market the commodities when the market price has reached the higher of 140 percent of the nonrecourse loan rate for the commodity or the established price for the commodity;

(e) add a provision that whenever (A) the total amount of wheat stored under the storage program 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 of Agriculture, or the total amount of feed grains stored under the storage program is less than 7 percent of the estimated total domestic and export usage of feed grains during the then current marketing year, 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 will be required to encourage participation in the program by offering producers increase storage payments and loan levels, interest waivers, or such other incentives as he determines necessary to maintain the total amount of storage under the program at the levels specified above. The Secretary also will be required to 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

(f) substitute for provisions of current law (which provide that any upper limit on the amount of grain that can be placed in the reserve cannot be less than 700 million bushels for wheat and one billion bushels for feed grains) new provisions providing that—

(A) prior to the harvest of each crop of wheat and feed grains, the Secretary must determine and establish upper limits on the total amount of wheat and feed grains that can be stored under the storage program to be effective during the marketing years for such crops. The upper limit on the total amount of wheat could not exceed 30 percent of the estimated total domestic and export usage of wheat during the marketing year for the crop, as determined by the Secretary, and the upper limit on the total amount of feed grains could not exceed 15 percent of the estimated total domestic and export usage of feed grains during the marketing year, as determined by the Secretary; and

(B) the Secretary could establish the upper limits at higher levels—not in excess of 110 percent of the levels determined above—if he determines that the higher limits are necessary to achieve the purpose of the program (Sec. 1022.)

The *Senate* amendment contains no comparable provisions. The *Conference* substitute adopts the *House* provision (Sec. 1012.)

(29) Food assistance reserve

(a) The *Senate* amendment will require the Secretary of Agriculture to establish a food assistance reserve containing up to 500 million bushels of wheat and feed grains, including—

(i) not less than 200 million bushels of wheat, to be used to provide emergency food assistance, as described in paragraph (b)(i) below; and

(ii) and not less than 100 million bushels of wheat, to be used for carrying out the foreign donations program under section 416 of the Agricultural Act of 1949. (Secs. 1201-1203.)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes the *Senate* provision.

(b) Under the *Senate* amendment, stocks of the reserve could be made available by the Secretary to meet urgent humanitarian needs, subject to the following limits;

(i) except as provided in clause (ii) below, stocks of wheat specified in paragraph (a)(i) could be released by the Secretary only to provide, on a donation or sale basis, emergency food assistance to developing countries, if the domestic supply of wheat is so limited that quantities of wheat cannot be made available for disposition under Public Law 480 except for urgent humanitarian purposes, under the Public Law 480 criteria relating to domestic supply situation.

(ii) up to 300,000 metric tons of the wheat specified in paragraph (a)(i) could be released from the reserve in any fiscal year, without regard to the domestic supply situation, for use under title II of Public Law 480 in providing urgent humanitarian relief in any developing country suffering a major disaster, as determined by the President, if the wheat needed for relief cannot be programmed for such purpose in a timely manner under the normal means of obtaining commodities for food assistance due to circumstances of unanticipated and exceptional need.

(iii) Stocks of wheat specified in paragraph (a)(ii) could be released by the Secretary only for carrying out section 416 foreign donation programs.

In connection with the use of stocks in reserve, the Secretary could pay the cost of processing, reprocessing, packaging, transporting, handling, and other charged, including the cost of overseas delivery. (Sec. 1203.)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes the *Senate* provision.

(c) To establish the reserve or replenish the stocks of the reserve, the Secretary could—

(i) acquire wheat or feed grains for the reserve through purchases from producers or in the market, if the Secretary determines that such purchases will not unduly disrupt the market; and

(ii) designate stocks of wheat and feed grains otherwise acquired by the Commodity Credit Corporation as stocks of the reserve.

The Secretary could provide for the periodic rotation of stocks of the reserve to avoid spoilage and deterioration of such stocks. (Sec. 1204.)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes the *Senate* provision.

(d) The CCC would be reimbursed from funds made available for carrying out Public Law 480 for wheat released from the reserve that is made available under Public Law 480. The reimbursement would be made on the basis of the lower of—

(i) the actual costs incurred by the CCC with respect to such wheat; or

(ii) the export market price of wheat (as determined by the Secretary) as of the time the wheat is released from the reserve for such purpose.

Reimbursement would include the actual costs incurred by the CCC with respect to processing, reprocessing, packaging, transporting, handling, and other charges, including overseas delivery. The reimbursement could be made from funds appropriated for such purpose in subsequent years. (Sec. 1205.)

The *House* bill contains no comparable provisions.

The *Conference* substitute deletes the *Senate* provision.

(e) The *Senate* amendment would repeal—

(i) section 813 of the Agricultural Act of 1970, which provides for the establishment of a disaster reserve;

(ii) the Food Security Wheat Reserve Act of 1980, which established a wheat reserve similar to the reserve to be created under the *Senate* amendment; and

(iii) section 208 of the Agricultural Act of 1980, which provides authority for the establishment of trade suspension reserves. (Sec. 1206.)

The *House* bill extends the Food Security Wheat Reserve for five years, to September 30, 1990 (Sec. 1111).

The *Conference* substitute adopts the *House* provision. (Sec. 1013.)

SUBTITLE B

(1) *Short title*

The *House* bill provides that the provisions relating to bases and yields, and revisions to permanent law, for wheat, feed grains, upland cotton, and rice, can be cited as the "Agricultural Efficiency and Equity Act of 1985". (Sec. 1031.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(2) *Bases and yields for producers of wheat, feed grains, upland cotton, and rice*

(a) The *House* bill will establish a permanent system for determining wheat, feed grain, upland cotton, and rice crop acreage bases and program yields. (Sec. 1031.)

The *Senate* amendment will establish such bases and yields only for the 1986 through 1989 crops of those commodities. (Secs. 407, 501, 601, and 701.)

The *Conference* substitute establishes a system for determining farm acreage bases, crop acreage bases, and a farm program pay-

ment yields for the 1986 through 1990 crops of wheat, feed grain, upland cotton, and rice.

(b) The *House* bill defines the term "crop year" for the purposes of the base and yield provisions to mean the calendar year in which a crop normally is harvested, except that, in the case of a crop that is normally harvested in January, February, or March of any calendar year, the term "crop year" with respect to such crop would mean the calendar year in which such crop is planted and during which substantially all growth occurs. (Sec. 1031.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(c) The *House* bill will require the Secretary of Agriculture to establish a *farm acreage base* for each wheat, feed grain, upland cotton, or rice-producing farm, as follows: The ASC county committee would determine the farm acreage bases for farms beginning with the 1986 crop year. The farm base for a farm for a crop year would be—

(A) the number of acres equal to the average of the total acreage on the farm planted to wheat, feed grains, upland cotton, and rice for harvest (or considered planted) in each of the five crop years immediately preceding the crop year (with a special rule for the 1986 through 1988 crops of cotton and rice, the same as that described in paragraph (e) below for crop acreage bases); except that

(B) for each of the 1986 through 1988 crop years, such number of acres for any farm could not exceed the average acreage on the farm planted (or considered planted) to such crops during the two preceding crop years.

The county committee could construct a planting history for the farm for the 1986 crop year if (A) planting records for the farm for any of the five crop years preceding the 1986 crop year are incomplete or unavailable; or (B) during at least one but not more than four of the five crop years preceding the 1986 crop year, no program crop was produced on such a farm. The planting history is to be established in a fair and equitable manner in accordance with regulations that the Secretary must publish no later than sixty days after enactment of the bill. (Sec. 4123.)

The *Senate* amendment contains no comparable provision.

(c) The *Conference* substitute authorizes the Secretary to establish a farm acreage base for the 1986 crop equal to the sum of the wheat, feed grain, upland cotton, and rice crop acreage bases.

For crop years 1987 through 1990 the Secretary must establish such farm acreage bases. For the 1987 crop year, the farm acreage base shall include (1) the crop acreage base for such year, (2) the 1986 acreage which was planted to soybeans, and (3) the 1986 acreage which was devoted to conserving uses in the normal course of farming operations. For the 1988 through 1990 crop years, such farm acreage bases shall include (1) the crop acreage base for such year, (2) the sum of the average of the acreages which, beginning with the 1986 crop, were (A) planted to soybeans, and (B) the average of the acreages which, beginning with the 1986 crop, were devoted to conserving uses.

County ASC committees may, in accordance with regulations prescribed by the Secretary, consider special and unusual circumstances with respect to establishment of farm acreage bases.

(d) The *House* bill will require the Secretary to provide for the establishment and maintenance, for each crop year, of *crop acreage bases* for wheat, feed grains, upland cotton, and rice (including any such crop produced under an established practice of double cropping) produced on each farm. The sum of the crop acreage bases for commodities produced on any farm for any crop year could not exceed the farm acreage base for such farm for such crop year, except to the extent that such excess is due to an established practice of double cropping, as determined by the county committee and subject to such regulations as the Secretary might prescribe. To the extent that, because of the different procedures for calculating crop acreage bases for wheat and feed grains and for upland cotton and rice, the sum of crop acreage bases for the farm for a crop year would exceed the farm acreage base for the crop year, but for the operation of the provision described in the preceding sentence, the crop acreage bases for the farm would be adjusted by the county committee, in consultation with the farm operator, so that the sum of the crop acreage bases does not exceed the farm acreage base. (Sec. 1002.)

The *Senate* amendment provides that the total of all crop acreage bases for a farm can never exceed the total acreage of cropland on the farm. (Secs. 407, 501, 601, and 701.)

(d) The *Conference* substitute provides that the sum of the crop acreage bases for all program crops on a farm may not exceed the farm acreage base for such farm in such crop year except to the extent that the excess is due to an established practice of double cropping.

(e) The *House* bill will direct the ASC county committees to determine the crop acreage bases for commodities for each farm with respect to each crop year beginning with the 1986 crop year. Except as otherwise provided as described in the next sentence, the crop acreage base for any commodity for a farm would be—

(A) if the program commodity is wheat or feed grains, the number of acres equal to the average of the number of acres on the farm planted to the commodity for harvest (or considered as so planted) in each of the five crop years preceding the crop year involved; and

(B) if the program commodity is upland cotton or rice, (i) for each of the 1986 through 1988 crop years, the number of acres that is equal to the average of the number of acres on the farm planted to the commodity for harvest (or considered as so planted) in each of the preceding crop years beginning with the 1984 crop year; and (ii) for each of the 1989 and succeeding crop years, the number of acres equal to the average of the number of acres on the farm planted to the commodity for harvest (or considered as so planted) in each of the five crop years preceding the crop year involved.

The county committee could construct planting history for a farm if (A) planting records for the any of the five crop years preceding the 1986 crop year are incomplete or unavailable; or (B) during at least one but not more than four of the five crop years

preceding the 1986 crop year, the program crop was not produced on the farm. The planting history is to be established in a fair and equitable manner in accordance with regulations that the Secretary would have to publish no later than sixty days after enactment.

A producer, by submitting notice to the county committee, could increase or decrease the crop acreage base for a commodity for the producer's farm for the crop year, subject to the following conditions:

(A) Any adjustment of a crop acreage base for a farm (or, in the case of an adjustment in the crop acreage bases for two or more commodities, the sum of the number of acres by which each such crop acreage base is increased or decreased) could not exceed—except in 1986—the number of acres equal to 10 percent of the farm acreage base for the farm for the crop year. The adjustment (or the sum of the number of acres by which crop acreage bases are increased or decreased when bases for two or more commodities are adjusted) for the 1986 crop year could not exceed the number of acres equal to 20 percent of the farm acreage base for the crop year.

(B) No adjustment will be construed to increase the farm acreage base for the farm for the crop year.

(C) The Secretary could suspend, on a nationwide basis, any limitation on adjustments described in clauses (A) and (B) if the Secretary determines that (i) a short supply or other similar emergency situation exists with respect to any commodity; or (ii) market factors exist that require the suspension of any limitation to achieve the purposes of the bases and yields program.

An adjustment notice would have to be submitted by the producer to the county committee before the first day of the sixty-day period ending on—

(A) the final date required by law for announcement by the Secretary of any acreage or supply control program with respect to the commodity for the crop year involved; or

(B) in the case of—

- (i) wheat, May 1 of the year preceding the crop year;
- (ii) feed grains, September 30 of the year preceding the crop year;
- (iii) upland cotton, November 1 of the year preceding the crop year;
- (iv) rice, January 1 of the crop year,

whichever date occurs first. (Sec. 1001.)

The *Senate* amendment provides for establishing acreage bases for purposes of determining any reduction under an acreage limitation program using essentially the same formula for determining such bases as the provisions of the *House* bill. However, the *Senate* amendment has no specific provisions, similar to those in the *House* bill, relating to producer adjustments of crop acreage bases, except that it will authorize the Secretary to make adjustments in acreage bases to reflect established crop rotation practices and to reflect other factors that the Secretary determines should be con-

sidered in determining fair and equitable bases. (Secs. 407, 501, 601, and 701.)

(e) The *Conference* substitute requires that the crop acreage bases are to be established by the Secretary of Agriculture, for the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice to be the average of acreage planted and considered planted (P&CP) in the 5 previous years. For cotton and rice, if the farm has no P&CP for each of the preceding 5 years, the crop acreage base shall be the average P&CP in each of the preceding 5 years excluding all but one year in which the farm had no P&CP. If the farm does not have P&CP in all 5 preceding years, the crop acreage base cannot exceed the average P&CP of the preceding 2 years.

Acreage considered planted to a crop includes (1) any reduced acreage, set-aside acreage, and divested acreage, (2) acreage prevented from planting due to a natural disaster or conditions beyond the control of the producer, (3) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to such crop, if such acreage is planted to a nonprogram not including soybeans and extra long staple cotton and (4) any acreage on the farm which the Secretary determines is necessary to establish a fair and equitable crop acreage base.

The Secretary may allow the producer, in any year, to adjust the individual crop acreage base by up to 10 percent of the farm acreage base. Any crop acreage base adjustment for wheat, feed grains, upland cotton, or rice within the farm acreage base must be offset by an equal decrease in the wheat, feed grains, upland cotton, or rice acreage base on the farm.

The Secretary may suspend the limitation on crop acreage base adjustment in special circumstances and county ASC committees may consider, in accordance with regulations prescribed by the Secretary, special and unusual circumstances with regard to establishment of crop acreage bases.

(f) The *House* bill will require the Secretary to provide for establishing *program yields* for wheat, feed grains, upland cotton, and rice for each crop year for each farm. Specifically—

(A) the ASC county committee would determine farms' program yields for commodities for any crop year beginning with the 1986 crop year. Subject to the rules described in clauses (B) and (C), and except as otherwise provided regarding assigned yields, a farm's program yield for a commodity for any crop year would be the average of the *actual yield* per harvested acre on the farm for the commodity for each of the five crop years immediately preceding the crop year involved, excluding the crop years with the highest and lowest yields per harvested acre, and any crop year in which the commodity was not planted on the farm;

(B) a farm's program yield for a commodity for any crop year could not be more than 150 percent nor, except as described in clause (C), less than 90 percent of the farms's program yield for the commodity for the immediately preceding crop year; and

(C) a farm's program yield for a commodity for the 1986 crop year could not be less than the yield established for the 1985 crop year.

The county committee could adjust the program yields for any farm within the county to the extent that the committee determines that (A) a significant change in any farming practice on the farm will materially and permanently affect the yields for the farm, or (B) because of the occurrence of a natural disaster or other similar condition beyond the control of the producer, the program yields for the farm do not accurately reflect the productive potential of the farm.

In the case of any farm for which the actual yield per harvested acre for any crop year is not available, the county committee could assign the farm a yield for the commodity involved for the crop year on the basis of actual yields on farms that the committee determines are similar to the farm with respect to size, location, and farming practices. (Sec. 1002.)

The *Senate* amendment provides that a farm's program payment yield for each of the 1986 through 1989 crops of wheat, feed, grains, upland cotton, or rice will be the average of the *farm program payment yields* for the farm for the 1981 through 1985 crops of the commodity involved, excluding the years in which the payment yields were the highest and the lowest.

If none of the commodity was produced on the farm, or no farm program payment yield was established for the farm, in any of the 1981 through 1985 crops, the farm program payment yield would be established at the request of the producers, on the basis of the average farm program payment yield for such year for similar farms in the county or the State in which the farm is located. If the Secretary determined it necessary, the Secretary could establish national, State, or county program payment yields for a commodity 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) if such data are not available, the Secretary's estimate of actual yields for the crop year involved.

If national, State or county program payment yields for a commodity are established, the total farm program payment yields for the commodity would have to balance to the national, State or country program payment yields. (Secs. 407, 5601, 601, and 701.)

(f) The *Conference* substitute requires the Secretary of Agriculture to establish farm program payment yields for wheat, feed grains, upland cotton, and rice for the 1986 through 1990 crop years. For the 1986 and 1987 crop years, such program payment yields are to be established based upon the average of farm program payment yields during the crop years 1981 through 1985, excluding the high and low years.

For the 1988 through 1990 crop years, the Secretary is authorized to continue to calculate yields based on the average of the farm program payment yields for the 1981 through 1985 crop years, excluding the high and low years. Or, at his discretion, the Secretary may begin to phase in actual yields for the most recent crop in a five-year average of program yields and actual yields.

If a farm program payment yield was not established in any crop year, the ASC County Committee, in accordance with regulations prescribed by the Secretary, may assign a farm program payment

yield based upon farm program payment yields for similar farms in the area.

(g) The *House* bill would assign to the county ASC committees certain specific responsibilities under the bases and yields system under the bill. Effective for each of the 1986, and subsequent crop years, each county committee, at such time and in such manner as the Secretary prescribes by regulation, would ask any producer who seeks to be considered a cooperator, or otherwise participate in the commodity programs, under the Agricultural Act of 1949 with respect to a farm for a crop year to specify the total number of acres on the farm planted to wheat, feed grains, upland cotton, and rice for harvest in each of the five crop years immediately preceding such crop year, and the total number of acres on the farm planted to each such commodity in each crop year for harvest. Before the beginning of the crop year, the county committee would (A) establish or adjust the farm acreage base and each crop acreage base for the crop year for the farm on the basis of such information; and (B) notify each such producer of the farm acreage base and each crop acreage base that will apply to the farm for such crop year. Each county committee, in accordance with regulations prescribed by the Secretary, would maintain records of the farm acreage base for each farm operated by a producer within the county and the crop acreage base for each program crop produced on the farm. The records of the farm acreage bases and crop acreage bases for the 1986 crop would have to reflect the determinations made under the bill and include (A) any crop planting history for any farm submitted to the county committee by a producer; and (B) any construction of any planting history for any farm of the producer made by the county committee to the extent provided for in the bill.

With respect to yields, again effective for each of the 1986 and subsequent crop years, each county committee, at such time and in such manner as the Secretary prescribes by regulation, would request any producer who seeks to be considered a cooperator, or otherwise participate in the commodity programs, under the Agricultural Act of 1949 for a crop year to supply information necessary for determining the program yield for any wheat, feed grains, upland cotton, or rice produced on any farm within the county by the producer for the crop year. Later, the county committee would notify each producer of yield determinations for each crop year. Each county committee, in accordance with regulations prescribed by the Secretary, would maintain records of the program yields for any crop year for any farm operated by a producer within the county. The records of program yields for a farm for any crop year would have to reflect the determinations made under the bill and include (A) any crop history for the five crop years immediately preceding the 1986 crop year that is submitted to the county committee by the producer; (B) any construction of crop yield history for the farm made by the county committee to the extent provided under the bill; (C) the actual yield per harvested acre for the farm for the 1986 and each subsequent crop year; and (D) any adjustment in the program yield made by the county committee under the bill. (Sec. 1031.)

The *Senate* amendment contains no comparable provisions.

(g) The *Conference* substitute provides that county ASC committees may require, in accordance with regulations prescribed by the Secretary, producers to provide evidence of planting and production history in order to establish such bases and yields.

(h) The *House* bill will authorize each ASC county committee, with respect to any farm located within the county for which the farm acreage base and crop acreage bases cannot be established under the general rules applicable for determining farm acreage bases and crop acreage bases (such as when a new farm is established), to provide for the establishment of such bases in a fair and equitable manner in accordance with regulations that the Secretary must publish no later than sixty days after enactment of the bill. However, no bases could be so established for a farm if the producer on the farm is subject to sanctions under any provision of Federal law for cultivating highly erodible land or converted wetland. (Sec. 1002.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the House provision.

(i) The *House* bill provides that, for purposes of determining any farm acreage base or crop acreage base, the number of acres on a farm planted to wheat, feed grains, upland cotton, or rice in a crop year will include any acreage that, under any other provision of law, is reserved from production for the crop year because of the participation of the producers on the farm in an acreage or crop limitation program under such provisions of law (including acreage taken out of production of the program crop in excess of the acreage required to be reserved from production), except to the extent that such acreage is planted to soybeans. For purposes of determining any farm acreage base, the number of acres on a farm planted to wheat, feed grains, upland cotton, or rice in a crop year also will include any acreage that—

(A) is devoted by the producers on the farm to a conserving use during the crop year in the normal course of farming operations, as determined by the ASC county committee under the Secretary's regulations;

(B) the producers were unable to plant to the commodity (or if planted to the commodity, were unable to harvest) during the crop year because of the occurrence of a natural disaster or other similar condition beyond the control of the producers, as determined by the county committee;

(C) except as described in the next sentence, was planted to soybeans.

In any crop year that acreage on a farm planted and considered planted (as described above) to wheat, feed grains, upland cotton, and rice, combined, before the application of the rule described in this sentence, would exceed the farm acreage base for the farm for the crop year, and such determination would not occur but for the planting of soybeans, a number of acres equal to the difference between (A) the total of (i) the acreage on the farm devoted to wheat, feed grains, upland cotton, and rice, and (ii) the acreage on the farm planted to soybeans, and (B) the farm acreage base for the farm for the crop year, will not be considered as planted to program crops for the purposes of the preceding sentence.

If a county committee determines that the occurrence of a natural disaster or other similar condition beyond the control of the producer prevented the planting of wheat, feed grains, upland cotton, or rice on any farm within the county (or substantially destroyed any such commodity after it had been planted but before it had been harvested), under regulations prescribed by the Secretary, the producer could plant any other commodity, including wheat, feed grains, upland cotton, or rice, on the acreage of the farm that, but for the occurrence of such disaster or other condition, would have been devoted to the production of the commodity. For purposes of determining the farm acreage base, the crop acreage base, or the eligibility of the producer to be considered a cooperator, or otherwise participate in a commodity program, under the Agricultural Act of 1949, any acreage on the farm on which a substitute crop, including any program crop, is so planted would be taken into account as if such acreage had been planted to the commodity for which the other commodity was substituted. (Sec. 1002.)

The *Senate* amendment provides that, for the purposes of determining acreage bases, acreage planted to wheat, feed grains, upland cotton, or rice for harvest will include—

(A) any reduced acreage, diverted acreage, and (except for wheat) set-aside acreage; and

(B) any acreage that producers were prevented from planting to the commodity or other nonconserving crops in lieu of the commodity because of drought, flood, or other natural disaster, or other conditions beyond the control of the producers. Also, the Secretary could make adjustments in bases to reflect established crop rotation practices and other factors the Secretary determines should be considered in determining fair and equitable bases. (Secs. 407, 501, 601, and 701.)

(i) The *Conference* substitute provides that for purposes of determining farm acreage bases or crop acreage bases, acres planted for harvest of program crops, acres prevented from being planted due to natural disaster or conditions beyond the control of producers, acres diverted from production for purposes of compliance with an acreage limitation or set-aside program, conserving use acres, and acreage taken out of production of the program crop in excess of the acreage required to be reduced from production, and acres planted to soybeans may be considered in accordance with provisions for establishing farm acreage bases and crop acreage bases.

(j) The *House* bill specifically will direct the Secretary to establish, by regulation, an appeal procedure under which a person who is adversely affected by any bases or yields determination made under the bill can seek administrative review of the determination. (Sec. 1001.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute provides that the Secretary shall establish an administrative review procedure which provides for administrative review of determinations made with respect to farm acreage bases, crop acreage bases and farm program payment yields.

(j) The *House* bill specifically will direct the Secretary to establish, by regulation, an appeal procedure under which a person who is adversely affected by any bases or yields determination made

under the bill can seek administrative review of the determination. (Sec.—.)

The *Senate* amendment contains no comparable provision.

(3) Repeals and suspensions

The *House* bill, effective beginning with the 1986 crop of wheat, feed grains, upland cotton, and rice, will repeal or amend a number of provisions of permanent law. Some would be replaced by new permanent law provisions that are described in item (4) below. Specifically, provisions relating to (A) marketing quotas, acreage allotments, farm marketing quotas, and marketing certificates for wheat, and (B) cotton allotments and marketing quotas, would be repealed. (Secs. 1003 and 1005.)

The *Senate* amendment will suspend, for the life of the bill, the provisions of permanent law superseded by the bill's provisions relating to wheat and upland cotton. (Secs. 409-411, and 602.)

The *Senate* amendment also provides that the acreage allotments for the 1977 crop of upland cotton will be the preliminary allotments for the 1990 crop. (Sec. 606.)

The *Conference* did not include this section.

(4) Cooperator price support under permanent law

(a) The *House* bill, effective beginning with the 1986 crops, will amend the Agricultural Act of 1949 to limit the availability of price support under the permanent price support provisions of the 1949 Act to cooperators, and define the term "cooperator". Specifically, the *House* bill will amend the 1949 Act by—

(A) limiting, to tobacco and peanuts, the applicability of the permanent price support provisions of section 101 of the 1949 Act tied to marketing quotas;

(B) providing that the provisions of section 101 setting out permanent price support rules in cases in which producers have disapproved quotas is to apply only to peanuts;

(C) providing that the provisions of section 101 relating to the permanent level of price support to noncooperators shall not apply to wheat, corn, upland cotton, and rice;

(D) striking out, in the permanent provisions of section 103 of the 1949 Act relating to cotton, references to marketing quotas;

(E) in the permanent provisions of section 105 of the 1949 Act relating to price support levels for feed grains, substituting the term "cooperators" for "producers";

(F) in section 107 of the 1949 Act, striking out various provisions relating to permanent price support provisions for wheat; and

(G) redefining the term "cooperator" in section 408 of the 1949 Act to mean (i) with respect to wheat, feed grains, upland cotton, and rice, a "cooperator" as that term is defined in section 101(e) of the Act (described in paragraph (b) below, and (ii) with respect to any other basic agricultural commodity, producer on whose farm the acreage planted to the commodity does not exceed the farm acreage allotment for the commodity under title III of the Agricultural Adjustment Act of 1938. (Sec.

1004.) The *Senate* amendment contains no comparable provisions.

(b) The *House* bill will add to section 101 of the Agricultural Act of 1949 a new subsection (e) (relating to "cooperators") providing that—

(A) only a producer who is a cooperator for any crop for any farm will be eligible for any loan or purchase under any price support program carried out by the Secretary for rice, upland cotton, feed grains, or wheat for the crop under section 101, 103(a), 105, or 107 (so-called "permanent law" provisions) of the 1949 Act;

(B) a producer of any such commodity will be considered a cooperator for a crop with respect to a farm if the producer has established and maintained a farm acreage base for the crop year involved for the farm, and a crop acreage base for the crop year involved for each such commodity produced on the farm, and (i) the number of acres on the farm planted to all such commodities for harvest by the producer for the crop year does not exceed the farm acreage base for the farm for the crop year, except to the extent that such excess is due to an established practice of double cropping, and (ii) the number of acres on the farm planted to each such commodity for harvest by the producer for the crop year does not exceed the crop acreage base for the commodity for the farm for such crop year;

(C) the Secretary of Agriculture could suspend, on a nationwide basis, any farm acreage base limitation or any crop acreage base limitation with respect to a crop of a commodity if the Secretary determines that (i) a short supply or other similar emergency situation exists with respect to any such commodity; or (ii) market factors exist that require the suspension of any limitation to achieve the purposes of the farm and crop acreage base and program yield system established under the bill (as described in item (2) above); and

(D) notwithstanding the provisions described in clause (B) above, the Secretary, on a nationwide basis, could consider a producer a cooperator on a crop-specific basis, regardless of overall plantings on the farm. For any crop of rice, upland cotton, feed grains, or wheat produced on a farm by the producer, the Secretary could consider the producer a cooperator if (i) the producer has established and maintained a farm acreage base and a crop acreage base.

The conference did not include this section.

SUBTITLE C—HONEY

(1) *Honey price support*

The *Senate* amendment requires the Secretary of Agriculture, for each of the 1986 through 1988 crops of honey, to support the price of honey through loans, purchases, or other operations at such level as the Secretary determines will maintain the competitive relationship of honey in domestic and export markets after taking into consideration the cost of producing honey, supply and demand conditions, and world prices for honey. Beginning with the 1989

crop of honey, the *Senate* amendment prohibits supporting the price of honey through loans, purchases, or other operations. (Sec. 1101.)

The *House* bill contains no comparable provision.

(Note: Under current law, the price of honey must be supported through loans, purchases, or other operations at a level not in excess of 90 percent, nor less than 60 percent, or the parity price on honey.)

The *Conference* substitute adopts a substitute amendment which provides for a reduction in the loan level to 64¢ in 1986, 63¢ in 1987, and further reductions of five percent per year in each of 1988, 1989, and 1990. The section also gives the Secretary the authority to permit producers to repay their loans at a level that is the lesser of the loan level determined for the crop year, or such level as the Secretary determines will minimize the number of loan forfeitures, not result in excessive total stocks of honey, reduce the costs incurred by the government and maintain the competitiveness of the honey industry. The Secretary may also make payments available to producers who agree to forgo loans in return for such direct payments. (Sec. 1041.)

(2) Penalties for pledging adulterated or imported honey

The *Senate* amendment provides that if the Secretary determines that a person has knowingly pledged adulterated or imported honey as collateral to secure a price support loan the person would, in addition to any other penalties or sanctions prescribed by law, be ineligible for a loan, purchase, or payment for honey for the 3 crop years succeeding the determination. For purposes of this provision, honey would be considered adulterated if any substance were substituted wholly or in part for such honey; the honey contains a poisonous or deleterious substance that may render the honey injurious to health, except that in any case in which such substance is not added to the honey, the honey would not be considered adulterated if the quantity of the substance in or on the honey does not ordinarily render it injurious to health; or the honey is for any other reason unsound, unhealthy, unwholesome, or otherwise unfit for human consumption. (Sec. 1101.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision regarding penalties for pledging adulterated or imported honey. (Sec. 1041.)

TITLE XI—TRADE

(1) Public Law 480 Title II funding

(a) The *House* bill raises the existing \$1 billion annual limitation on Title II programs to \$1.2 billion. (Sec. 1101.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

(b) The *House* bill changes the Title II programs from the calendar year basis in existing law, to a fiscal year basis. (Sec. 1101.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(c) The *House* bill authorizes the President to waive the program authorization ceiling if the President determines that such waiver