



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

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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

is necessary to undertake programs of assistance to meet urgent humanitarian needs. (Sec. 1101.)

The *Senate* amendment contains no comparable provision.

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

(1A) Public Law 480 Title II minimums

The *Senate* amendment provides that the minimum quantity of agricultural commodities distributed under Title II for each of the fiscal years 1986 through 1989 shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program; unless the President determines and reports to the Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title.

The *House* amendment contains no comparable provision.

The *Conference* substitute provides that the minimum quantity of commodities distributed under Title II for each of the fiscal years 1987 through 1990 shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons shall be for nonemergency programs distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program.

(2) Public Law 480 Title II—fortified or processed foods and nonprofit agency proposals

(a) The *House* bill requires that no less than 75 percent of the agricultural commodities made available for distribution for non-emergency programs shall be fortified or processed food. (Sec. 1102.)

The *Senate* amendment requires the President to ensure that at least 75 percent of the quantity of such commodities for such programs be in the form of processed or fortified products or bagged commodities. (Sec. 123.)

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

(b) The *House* bill authorizes the President to waive the requirement under paragraph (a) or make available a smaller percentage of fortified or processed food than required under paragraph (a) during any fiscal year in which the President determines that the requirements of such programs will not be best served by the distribution of fortified or processed food in the amounts required. (Sec. 1102.)

The *Senate* amendment contains no comparable provision.

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

(c) The *House* bill provides that, in making agricultural commodities available for distribution, the President shall consider the nutritional assistance to the recipients and benefits to the United States that would result from distributing such commodities in the form of processed milk and plant protein products, as well as fruit, nut, and vegetable products. (Sec. 1102.)

The *Senate* amendment provides that, in distributing agricultural commodities under this title, the President shall consider (A) the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein-fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable

products; (B) the nutritional needs of the proposed recipients; and (C) the cost effectiveness of providing such commodities, for purposes of selecting commodities for distribution under nonemergency programs. (Sec. 123.)

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

(d) The *House* bill requires that any request by a nonprofit or voluntary agency for agricultural commodities for a nonemergency food program under title II shall include—(1) a statement of the intended use of any foreign currency proceeds generated by such agency through the use of commodities made available for such program; and (2) a statement of any possible detrimental disruption of traditional cultural food consumption habits that might arise from the distribution of commodities under such program. (Sec. 1102.)

The *Senate* amendment requires a nonprofit voluntary agency requesting a nonemergency food assistance agreement to include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement. This provision will apply with respect to assistance agreements entered into after December 31, 1985. (Sec. 124.)

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

(e) The *Senate* amendment amends title II by adding certain new provisions regarding food assistance programs carried out by voluntary agencies:

(1) Such agreements must provide, in the aggregate for each fiscal year, for the use of foreign currencies in an amount not less than 5 percent of the aggregate value of the commodities distributed under the title II nonemergency programs for that fiscal year.

(4) The above provisions apply with respect to assistance agreements entered into after December 31, 1985. (Sec. 124.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with regard to issue (1) and deletes the *Senate* amendment with regard to (2) and (3). With respect to issue (4) of the *Senate* amendment, the *Conference* substitute changes the effective date to December 31, 1985.

(f) The *Senate* amendment states that it is the sense of Congress that the President is encouraged to invite representatives of nonprofit voluntary agencies that participate in the programs carried out under title II of P.L. 480 and others to participate in a task force to study the means of providing food assistance under the Act to people with the greatest nutritional need in the recipient countries. If established the task force should report to Congress by February 15, 1986 on steps that could be taken to provide food to such people. (Sec. 124.)

The *House* bill contains no comparable provision.

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

(3) *P.L. 480 extension*

The *House* bill extends the P.L. 480 sales and assistance authorities from December 31, 1985, to December 31, 1990. (Sec. 1103.)

The *Senate* amendment extends these authorities to December 31, 1989. (Sec. 126.)

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

(4) *Facilitation of exports*

The *House* bill expresses the Sense of Congress that the President should work with the People's Republic of China to facilitate exports to China under P.L. 480 and Section 416 of the Agricultural Act of 1949, including dairy products and white wheat, with a view to increasing markets in China for those commodities; and that the President to the extent practicable should respond favorably to any request of the People's Republic of China for such commodities. (Sec. 1104.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute expresses the Sense of Congress that the President should work with the People's Republic of China to facilitate agricultural exports to the People's Republic of China.

It is the intent of the conferees that the exports include dairy products and white wheat.

(5) *P.L. 480 farmer-to-farmer program*

The *House* bill provides that notwithstanding any other provision of law, not less than one-tenth of 1 percent of P.L. 480 funds for fiscal years 1986 and 1987 must be used for the farmer-to-farmer technical assistance program authorized under Section 406 of P.L. 480. Not more than one-fourth of these funds can be used for activities through universities for recruitment and training, and these activities must be in direct support of the farmer-to-farmer program. Such funds shall be administered whenever possible in conjunction with programs of foreign agricultural assistance carried out under sections 296 through 300 of the Foreign Assistance Act of 1985.

The *House* bill also requires a report by the AID Administrator in conjunction with the Secretary of Agriculture, within 120 days after the date of enactment indicating the manner in which the Agency intends to implement the farmer-to-farmer program. (Sec. 1105.)

The *Senate* amendment contains no comparable provision.

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

(6) *Food for development program*

The *Senate* amendment amends section 302(c)(1)(C) of the Agricultural Trade Development and Assistance Act of 1954 to set the aggregate value of Food for Development agreements made in any fiscal year at 10 percent of the aggregate value of all title I agreements for that fiscal year. (Sec. 125.)

The *House* bill contains no comparable provision.

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

(7) *Use of surplus commodities in international programs (Section 416)*

(a) The *House* bill applies the existing section 416 requirement for coordination of donations abroad through the mechanism estab-

lished by the President under P.L. 480 to donations under the revised program. (Sec. 1106.)

The *Senate* amendment contains no comparable provision.

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

(b) The *House* bill specifies the commodities eligible for distribution under the section 416 program as follows—

(A) dairy products, grains and oilseeds acquired by the Commodity Credit Corporation through price support operations; and

(B) such other edible agricultural commodities as the Secretary of Agriculture or the CCC may acquire in the normal course of operations and are available for disposition under the program. (Sec. 1106.)

The *Senate* amendment specifies the commodities eligible for the section 416 program to include all agricultural commodities and products acquired by the CCC through price support operations that meet the criteria specified in subsection (a) section 416 (distribution to prevent waste). (Sec. 127.)

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

(c) The *House* bill prohibits the acquisition of commodities by the Secretary or the CCC for the purpose of using them under the section 416 program. (Sec. 1106.)

The *Senate* amendment contains no authority to purchase commodities under section 416(b) and specifies that if the quantity of eligible commodities available for distribution for a fiscal year is less than 400,000 metric tons, other provisions of the section do not require the Secretary to purchase additional commodities. (Sec. 127.)

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

(d) the *House* bill states that commodities may not be furnished for disposition to any country except on determinations by the Secretary that (1) the receiving country has the absorptive capacity to use the commodities efficiently and effectively; and (2) such disposition of the commodities will not interfere with usual marketings of the United States, nor disrupt world prices of agricultural commodities and normal patterns of commercial trade with developing countries.

The *House* bill also requires the Secretary to take reasonable precautions to ensure that—

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

(2) sales or barter will not unduly disrupt world prices of agricultural commodities nor normal patterns of commercial trade with friendly countries.

The *House* bill prohibits commodities from being made available that will prevent the Secretary from fulfilling any agreement entered into by the Secretary under a payment-in-kind program. (Sec. 1106.)

The *Senate* amendment provides that in furnishing commodities under section 416, the Secretary must take reasonable precautions to (1) safeguard usual marketings of the United States and (2) assure that donations under this section will not unduly disrupt

world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

The *Senate* amendment limits the requirement for the safe guarding of usual marketings by specifying that this requirement may not be used to prevent the furnishing of an eligible commodity under section 416(b) for use in countries that—

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

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

The *Senate* amendment allows the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development to waive, with respect to sales to generate foreign currencies (monetization), application of the requirement of section 103 that the President take reasonable precautions to safeguard usual marketings of the United States and to assure that such sales will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries. (Sec. 127.)

The *Conference* substitute adopts the *House* provisions with an amendment limiting the requirement for the safeguarding of usual marketings by specifying that this requirement may not be used to prevent the furnishing of an eligible commodity under section 416(b) for use in countries that—

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

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

(e) The *House* bill authorizes the Commodity Credit Corporation to pay in cash (under the provisions of section 203 of Public Law 480) or in the form of eligible commodities for the processing and domestic handling costs of donated commodities if the Secretary determines that such in-kind payments will not disrupt domestic markets. (Sec. 1106.)

The *Senate* amendment contains no comparable provision.

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

(f) The *House* bill provides that eligible commodities may be sold or bartered to finance the distribution, handling, and processing costs in a country through which such commodities or products must be transshipped. (Sec. 1106.)

The *Senate* amendment contains no comparable provision.

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

(g) The *House* bill authorizes the sale and barter of commodities furnished to nonprofit and voluntary agencies or cooperatives under agreements in which the foreign currency proceeds are used for activities that will directly supplement the transportation, distribution and use of the commodities and products donated. (Sec. 1106.)

The *Senate* amendment provides that if requested by a nonprofit voluntary agency or cooperative, an agreement for eligible commodities made available for use by the nonprofit voluntary agency or cooperative may provide for the use of foreign currency proceeds

for activities that will enhance the effectiveness of the food assistance program being carried out pursuant to the commodity agreement. Under the *Senate* amendment, such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects designed to provide food to people with the greatest nutritional need, if such activities are directly related to the nonprofit voluntary agency's or cooperative's food assistance program. (Sec. 127.)

The *Conference* substitute adopts the *House* provision with an amendment deleting "directly supplement the transportation, distribution, and use of commodities and products donated under this subsection." and inserting in lieu thereof: "enhance the effectiveness of transportation, distribution, and use of commodities and products donated under this subsection, including food for work programs, and cooperative and agricultural projects."

(h) The *House* bill requires expenditure of such currencies within one year of the acquisition of the currencies, such expenditure to be within the country of origin, except as needed to expedite the transportation of commodities and directly supplement the transportation, distribution and use of commodities furnished in connection with such foreign sale agreements. (Sec. 1106.)

The *Senate* amendment requires that all foreign currencies generated pursuant to an agreement with a nonprofit voluntary agency or cooperative be expended within one year after the period of the agreement. (Sec. 127.)

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

(i) The *House* bill requires that 5 percent of the commodities provided under section 416 be provided for subsequent sale, except that such minimum does not apply to the extent there are insufficient requests for use of the local currency sales, or with respect to commodities made available in the new Food for Progress Program (item 8) below.

The *Senate* amendment requires, that to the extent practicable, that 5 percent of the aggregate value of commodities provided under section 416, be provided for subsequent sale. (Sec. 127.)

The *Conference* substitute adopts the *House* provision with an amendment to make the 5% applicable to the aggregate value of commodities

(j) The *House* bill contains a prohibition against the use of proceeds from the sale or barter of section 416 commodities and products for operating and overhead expenses. (Sec. 1106.)

The *Senate* amendment prohibits the use of such proceeds (1) for personnel or administrative costs incurred by a U.S. or recipient agency, other than a local cooperative; (2) for costs of construction or maintenance of a church-owned or operated edifice; or (3) to replace of resources otherwise available to a nonprofit voluntary agency or cooperative. (Sec. 127.)

The *Conference* substitute adopts the *House* provision with an amendment allowing proceeds to be used for personnel or administrative costs of a local cooperative.

(k) The *House* bill requires the Secretary to issue regulations governing sale and barter and the use of foreign currency proceeds under the donation program that will provide reasonable safeguards to prevent abuses. The Secretary is required to report by

April 1, 1987, and annually thereafter, on sales and barter and use of foreign currency proceeds. The report must contain information on the quantity of sales, the amount of funds generated, the use of the funds, and an appraisal of the effectiveness of the program. (Sec. 1106.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment changing the reporting date to February 15 and requiring that the Secretary of Agriculture be responsible for regulations governing sale and barter and the use of foreign currency sales. The amendment further provides that recipients of this donation program report to the Secretary of Agriculture on December 31, 1986, and at least annually thereafter on the quantity of commodities received, the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter, how such funds and services were used, and the amount of foreign currency proceeds that were used in the program.

(1) The *House* bill requires the Secretary to make available an annual minimum tonnage under section 416 (but not for the food for progress program) as follows: The minimum tonnage will be—

(i) 1.0 million tons in fiscal 1986 and 600,000 tons in fiscal 1987 of grains and oilseeds, or 10 percent of CCC uncommitted year-end stocks, whichever is less; and

(ii) at least 150 thousand tons of dairy products or 10 percent of CCC's uncommitted year-end stocks. (Sec. 1106.)

The *House* bill requires a detailed, written explanation by the Secretary for any year in which the above minimum levels are not made available and any requests for commodity use under this program are rejected. (Sec. 1106.)

The *Senate* amendment requires a minimum of 650,000 tons of annual disposals of commodities to private voluntary agencies and cooperatives under section 416(b), of which one half must be grains and cereals and of which not less than 150,000 tons must be distributed under the Food for Progress Program. (Sec. 127.)

The *Conference* substitute adopts the *House* provision with an amendment providing for 500,000 metric tons of grains and oilseeds or 10 percent of CCC uncommitted year-end stocks, whichever is less, and 10 percent of CCC uncommitted year-end daily stocks, but not less than 150,000 tons for fiscal years 1986 through 1990 for agreements with private voluntary organizations and cooperatives and in government-to-government programs and the World Food Program. The conferees encourage the Secretary to give priority to private voluntary organizations and cooperatives in entering into agreements for such commodities under this program. Of this amount, 75,000 metric tons shall be distributed under the Food for Progress Program.

(8) *Food for progress program*

(a) The *House* bill amends title III of the Agricultural Trade Development Assistance Act of 1954 by adding a new section 311 to authorize the President to negotiate and carry out multiyear agreements with developing countries, that have made commitments to agricultural policy reforms, providing for the furnishing of agricul-

tural commodities to such countries, on a credit or grant basis, to support reform and implementation of agricultural policy decisions based on free market principles. (Sec. 1107.)

The *Senate* amendment amends section 416 of the Agricultural Act of 1949 by adding a new subsection that provides, notwithstanding any other provision of law, in order to use the food resources of the United States more effectively in support of countries that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement, commodities and the products thereof acquired by the Commodity Credit Corporation that the Secretary determines meet the specified in section 416(a) (prevention of waste), may be furnished by the Secretary to carry out certain agreements entered into by the President. The President may enter into agreements with developing countries to furnish commodities and the products thereof made available under the program to such countries to promote the implementation of private, free enterprise agricultural policies for long-term agricultural development. Such commodities shall be furnished on such terms and conditions as the President considers are in the public interest and will promote the objectives of the program. (Sec. 128.)

(b) The *House* bill requires that before entering into such agreements the President shall be satisfied that such country is committed to certain specified policies. (Sec. 1107.)

The *Senate* amendment requires the President to consider—(1) whether a potential recipient country is committed to the same policies listed in the *House* bill, with the additional policies that may provide for construction of facilities and distribution systems necessary to handle perishable products; and (2) the ability to use the quantity of commodities being considered for donation without disruption of the internal market of the country for domestically produced agricultural commodities and the products thereof. (Sec. 128.)

(c) The *House* bill provides that notwithstanding any other provision of law, the Commodity Credit Corporation may use funds to carry out this program that have been appropriated to carry out title I of P.L. 480. The Commodity Credit Corporation may finance the sale and exportation of commodities furnished to a developing country under this section. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as the President may request for purposes of furnishing commodities on a grant basis under this section.

The *House* bill provides that any new spending authority provided shall be effective for any fiscal year only to such extent or in such amounts as are provided in advance in appropriation Acts. (Sec. 1107.)

The *Senate* amendment provides that no funds of the Commodity Credit Corporation in excess of \$30,000,000 (exclusive of the cost of commodities) any be used to carry out this subsection unless authorized in advance in appropriation Acts. (Sec. 128.)

The *Senate* amendment authorizes the Commodity Credit Corporation to purchase agricultural commodities and the products

thereof if (1) the Commodity Credit Corporation does not hold stocks of such commodities and the products thereof; or (2) Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this subsection and such commodities and the products thereof are needed to fulfill such commitments.

(d) The *Senate* amendment provides that—

(1) An agreement entered into under this program shall prohibit the resale or transshipment of the donated agricultural commodities to other countries.

(2) In entering into agreements with countries for the donation of agricultural commodities and the products thereof under this subsection, the President shall take reasonable precautions to avoid displacement of any sales of United States agricultural commodities and the products thereof that would otherwise be made to such countries.

(3) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) shall apply to agricultural commodities furnished under this subsection.

(4) The cost of the commodities furnished under this subsection, and the expenses incurred in connection with furnishing such commodities, shall be in addition to the level of assistance programmed under the Agricultural Trade Development and Assistance Act of 1954 and may not be considered expenditures for international affairs and finance.

(5) The President must carry out the duties imposed under this program through the National Security Advisor in the Executive Office of the President. The National Security Advisor, with the approval of the Secretary, may use personnel of the Department of Agriculture in carrying out this subsection.

(6) Within 120 days after the close of each fiscal year in which an agreement entered into with a country under this subsection is in effect, the President shall report to the *House* and *Senate* Agriculture Committees on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development.

(7) The program shall be effective during the period beginning October 1, 1985, and ending September 30, 1989. (Sec. 128.)

The *House* bill specifies that section 203 of the Act applies to commodities furnished on a grant basis to a developing country under this program. (Sec. 1107.)

(e) The *Senate* amendment specifies that a minimum of 150,000 tons and not more than 500,000 metric tons of commodities may be furnished in each of the fiscal year ending September 30, 1986, September 30, 1987, September 30, 1988, and September 30, 1989. (Sec. 127, 128.)

The *House* bill contains no comparable provision.

(f) The *House* bill provides that payment by a developing country for commodities purchased on credit terms shall be on the same basis as the terms provided in section 106 of P.L. 480. (Sec. 1107.)

The *Senate* amendment gives the President discretion to set the terms and conditions under which the commodities will be furnished. (Sec. 128.)

(g) The *Senate* amendment requires that the President report to the oversight committees on the status of the program within 120 days after the close of each fiscal year. (Sec. 128.)

The *House* bill contains no comparable provision.

The *Conference* substitute combines the *House* and *Senate* provisions in a new, freestanding "Food for Progress Act of 1985".

The new act authorizes the President to enter into agreements to provide food to countries to promote the implementation of private, free enterprise agricultural policies for agricultural development. Commodities provided under this Act would be bonuses above and beyond any assistance a country normally receives from the United States, and may be provided through authorities under Title I of Public Law 480 or Section 416 of the Agriculture Act of 1949.

The President is authorized to enter into multi-year commitments. In determining whether to enter into a Food for Progress agreement, the President shall consider whether the recipient country is carrying out or is committed to carry out policies that promote economic freedom, private, domestic production of food commodities for domestic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities; and whether the country is able to use the commodities without disruption of the internal market of the country for domestically produced agricultural commodities.

The substitute provides that not less than 75,000 tons be provided annually through Section 416 authorities for use under this act, provided there are a sufficient number of qualified participants to utilize this quantity. No more than 500,000 tons of commodities could be provided under this program in any year. However, the President is encouraged to utilize the entire 500,000 tons, provided that there are a sufficient number of qualified participants.

In entering into Food for Progress agreements, the President would be required to take reasonable precautions to avoid displacement of any sales of U.S. agricultural commodities that would otherwise be made to such countries, and any agreement entered into would have to prohibit the resale or transshipment to other countries, of commodities furnished under this Act.

(9) Sales for foreign currencies and private enterprise promotion

(a) The *House* bill amends section 106(b) of the Agricultural Trade Development Assistance Act to provide for agreements for the sale of agricultural commodities for dollars on credit terms that may provide that proceeds from the sales of the commodities in the recipient country shall be used for such private sector development activities as are mutually agreed upon by the United States and the recipient government. Proceeds used for private sector development activities shall be loaned by the recipient government to one or more financial intermediaries operating within the country for use by those financial intermediaries for loans to private individuals, private and voluntary organizations, corporations, cooperatives, and other entities within such country. As used, the term "private sector development activities" means activities

which foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion, and improvement of the production of goods and services within a recipient country; and the term "financial intermediaries" includes banks, cooperatives, private and voluntary organizations, and other financial institutions capable of making and servicing loans. (Sec. 1107.)

The *Senate* amendment amends section 101 of the Agricultural Trade Development and Assistance Act of 1954 by authorizing the President to enter into agreements with friendly countries for the sale of agricultural commodities to such countries for foreign currencies for use in the programs established by the Senate amendment as a new section 108 of the Act.

Sales for foreign currencies for fiscal year 1986, and each fiscal year thereafter, must be made at an annual level of not less than the higher of:

- (1) 25 percent of the aggregate value of all sales made under title I of the Act; or
- (2) 500,000 metric tons.

In no event, however, can such sales exceed 50 percent of the aggregate value of all sales made under title I of the Act during a fiscal year.

The minimum annual level of sales for foreign currencies may be reduced for fiscal years 1986, 1987, and 1988 if—

(A) there is an insufficient number of approved financial intermediaries that have entered into agreements with the Secretary of Agriculture to carry out the program;

(B) there are insufficient requests for loan funds by financial intermediaries to utilize the foreign currencies generated by such sales; or

(C) the President requires additional time to implement the program, except that, the minimum annual level of such sales for foreign currencies for fiscal year 1986 may not be reduced below 5 percent of all title I sales made during that fiscal year. The floor under the minimum sales for foreign currencies increases to 10 percent for fiscal year 1987 and 15 percent for fiscal year 1988.

Agreements for sales for foreign currency may not be entered into the extent that such agreements would generate currency that could not be productively used and absorbed in the private sector of the purchasing country. Agreements for sales of agricultural commodities for foreign currencies will be made on such terms and conditions as are specified in the sales agreements. (Sec. 128.)

(b) The *Senate* amendment amends section 103 of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) to make conforming amendments. Specifically, section 103(b) is amended to permit any credit sale entered into under title I to include provision for payment in foreign currency for use in the program to be authorized as section 108. Sections 103(d) and 103(n) of P.L. 480 are also amended to delete specific references to sales agreements for dollars on credit terms, so that these sections will apply to all types of sales now authorized under title I. (Sec. 128.)

Sections 103(m), 103(p), and 103(q) of P.L. 480 are amended to clarify that the requirements in those sections pertaining to the

convertibility of foreign currencies are not applicable to foreign currencies received for use in the new lending program.

Section 103(m) of P.L. 480 is also amended to require that foreign currency acquired for use under section 108 of the Act will be converted to dollars pursuant to a schedule for conversion established in the commodity sales agreement. The schedule must provide for conversion to dollars beginning no later than 10 years after the date of the last delivery of commodities under the sales agreement, and be completed no later than 30 years after the date of the last delivery.

Foreign currencies generated under these provisions can be used in the program authorized in section 108. The payment terms sales for foreign currencies may be on such terms as are agreed upon in the agreement.

The *House* bill contains no comparable provision.

(c) The new section 108, as proposed in the *Senate* amendment

(1) Gives authority to the President to enter into agreements with financial intermediaries, under which the President would lend to the financial intermediary located or operating in a developing country foreign currency earned from commodity sales to that country. The foreign currency available for lending is limited to currencies generated from sales agreements entered into after the date of enactment of the Agriculture, Food, Trade and Conservation Act of 1985. The purpose of such lending is to foster and encourage the development of private enterprise institutions and infrastructure as the base for increasing the production of food and related goods and services within the developing country.

(2) In order to obtain a foreign currency loan from the President, a financial intermediary must enter into an agreement in which it agrees to make loans to private individuals, cooperatives, corporations or other entities at reasonable rates of interest for the purpose of financing—

(A) Productive private enterprise investment within the country;

(B) Private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and products; or

(C) Private enterprise support of self-help measures and projects.

(3) An agreement between the President and a financial intermediary must specify the terms and conditions under which the foreign currency must be used and subsequently repaid, including the following:

(A) The financial intermediary must, to the maximum extent feasible, give preference to financing agriculturally related private enterprise;

(B) The financial intermediary must repay loans made, plus accrued interest, at such times as will permit conversion of the foreign currency in accordance with the conversion schedule agreed upon, but in no event later than the date specified in section 103(m) of the Act; and

(C) The financial intermediary may repay a loan prior to the repayment date specified in the loan agreement.

(D) An entity or venture receiving funds from a financial intermediary must—

(i) be owned, directly or indirectly, by citizens of the developing country, except that not more than 25 percent of such ownership may be held by citizens of the United States; and

(ii) may not be owned or controlled, in whole or in part, by the Government of the developing country or any governmental subdivision thereof.

(E) the rate of interest charged on loans made to financial intermediaries will be negotiated between the President and the intermediary. A cooperative or nonprofit voluntary agency acting as a financial intermediary may be charged a lower rate of interest than would otherwise be charged in order to defray the start-up costs of becoming a financial intermediary or a foreign currency grant could be made to defray the start-up costs of becoming a financial intermediary.

(F) no foreign currency may be made available to promote the production of agricultural commodities, that as determined by the President would compete in world markets with United States commodities or products.

(G) the President may not condition loan eligibility on a guarantee of repayment made by the developing country in which the borrowing intermediary is located or is operating.

(4) All currencies repaid by financial intermediaries will be deposited and accounted for under the provisions of section 105 of P.L. 480 and, when repaid, may be used to fund additional loans to financial intermediaries; agricultural market development activities; payment of United States obligations; or be converted to dollars.

(5) The loan agreements between the President and the financial intermediaries will be subject to periodic audit. Not later than 180 days after the close of each fiscal year, the President must report to the House and Senate Agriculture Committees on the activities carried out under section 108, including an evaluation of the impact of the lending activities carried out during the preceding year.

(6) The President may provide agricultural technical assistance to further the purposes of the program. The Secretary must, to the maximum extent practicable, use at least 5 percent of the foreign currencies initially obtained for use under section 108 to pay for this assistance. (Sec. 121.)

The *House* bill contains no comparable provisions.

(b) The Senate amendment amends section 2 of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) by adding to the existing statement of policy the policies of using foreign currencies accruing under the Act to foster and encourage the development of private enterprise in developing countries, and the enhancing of food security in developing countries through local food production.

The *Senate* amendment also includes the Congressional finding that additional steps should be taken to use the agricultural abundance produced by American farmers to relieve hunger and promote long-term food security and economic development in developing countries, in accordance with development assistance policy established under section 102 of the Foreign Assistance Act of 1961, and to promote United States agricultural trade interests. (Sec. 120.)

The *House* bill contains no comparable provisions.

The *Conference* Substitute combines the House and Senate provisions. It amends Title I of Public Law 480 to authorize the use of foreign currencies accruing from Title I concessional loans for promoting private enterprise in developing countries.

Under these authorities, foreign currencies would be loaned to financial intermediaries in countries purchasing Title I commodities for use in providing loans for private enterprise investment. Financial intermediaries may include banks, financial institutions, cooperatives, nonprofit voluntary agencies, or other organizations or entities, as determined by the President, that have the capability of making and servicing a loan in accordance with this section.

The loans would go to private individuals, cooperatives, corporations, or other nongovernmental entities for productive private enterprise projects.

Funds loaned by financial intermediaries could not be used to finance state-owned entities or ventures, or to produce commodities or products that would compete with U.S. commodities or products. In addition, upon signing Title I agreements making local currencies available for private investment, the President would be required to ensure that notice is placed in publications to make local private enterprise and financial intermediaries aware of the availability of these currencies.

Under authorities provided for in the House provision, the foreign currencies for this private enterprise promotion program would be provided by the host government in an amount equal to the value of the commodities received through Title I sales for dollars on credit terms. The host government-owned currencies would be applied from a jointly programmed account. The host government would continue to pay its PL 480 Title I dollar debt to the United States as under current law.

Under authorities provided for from the Senate provision, the President could enter into agreements with friendly countries for the sale of commodities for foreign currencies convertible to dollars for use in private enterprise development.

Included in the agreements would be a schedule permitting the conversion of these currencies to dollars 10 to 30 years following delivery of the commodities. Prior to conversion of these currencies, the President is authorized to loan the currencies to financial intermediaries in purchasing countries for use in private enterprise investment. These loans are to be made at reasonable interest rates consistent with business practices. However, preferential rates of interest or local currency grants may be provided to cooperatives and private voluntary organizations to help defray startup costs of becoming a financial intermediary.

Once the financial intermediaries begin to make repayments of their loans to the President, he may convert such currencies into dollars in accordance with the conversion schedule included in the original sales agreement, reloan the currencies to financial intermediaries to finance additional private investment, use the currencies for agricultural market development, or use the currencies to pay U.S. obligations within the recipient country.

For fiscal years 1986 through 1990, no less than 10 percent of the aggregate value of P.L. 480 Title I agreements are to be made for local currencies for use in this program, provided that this requirement may be waived in any year in which meeting the minimum would result in a significant reduction in the volume of commodities furnished under Title I.

To the maximum extent practicable, at least 5 percent of the foreign currencies generated under these sales agreements may be used to provide agricultural technical assistance, including the funding of market development activities.

In providing for this program utilizing U.S. owned foreign currencies, the managers recognize that some exchange rate risks are entailed in the program. In addition, auditing of this program may be done through certification procedures, distribution of these currencies does not entail restrictions placed on domestic distribution of Federal funds, and the program is not intended to affect currency use payments.

The authorities in the House provision provide for private enterprise promotion activities to be operated in conjunction with sales of agricultural commodities for dollars on credit terms. Proceeds from the sales of these commodities in the recipient countries—equal to the value of the commodities provided—shall be placed in jointly programmed, special accounts for use for private sector development activities as are mutually agreed upon by the United States and the recipient countries. These activities would require the loaning of the proceeds to financial intermediaries within the country for the purpose of providing loans to private entities.

For each of the years of the bill, the President is encouraged to channel foreign currencies, in an amount equivalent to 25 percent of the value of Title I sales agreements, for use in loans provided for under the authorities in the Conference substitute, to the extent that there are appropriate proposals for such use.

In providing for these new authorities, the Conferees recognize their consistency with the will of Congress to direct foreign assistance more toward the private sector. Furthermore, the managers intend to judge the performance of the administration of these authorities on the quality of investments made under the program, and not upon the volume of funds directed into financial intermediaries in any recipient country.

The Conferees further intend that the performance of these, and other programs with mandatory minimums or targets be examined thoroughly during the next reauthorization of P.L. 480.

(10) Child immunization programs

The House bill amends the Agricultural Trade Development Act of 1954 (P.L. 480) to include the immunization of children as one of the self-help measures that the President must consider before

making an agreement for the sale of commodities to that country. The *House* bill also authorizes the use of funds made available under title II for the immunization of children. The bill sets a target for the immunization, by fiscal year 1987, of at least three million more children annually than received immunizations under such programs in fiscal year 1985. The increased immunization activity should be undertaken in coordination with similar efforts of other organizations and in keeping with any national plans for expanded programs of immunization. The President must include information concerning such immunization activities in the annual reports required by section 634 of the Foreign Assistance Act of 1961, including a report on the estimated number of immunizations provided each year pursuant to this subsection. (Sec. 1108.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment that deletes the numerical immunization target and substitutes a directive that those organizations and agencies implementing health programs increase the level of immunizations.

(11) Special Assistant for Agricultural Trade and Food Aid

The *Senate* amendment provides that the President must appoint, with the advise and consent of the Senate, a Special Assistant to the President for Agricultural Trade and Food Aid to serve in the Executive Office of the President.

The Special Assistant would be required to—

- (1) assist the President to improve U.S. food assistance programs carried out in foreign countries,
- (2) coordinate food assistance programs carried out by the Department of Agriculture and AID,
- (3) make recommendations on ways to increase the use of U.S. agricultural commodities through food assistance programs,
- (4) advise the President on agricultural trade,
- (5) serve as a member of the Development Coordination Committee and as Chairman of the Food Aid Subcommittee, and
- (6) issue policy guidelines on food assistance policy.

The Special Assistant would be authorized to—

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

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

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

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

(B) make recommendations to the President and Congress with respect to the effectiveness of these programs and activi-

ties in contributing to the United States agricultural industry. (Sec. 129.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment providing for a Special Assistant to the President for Agricultural Trade and Food Aid who shall advise, assist, and make recommendations over the broad range of United States agricultural export and food aid matters, and expedite program implementation in any instances in which there is unreasonable delay. He shall serve in the Executive Office of the President, but not be in the lines of authority which exist in the Federal Government for the Secretary of Agriculture, the Administrator of the Agency for International Development, and other departmental and agency heads. The duties of the Special Assistant shall include:

Assisting and advising the President in order to improve United States food assistance abroad; receiving suggestions and complaints about the implementation of United States food aid and agricultural export programs of any Federal agency and providing prompt responses thereto, including expediting the implementation in any cases in which there is unreasonable delay;

Making recommendations to the President on means to coordinate the manner in which Federal food aid programs are carried out in order to improve their effectiveness; and making recommendations to the President on measures to be taken to increase use of United States agricultural commodities abroad through foreign food assistance programs;

Advising the President on agricultural trade;

Advising the President on the Food for Progress program and expediting its implementation;

Serving as a member of the Development Coordination Committee and its Food Aid Subcommittee, and advising Federal departments and agencies on their guidelines on food aid policy to the extent necessary to assure the coordination of food aid programs, consistent with law and the Subcommittee's advice;

Submitting an annual report to the President and Congress within one year after the enactment of this Act and annually thereafter through fiscal year 1990, containing a global analysis of world food needs and protection, identifying at least 15 countries which are most likely to emerge as growth markets for agricultural commodities over the next 5-10 years, and a detailed plan for using available export and food aid authorities to increase United States agricultural exports to these target countries.

The duties of the Special Assistant shall also include:

Soliciting information and advice from private as well as governmental sources and recommending to the President and Congress measures that should be taken to promote United States agricultural exports and expand United States agricultural markets abroad;

Recommending to the President national agricultural policies to promote the United States agricultural industry;

Appraising various Federal programs and activities affecting the United States agricultural industry to determine the extent to which they are contributing to the United States agricultural industry and making recommendations to the President and Congress on the effectiveness of such programs and activities.

(12) Trade Policy Declaration

The *House* bill includes Congressional findings regarding the significant decline in the volume and value of U.S. agricultural exports as a result of unfair foreign competition and the high value of the dollar. It further states that U.S. agricultural trade policy should be:

- (1) To provide by all means possible for export of agricultural commodities and their products at competitive prices;
- (2) To support the principle of free trade and the promotion of fairer trade;
- (3) To cooperate in all efforts to negotiate reductions in barriers to fair trade;
- (4) To counter aggressive unfair trade practices by all available means;
- (5) To remove foreign policy constraints in order to maximize agricultural trade;
- (6) To provide for consideration of U.S. agricultural trade interests in the design of national fiscal and monetary policy.

The *House* bill also declares Congressional findings to the effect that the present high level of agricultural protectionism contrasts with the general trade liberalization achieved under the General Agreement on Tariffs and Trade; the protective effect of domestic subsidies alters trade indirectly by reducing demand for imports and increasing the supply of exports; current GATT rules distinguish between primary and manufactured products; the rule permitting export subsidies on primary products has proven unworkable; and a unified treatment of tariffs and subsidies would clarify trading rules for market participants and simplify trade negotiations. (Secs. 1121, 1133.)

The *Senate* amendment provides findings regarding the need for open and fair trade, the adverse effects of unfair trade practices of many countries on exports of U.S. agricultural commodities, and the need for more effective rules governing international agricultural trade. It further states that it is the policy of the U.S. to (1) promote free and active world trade in agricultural goods through negotiations to reduce or eliminate restrictive trade practices, and (2) to reduce or eliminate U.S. restrictions on imports of agricultural goods as part of an international program of mutual opening of agricultural trade markets. (Sec. 107.)

The *Conference* substitute adopts the *House* provision with an amendment deleting Congressional findings regarding certain GATT rules.

(13) Agricultural trade consultation

(a) The *House* bill requires the Secretary of Agriculture, in coordination with the U.S. Trade Representative, to initiate and pursue multilateral agricultural trade consultations among major agricultural producing countries at the earliest possible date and to

report to the Congress annually, beginning July 1, 1986, on the progress of these efforts and on any agreements reached.

The *House* bill declares the sense of Congress to the effect that the objectives of such consultations should be to increase the exchange of information on world-wide agricultural production, demand, and commodity supply levels; determine a more equitable sharing of responsibility for maintaining agricultural commodity reserves and managing supplies of agricultural commodities; and attain increased cooperation in restraining export subsidy programs. (Sec. 1122.)

The *Senate* amendment declares it the sense of the Congress that the President should at the earliest practicable time after enactment of the bill convene an international conference of major agricultural nations to discuss trade and agricultural problems, and initiate a new round of multilateral trade negotiations with trading partners of the United States. (Sec. 107.)

The *Conference* substitute adopts the *House* provision but deletes the term "multilateral" and limits the annual reporting requirement through fiscal year 1990.

(b) The *House* bill expresses the sense of the Congress that the President should negotiate with other parties to GATT to revise GATT rules so that agricultural export subsidies would be treated the same as tariffs and primary products the same as manufactured products. (Sec. 1133.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment urging that the objectives of the GATT negotiations be to reduce agricultural export subsidies, tariffs, and non-tariff barriers to trade.

(14) Department of Agriculture export development programs

(a) The *House* bill authorizes the Secretary in fiscal year 1986 to use \$325 million for direct export credit under the blended credit export sales program. (Sec. 1123.)

The *Senate* amendment requires the Secretary of Agriculture in each of fiscal years 1986 through 1988 to use not less than \$325 million in Commodity Credit Corporation funds, or an equal value of commodities owned by the CCC, for export activities. For each of fiscal years 1989 through 1991, the Secretary is authorized to use for export activities such funds of the CCC as the Secretary deems necessary, or an equal value of CCC commodities. The Secretary is instructed to use the funds or commodities only to counter the subsidies, import quotas, or unfair trade practices of a foreign country.

As used in the above provision, the term subsidy includes an export subsidy, tax rebate on exports, financial assistance on preferential terms or for operating losses, assumption of production and distribution costs, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices. In addition, the Secretary is required to provide export assistance under this provision on a priority basis in the case of agricultural commodities that have been the subject of a favorable decision under section 301 of the Trade Act of 1974, or that have been ad-

versely affected by retaliatory actions related to a favorable decision under section 301 of the Trade Act. (Sec. 104.)

The *Conference* substitute adopts the *Senate* amendment with an amendment extending the annual minimum funding level of \$325 million through fiscal year 1990.

(b) The *House* bill requires the Secretary in fiscal year 1986 to make available not less than \$5 billion in short-term credit guarantees under the Export Credit Guarantee Program (GSM-102); and prohibits the Secretary from charging an origination fee with respect to any GSM-102 credit guarantee in excess of an amount equal to one-third of one percent of the credit extended. (Sec. 1123.)

The *Senate* amendment requires the Commodity Credit Corporation to make available for each of fiscal years 1986 through 1989 not less than \$5 billion in short-term credit guarantees and requires CCC, before extending the credit, to consider the credit needs and credit-worthiness of recipient countries, and whether provision of the guarantees will improve the competitive position of United States agricultural exports. (Sec. 102.)

The *Conference* substitute adopts the *Senate* amendment with an amendment extending the \$5 billion annual loan guarantee authorization level through fiscal year 1990 and limiting to 1 percent the amount of any loan guarantee origination fee.

(15) Cooperator Market Development Program

The *House* bill expresses the sense of the Congress that the cooperator market development program of the Foreign Agricultural Service should be continued to help develop new markets and expand and maintain existing markets for United States agricultural commodities, using nonprofit agricultural trade organizations to the maximum extent practicable. The program is exempted from the requirements of Circular A 110 issued by the Office of Management and Budget. (Sec. 1124.)

The *Senate* amendment states the Sense of the Congress that the market development activities of the Foreign Agricultural Service should be expanded with emphasis on funding an export market development program for value-added farm products and processed foods at a higher funding level than that provided during fiscal year 1985. (Sec. 107.)

The *Conference* substitute adopts both the *House* provision and the *Senate* amendment.

(16) Use of Commodity Credit Corporation commodities for export assistance

(a) The *House* bill requires the Secretary of Agriculture to implement during the marketing years 1985 through 1990 a program under which commodities acquired or purchased by the Commodity Credit Corporation would be provided at no cost or reduced cost to exporters, processors, or foreign purchasers to encourage the development and expansion of export markets for U.S. agricultural commodities. (Sec. 1125.)

The *Senate* amendment contains a similar provision but would authorize the program through September 30, 1989, and would use commodities and products acquired by the CCC. In addition, the *Senate* amendment would encourage the development, mainte-

nance, and expansion of export markets for value-added or high value agricultural products produced in the United States. (Sec. 106.)

The *Conference* substitute adopts the *Senate* amendment with an amendment to extend the program through September 30, 1990.

(b) The *House* bill would define the term "agricultural commodities" to include wheat, feed grains, upland cotton, rice, soybeans, and dairy products produced in the United States; any other agricultural commodity determined by the Secretary to be in surplus supply and that can be purchased with section 32 funds; and products of the foregoing commodities that are processed in the United States. (Sec. 1125.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with a conforming amendment to include "users" among those eligible to receive commodities.

(c) The *House* bill requires the Secretary to provide agricultural commodities, or cash, or both under the program to the extent necessary to counter or offset the adverse effect on U.S. exports of an agricultural commodity of subsidies or unfair trade practices of foreign countries and authorizes the Secretary to provide agricultural commodities under the program (A) to compensate for the high value of the U.S. dollar to increase the competitiveness of U.S. agricultural commodities in world markets; (B) to compensate overseas purchasers for any increases in the U.S. dollar while credit is outstanding; (C) to offset interest charges that accrue on credit purchases of U.S. agricultural commodities; (D) offset transportation charges in the export of U.S. agricultural commodities; (E) in barter or countertrade transactions; (F) for overseas sale to obtain foreign currencies to finance overseas trade offices; and (G) for any other comparable purpose to expand U.S. agricultural exports and ensure competitiveness for U.S. agricultural commodities. (Sec. 1125.)

The *Senate* amendment authorizes the Secretary to provide commodities and products to counter or offset (A) foreign subsidies or unfair trade practices that benefit foreign agricultural producers, processors or exporters; (B) adverse effects of U.S. agricultural price support levels that are temporarily above the export prices offered by overseas competitors; or (C) fluctuations in the exchange rate of the U.S. dollar. In addition, the *Senate* amendment would authorize the Secretary to provide commodities and products in conjunction with an intermediate export credit program for the export sale of breeding animals (including cattle, swine, sheep, and poultry) and the cost of freight from the United States to foreign countries; and for the establishment of facilities in the importing nation to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities (through the use of local currency sales). (Sec. 106.)

The *Conference* substitute adopts the *Senate* amendment with an amendment (1) to require that the commodities and products shall be provided to the extent necessary for the program, and (2) that such commodities may provided for the additional purpose of making United States commodities more competitive.

(d) The *House* bill authorizes the Secretary in carrying out the program to provide different agricultural commodities than those involved in the transaction for which assistance under the program is being provided. (Sec. 1125.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to provide that any price restrictions that otherwise may be applicable to dispositions of CCC-owned agricultural commodities would not apply to agricultural commodities provided under this program.

(e) The *Senate* amendment authorizes the Secretary to provide agricultural commodities to countries that do not meet the financial qualifications for export credit or credit guarantees provided by the Commodity Credit Corporation to reduce the cost to the country of purchasing U.S. agricultural commodities and allow the country to meet the qualifications. The Secretary must review and adjust annually the quantity of commodities provided to the country in order to encourage the country to place greater reliance on increased use of commercial trade to meet the financial qualifications. (Sec. 106.)

The *House* bill contains no comparable provision.

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

(f) The *Senate* amendment authorizes the Secretary to make available to commercial exporters, under terms established by the Secretary, transferable export certificates, known as "green dollar export certificates". These certificates could be redeemed by the exporters within 6 months of issuance for commodities owned by the CCC. (Sec. 106.)

The *House* bill contains no comparable provision.

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

(g) The *Senate* amendment provides that if a foreign purchaser sells agricultural commodities received under authority of the program and uses the receipts for the construction or rehabilitation of facilities in the importing country to improve the handling, marketing, storage, or distribution of U.S. agricultural commodities, the purchaser would be eligible for distributions of supplemental commodities. (Sec. 106.)

The *House* bill contains no comparable provision.

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

(h) The *House* bill would require the Secretary to report to Congress, not later than March 1 of the second calendar year following enactment, on the operation of the program, including an analysis of the current level of agricultural exports to each country in comparison with the level of exports to that country during the period 1979 through 1982. (Sec. 1125.)

The *Senate* amendment contains no comparable provisions.

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

The *Senate* amendment requires the Secretary, during the period October 1, 1985 through September 30, 1988, to use not less than \$2,000,000,000 of agricultural commodities and products to carry out the program. (Sec. 106.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with an amendment requiring that, to the maximum extent practicable,

commodities shall be used under the program in equal amounts throughout the three-year period fiscal years 1986 through 1988.

(j) The *Senate* amendment provides that in any program operated by the Secretary during the years 1986 through 1989, for the purpose of encouraging or enhancing commercial sales in foreign markets of agricultural products or commodities produced in the United States which include the payment of a bonus or incentive to the purchaser, the Secretary must expend annually at least 15 percent of the total funds available (or 15 percent of the value of any commodities used to encourage the sales) for program activities to encourage and enhance the export sales of poultry, beef or pork meat and meat products. (Sec. 1946.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment that the Secretary shall seek (rather than be required) to expend annually at least 15 percent of the funds or commodities to enhance the export sales of poultry, meat and meat products, through fiscal year 1990.

(17) Barter and Countertrade Transaction

The *House* bill authorizes the Secretary in carrying out barter and countertrade transactions, as authorized under the provisions of the bill, to acquire and hold strategic or other materials that the United States does not domestically produce in sufficient amounts and for which national stockpile or reserve goals established by law are unmet.

The *House* bill requires the Secretary to establish a pilot program to carry out, during fiscal year 1986, such barter and countertrade transactions. In establishing the pilot programs the Secretary would give priority to materials that entail less risk of loss through deterioration and have lower storage costs than the agricultural commodities they replace and to nations with food and currency reserve shortages. The Secretary must consider barter and countertrade opportunities with Zaire, Zimbabwe, Zambia, Malaysia, Brazil, and Nigeria for specified commodities. The Secretary must report to Congress not later than March 30, 1986, on progress in implementing the pilot programs.

The Secretary would also be authorized to store strategic materials acquired under barter or countertrade and to permit the use of such materials as collateral to secure loans to finance the export of U.S. agricultural commodities. (Sec. 1125.)

The *Senate* amendment provides for a similar pilot program using specified commodities under section 416 of the Agricultural Act of 1949. The pilot program would be carried out during fiscal years 1986 and 1987 through agreements with at least 2 countries. The Secretary must submit a report to Congress not later than 60 days after the end of each fiscal year concerning the operation of the program. (Sec. 1942.)

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

(18) Export Advisory Council

The *House* bill establishes an Export Advisory Council to advise the Secretary of Agriculture and the United States Trade Representative on the operation of the export bonus program described

under item (15). The Council is to be comprised of 14 members, including the Secretary of Agriculture, the United States Trade Representative, and 3 members named by each of the following: the Chairman and ranking minority member of the Committee on Agriculture of the House of Representatives and the Chairman and ranking minority member of the Committee on Agriculture, Nutrition, and Forestry of the Senate. (Sec. 1126.)

The *Senate* amendment contains no comparable provision.

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

(19) Agricultural export credit revolving fund

The *House* bill reauthorizes the Agricultural Export Credit Revolving Fund through fiscal year 1990 and authorizes the Fund to extend credit on terms of up to ten years and to make loans to meet credit competition for export sales. The bill requires that all funds received by the Commodity Credit Corporation in repayment for direct export credit extended after September 30, 1985, be added to the fund, and deletes the requirement that new loans be made by the fund only to the extent provided in annual appropriations Acts. (Sec. 1127.)

The *Senate* amendment reauthorizes the fund through fiscal year 1989. (Sec. 103.)

The *Conference* substitute adopts the *Senate* amendment with an amendment authorizing the Fund through fiscal year 1990.

(20) Intermediate export credit

The *House* bill amends the Food for Peace Act of 1966 to clarify that intermediate export financing may be provided in the form of direct or guaranteed credit generally to promote United States agricultural exports. The bill authorizes up to 10 percent of direct credit repayments in the form of local currency which may be used to develop markets in a country in cooperation with the private sector. The Secretary is required to make available, through fiscal year 1990, not less than \$500 million annually for intermediate export credit, of which not less than \$150 million shall be for financing facilities to handle and distribute imported agricultural commodities, and not less than 25 percent shall be in the form of direct credit. (Sec. 1128.)

The *Senate* amendment similarly provides for direct and guaranteed intermediate export credit and deletes the current requirements that export sales agreements financed under the provision be subject to review by the National Council on International Monetary and Financial Policies and that sales agreements for the purpose of establishing reserve stocks not be made effective until the agreements have been transmitted to the *House* and *Senate* Agriculture Committees. The amendment encourages the Secretary to provide intermediate credit to purchasers from countries that were previous recipients of credit under title I of the Agricultural Trade Development and Assistance Act of 1954, are unable to utilize other short-term credit programs, and are friendly countries. The amendment also permits the intermediate export credit program to be used to finance the importation of agricultural commodities by developing nations for use in meeting their food and fiber needs. The amendment authorizes the Secretary to determine the rate of

interest on direct credit loans, and requires the Commodity Credit Corporation to make available not less than \$500 million in intermediate export credit guarantees for each fiscal year 1986 through 1988, and not more than \$1 billion in intermediate export credit guarantees in fiscal year 1989. The amendment includes sense of the *Senate* language that the intermediate export credit program should be expanded to include guarantees in order to provide more export marketing flexibility and to improve the capability of importing countries to purchase United States agricultural commodities. (Sec. 101, 1984.)

The *Conference* substitute adopts the *Senate* amendment with an amendment deleting the sense-of-the-*Senate* language.

(21) *Export subsidy reports*

The *House* bill contains Congressional findings concerning the impact of aggressive trading practices and export subsidies of foreign governments on the sale of U.S. agricultural commodities abroad. The Secretary of Agriculture is directed to require detailed information annually from USDA employees stationed abroad on the export subsidies provided by the foreign governments, and identify in those countries opportunities for U.S. agricultural exports. The Secretary shall compile the information annually and make it available to Congress and other interested parties.

The *House* bill also contains a statement of Congressional findings concerning U.S. agriculture exports and obstacles by foreign nations to agricultural commerce, and directs the Secretary of Agriculture to submit an annual report to Congress and the President detailing foreign tariffs, subsidies, and other practices disadvantaging U.S. farm exports. (Secs. 1130, 1161, 1162.)

The *Senate* amendment directs the Secretary to require detailed reports from USDA employees stationed abroad on the agricultural export subsidies and other trade practices impeding U.S. agricultural exports where they are stationed, and identify opportunities for U.S. agricultural exports, with the Secretary to compile the information and make it available to Congress and interested parties including the Agricultural Policy Advisory Committee and the agricultural technical advisory committees established under section 135 of the Trade Act of 1974.

The *Senate* amendment (1) directs the U.S. Trade Representative to review the above reports, identify markets (in order of priority) in which offsetting U.S. export subsidies can be used most efficiently, and submit to Congress and the Secretary an annual report on the foreign subsidy situation and identification potential of U.S. markets for offsetting subsidies; and (2) requires an annual meeting of the Agricultural Policy Advisory Committee and the technical committees to develop recommendations for U.S. actions to reduce the trade distortions identified in the annual reports and expand U.S. agricultural export opportunities identified in the report.

The *Senate* amendment encourages the President to commence negotiations with other countries to reduce trade barriers identified in the reports, and requires that he report periodically to Congress on the actions taken. (Sec. 109.)

The *Conference* substitute adopts the *Senate* amendment with an amendment deleting the requirement that the President commence

negotiations with other countries to reduce trade barriers and clarifying that all appropriate USDA officers and employees, including those stationed abroad, shall be required to provide information on the nature of foreign export subsidies, unfair trade practices, and trade opportunities.

(22) Contract sanctity and producer embargo protection

The *House* bill declares it to be U.S. policy not to restrict or limit the export of U.S. agricultural commodities, or products except under the most compelling circumstances, that any such prohibition or limitation be imposed only in time of a national emergency under the terms of the Export Administration Act, and that contracts entered into before prohibitions or limitations are imposed should not be abrogated. (Sec. 1131.)

The *Senate* amendment amends section 1204 of the Agriculture and Food Act of 1981 to limit to direct payments in the form of compensation that may be made to producers of agricultural commodities for which export controls have been imposed. Section 1204 of the Agriculture and Food Act provides for embargo protection in the form of direct payments or loans at 100 percent of parity or a combination of both to producers of agricultural commodities subject to certain export controls. (Sec. 111.)

The *Conference* substitute adopts both the *House* provisions and the *Senate* amendment.

(23) Study to reduce foreign exchange risk

The *House* bill mandates a study by the Secretary of Agriculture to determine the feasibility, practicability and cost of implementing a program to reduce the risk of foreign exchange fluctuations incurred by purchasers of U.S. agricultural exports under U.S. export credit promotion programs. The results of the study shall be reported to the House and Senate agriculture committee within six months. (Sec. 1132.)

The *Senate* amendment contains no comparable provision.

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

(24) Cargo preference

(a) The *House* bill states that nothing in this Act shall be construed as exempting export activities from the cargo preference laws except to the extent that they were exempt under the existing law (PL 95-501) before September 13, 1985. (Sec. 1141.)

The *Senate* amendment makes congressional findings that productive and healthy U.S. agriculture and maritime industries are vitally important to the U.S., that both industries must compete in international markets increasingly subject to foreign subsidies and trade barriers and that increased agricultural exports and utilization of U.S. merchant vessels help the U.S. trade balance and generate employment opportunities. It declares that it is the policy of Congress to clarify ocean transportation requirements in order to permit USDA to plan its exports effectively, to take immediate steps to promote the growth of U.S. cargo carrying capacity, to expand U.S. international agricultural trade, and to improve the administrative efficiency of both commodity transactions and ocean transport activities associated with USDA sponsored export pro-

grams, and to stimulate both the agricultural and maritime industries. (Sec. 131.)

The *Senate* amendment also provides that the cargo preference requirements of the Merchant Marine Act, 1936, and the Joint Resolution of March 26, 1934, do not apply to any USDA or CCC export activity—

(1) under which CCC-acquired commodities are made available for the purposes of developing, maintaining, or expanding export markets for U.S. agricultural commodities or products at previously world market prices;

(2) under which payments are made available to U.S. exporters, users, or processors (or grants are made available to importers, so long as the cash grant does not result in the grantee paying less than the prevailing world market price for the commodities purchased) for purposes of developing, maintaining, or expanding export markets for U.S. agricultural commodities at prevailing world market prices;

(3) under which commercial credit guarantees are blended with direct CCC credit to reduce effective interest rates on export sales of U.S. commodities;

(4) under which CCC short term credit or credit guarantees are extended to finance or guarantee export sales of U.S. commodities; and

(5) under which commodities or products that are owned, controlled, or under loan from the CCC are exchanged or bartered for materials, goods, equipment, or services at prevailing world market prices. (Sec. 132.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment, technical in nature, including the positioning of the amendment in the Merchant Marine Act, 1936.

(b) The *Senate* amendment requires that the percentage of agricultural cargoes that are subject to the cargo preference laws is, to offset cargoes declared exempt in the preceding section, to be increased from the present 50 percent of certain cargoes to 60 percent of the such cargoes in calendar year 1986, 70 percent in 1987, and 75 percent in 1988 and thereafter.

The agricultural commodities and products that will be subject to the new higher levels of cargo preferences are:

(1) those exported under P.L. 480;

(2) those exported under section 416 of the Agricultural Act of 1949 (section 416 donations) and the Food Security Wheat Reserve Act of 1980;

(3) those donated to foreign governments or sold on credit terms of more than 10 years;

(4) commodities being made available for emergency food relief at less than prevailing world market prices;

(5) those purchased through the use of cash grants, if the grants result in the purchasers paying less than the prevailing world market price for such commodities; and

(6) those owned, controlled or under loan from the CCC that are exchanged or bartered for materials, goods, equipment, or services at prices other than prevailing world market prices. The requirement for U.S. flag transportation is subject to the

terms and conditions provided in section 901(b) of the Merchant Marine Act, 1936.

In implementing this cargo preference requirement, the Secretary of Transportation shall give due consideration to the availability of U.S.-flag vessels to transport the commodities. The Secretary of Transportation also shall administer the cargo preference provisions in a flexible manner, to the maximum extent practicable within the law, giving due consideration to historical trading patterns and to divisions in U.S. international shipping trades between bulk and liner service to particular geographic areas. The Secretary must administer the program in a manner which preserves to the greatest extent practicable the mean historical port range share of cargoes subject to cargo preference that are exported from the Atlantic, Gulf, Pacific, and Great Lakes port ranges.

In addition, the Secretary of Transportation must take whatever steps are necessary and practicable to preserve during calendar years 1986, 1987, 1988 and 1989, the percentage share, or metric tonnage, whichever is lower, of bagged, processed, or fortified commodities, exported under P.L. 480 title II in 1984 from Great Lakes ports.

The determination of prevailing world market prices for agricultural commodities shall be determined in accordance with procedures established by the Secretary of Agriculture. In event of a determination in the case of barter or exchange, the determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

The *House* bill contains no comparable provision.

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

(1) deleting the requirement that the Secretary of Transportation give due consideration to the availability of U.S. flag vessels to transport the commodities and deleting the language dealing with flexible administration of the program as well as the reference to the division between bulk and liner services and the preservation of historical port range shares;

(2) changing the minimum percentage requirements from a calendar year to 12-month periods commencing on April 1, 1986;

(3) requiring the program to be operated without detriment to any other port facility range;

(4) clarifying cash transfer provisions.

(c) The *Senate* amendment will require that the minimum quantity of agricultural exports subject to the cargo preference laws for fiscal 1986 and annually thereafter shall be the average of the tonnage exported under the programs described above in paragraph (b) during the base period, discarding the high and low years. The base period for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year. The President may waive the minimum for any year in which he determines the quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons including the unavailability of funds. (Sec. 134.)

The *Senate* amendment provides that the Secretary of Transportation shall finance any increased ocean freight charges resulting from the increased cargo preference mandated above. The Secretary of Transportation also shall reimburse USDA and the CCC for the amount which their ocean freight and ocean freight differential costs in any fiscal year exceed 20 percent of the total cost of the commodities shipped plus ocean freight and differential.

For meeting these expenses, the Secretary of Transportation shall issue interest-bearing notes which the Treasury shall purchase as public debt transactions. Authorization is granted for annual appropriations commencing in fiscal 1986 to reimburse the Secretary of Transportation for the costs, including administrative expenses and the principal and interest due to the Treasury. If the Transportation Secretary is unable to get the funds necessary to finance the increased cargo preference, he shall notify Congress within 10 working days. (Sec. 135.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with an amendment, technical in nature.

(d) The *Senate* amendment also provides for a National Advisory Commission on Agricultural Export Transportation Policy to be established to conduct a comprehensive study of ocean transportation of agricultural exports subject to cargo preference laws and to make recommendations to the President and the Congress for improving the efficiency of such transportation on U.S. vessels in order to reduce the costs incurred by the U.S. The Commission shall be composed of 16 members including eight appointed by the President, four from the agricultural sector and four from the U.S. maritime industry (two representing labor, two management); and eight Congressional members consisting of the Chairman and ranking minority members of the House Agriculture Committee, Senate Agriculture, Nutrition, and Forestry Committee, and the House Merchant Marine and Fisheries and Senate Commerce, Science, and Transportation Committees. The Commission shall submit an interim report within one year and a final report within two years.

"Such sums as may be necessary" are authorized to be appropriated to carry out all the provisions of the *Senate* amendment (Subtitle C-Export Transportation of Agricultural Commodities).

The *Senate* amendment (Subtitle C) shall terminate 90 days after the Secretary of Transportation notifies the Congress of funding unavailability for the costs of increased cargo preference pursuant to the above notification requirement, unless within the 90 day period he proclaims the funds are available.

The 1936 Merchant Marine Act is amended to require that no U.S. commercial vessel shall be deemed to be available for the transportation of cargoes subject to the cargo preference unless such vessel has been certified by the Secretary of the Navy upon the recommendation of the Chief of Naval Operations as being necessary for the defense of the United States and its allies. (Sec. 136-139, 143.)

The *House* bill contains no comparable provisions.

The *Conference* substitute adopts the *Senate* amendment with amendments: (1) technical in nature; (2) clarifying that upon notification by the Secretary of Transportation that if funding is not

available for the increased costs of cargo reference required in this subtitle, the subtitle terminates and the 50 percent requirement of all programs covered by section 901(b) of the Merchant Marine Act of 1936 shall be in full affect; and (3) certification by the Secretary of Transportation of vessels eligible to carry cargoes.

The conferees intend that the special preference given to cargo shipped from the Great Lakes should not cause a reduction in the cargo shipped from other port ranges throughout the nation. The conferees also intend that the 1984 baseline for shipment of bagged grain from Great Lakes ports is a minimum.

(25) Consultations on import restrictions

The *House* bill requires that before any authority within the Department of Agriculture acts to relax or remove a restriction on the importation of an agricultural commodity, all appropriate authorities within the Department, including the Foreign Agricultural Service and the Animal and Plant Health Inspection Service, shall be consulted. (Sec. 1151.)

The *Senate* amendment requires similar consultations within the Department of Agriculture before an import restriction is relaxed or removed, and requires the Secretary of Agriculture to consult with the United States Trade Representative before such action is taken. The amendment requires Department of Agriculture personnel involved in agricultural trade negotiations with any country to consult with the Agricultural Policy Advisory Committee and the appropriate agricultural technical advisory committee established under Section 135 of the Trade Act of 1974 regarding agricultural practices and procedures before concluding any agricultural trade agreement. (Sec. 108.)

The *Conference* substitute adopts the *Senate* amendment with an amendment deleting the requirement that the Agricultural Policy Advisory Committee and certain advisory committees be consulted.

(26) Findings and export market development report

(a) The *House* bill proposes findings by Congress relative to the decline in U.S. agricultural exports, the resulting economic distress in rural America, the importance of exports to assuring a healthy farm economy, and the potential for increasing U.S. agricultural exports by utilizing existing authorities and programs to aid in the strengthening of developing countries so that they may one day become commercial customers for agricultural products of the United States. (Sec. 1153.)

The *Senate* amendment contains no comparable provision.

(b) The *House* bill requires the Secretary of Agriculture in conjunction with the Administrator of the Agency for International Development, and in consultation with the Secretary of State and the U.S. Trade Representative to submit a report to the President and Congress within one year. The report will contain (1) a global analysis of world food needs and production; (2) identify at least 15 target countries which are most likely to emerge as growth markets for agricultural commodities in the next 5 to 10 years; (3) and present a detailed plan for using available export and food aid authorities to increase U.S. agricultural exports to such target countries. Each year thereafter through fiscal 1990, the Secretary shall

submit a revised report on progress in implementing the plan, and recommending any changes in legislative authorities that may be needed. (Sec. 1154.)

The *Senate* amendment contains no comparable provision.

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

(27) *Brazilian ethanol imports*

The *House* bill requires the Secretary of Agriculture to conduct a study to determine the impact of Brazilian ethanol on the domestic price of grains and the domestic ethanol refining industry and, in consultation with the International Trade Commission and the United States Trade Representative, determine what relief should be granted to the domestic ethanol industry because of Brazilian ethanol imports. A report to the House and Senate agriculture committees would be required. (Sec. 1155.)

The *Senate* amendment requires the President, in order to prevent material interference with the price support program for feed grains, to limit the aggregate quantity of fuel ethanol that may be imported into the United States to 100 million gallons in 1986 and, for each succeeding year, to the amount by which the Secretary of Agriculture estimates that domestic demand for ethanol will exceed domestic production. (Sec. 1955.)

The *Conference* substitute adopts the *House* provision with an amendment requiring that the report also be submitted to the House Committee on Ways and Means and the Senate Committee on Finance.

(28) *Import barrier study*

The *House* bill requires the Secretary of Agriculture, using an interagency task force with representatives from the Departments of Agriculture, State, and Commerce, to study the economic impact on agricultural exports of any law or administrative action that imposes barriers on imports into the U.S. and to report the results of such study to Congress. (Sec. 1156.)

The *Senate* amendment contains no comparable provision.

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

(29) *Oat import study*

The *Senate* amendment requires the Secretary to conduct a study of the impact of domestic farm programs of the increased importation of oats into the United States. The Secretary must submit a report to Congress on the study within 1 year after enactment of the bill. (Sec. 1957.)

The *House* bill contains no comparable provision.

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

(30) *Tobacco pesticides residues*

The *Senate* amendment provides that any tobacco imported into the United States must be certified by the importer, in a form prescribed by the Secretary, that the tobacco was not produced or processed with the use of a pesticide that had not been registered under the Federal Insecticide, Fungicide, and Rodenticide Act. The Secretary must provide by regulation that domestically produced

tobacco would be subject to substantially the same pesticide residue requirements. (Sec. 1929.)

The *House* bill contains no comparable provision.

The *Conference* substitute makes several changes to the Senate provision. First, the conference substitute changes the import requirement from a pesticide use standard to a nondiscriminatory, pesticide residue standard in order to conform the import restriction to international rules under the General Agreement on Tariffs and Trade. Second, the conference agreement limits application of this section to flue-cured and burley tobacco. Third, it imposes fees on a user fee basis for inspection of tobacco as an enforcement mechanism. Finally, the conference agreement makes certain technical changes to the Senate provision, for purposes of clarification and consistency with current law.

The purpose of this section of the conference agreement is to subject imported flue-cured and burley tobacco to the same pesticide residue requirements as already apply to domestic tobacco. The section does not apply to imports of cigar tobacco.

All flue-cured and burley tobacco offered for importation would have to be accompanied by a certificate that such tobacco does not contain prohibited pesticide residues. The residue standards to be applied are the same as those which apply to domestic tobacco, to ensure nondiscriminatory treatment.

Fraudulent certification by the importer under this section is subject both to civil penalties under the customs fraud provisions of section 592 of the Tariff Act of 1930, as amended, and to criminal penalties under 18 U.S.C. 1001.

If the tobacco to be imported is not accompanied by appropriate certification, then it shall be inspected by the Secretary to determine whether it complies with the pesticide residue standards. If it is determined to be in noncompliance, such tobacco shall be barred from entry into the United States.

Flue-cured and burley tobacco, both domestic and imported, shall be subject to periodic sampling and testing by the Secretary to determine whether such tobacco meets the pesticide residue requirements. The penalty for noncompliance of imported tobacco is prohibition from entry into the United States. The penalty for noncompliance of domestic tobacco is destruction of such tobacco.

(31) Export displacement

The *House* bill requires the Secretary of Agriculture to assess each program, project, or activity administered by the Secretary of Agriculture or the Department of Agriculture that provides assistance for agricultural production and marketing in a foreign country and the Secretary determines is likely to have a detrimental impact on efforts to promote U.S. agricultural exports. The Secretary shall report to Congress within 1 year on the results of the assessment in the case of current activities, and regularly thereafter on those undertaken following enactment of this provision. (Sec. 1163.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the House provision.

(32) *Opposition to multilateral assistance for foreign surplus agricultural commodities*

The *Senate* amendment directs the Secretary of the Treasury to instruct the U.S. Executive Directors of multilateral development assistance banks to oppose any assistance for production of any agricultural commodity for export if such commodity is surplus on world markets and the export would cause substantial injury to competing U.S. producers. To the extent that such assistance is provided by the banks, the U.S. contribution to their capital expansion or replenishment would be reduced. (Sec. 1932.)

The *House* bill contains no comparable provision.

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

(33) *Prohibition on assistance for competing agricultural commodities*

The *Senate* amendment prohibits the funds authorized to be appropriated to carry out chapter 1 of part 1 of the Foreign Assistance Act of 1961 to be available for any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training in connection with the growth or production in a foreign country of an agricultural commodity for export if such export would compete in world markets with a similar commodity grown or produced in the United States. This section does not prohibit activities designed to increase regional food security in developing countries if such activities will have a negligible impact on efforts to promote agricultural commodities of the United States; nor does it prohibit research activities intended primarily to benefit American producers. (Sec. 1949.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment. However, the conferees acknowledge that this is an important issue and would point out that current law (P.L. 98-473, making continuing appropriations for fiscal year 1985) contains a provision which effectively prohibits any foreign assistance funding for the production or export of any commodity that would compete with U.S. agricultural commodities if that commodity is in world surplus, and that would cause substantial injury to U.S. producers. The conferees reaffirm this current limitation on foreign assistance funding.

(34) *Export sales of dairy products*

The *Senate* amendment requires the Secretary of Agriculture during each fiscal year 1986, 1987, and 1988, to sell for export at prices determined by the Secretary not less than 150,000 tons of dairy products owned by the Commodity Credit Corporation. Through fiscal year 1988, the Secretary is to report semiannually to the House and Senate agriculture committees on the volume of sales made under the section. (Sec. 105.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment to protect normal marketings and specifying the types of dairy products to be sold.

(35) European Community trade

The *Senate* amendment contains findings regarding the failure to negotiate a mutually acceptable resolution to date on complaints regarding subsidies and discriminatory tariffs of the European Community against U.S. citrus, wheat flour, poultry, canned fruits, and raisin exports, complaints on which have been filed under Sec. 302 of the Trade Act of 1974. The President is directed to take all appropriate and feasible action to ensure a prompt and satisfactory resolution of these complaints, to counter any EC retaliatory action by withdrawing additional trade concessions, and to balance the level of concessions in the trade between the U.S. and the EC. (Sec. 113.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment, technical in nature, and an amendment deleting reference to countering any retaliatory action of the European Communities.

(36) Thai Rice

The *Senate* amendment contains Congressional findings concerning the international rice trade situation pursuant to which the Rice Millers' Association has filed a petition with the Commerce Department seeking countervailing duties on imports of Thai rice into the United States. The amendment expresses the Sense of Congress that the domestic U.S. rice industry is of vital importance and must be protected from unfair foreign competition, that the Thai Government is unfairly subsidizing the export of rice to the detriment of the U.S. rice industry, and that the Secretary of Commerce should give immediate consideration to the countervailing duty petition filed by the Rice Millers' Association. (Sec. 1952.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment deleting the specific references to the Rice Millers Association and deleting the sense-of-the-Congress statement that the Thai Government is unfairly subsidizing the export of rice.

(37) South African tobacco imports

The *Senate* amendment, effective December 1, 1985, prohibits the import into the United States of tobacco produced in South Africa until the President determines that South Africa has repealed all legal limitations there restricting foreign newsmen's coverage of events relating to unrest in that country, and reports to Congress the basis for his determination. (Sec. 1953.)

The *House* bill contains no comparable provision.

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

The amendment adopted by the conferees establishes a new requirement to track the uses of imported flue-cured and burley tobaccos. Such information will assist the Secretary of Agriculture and the Congress in determining, for example, what portion of imported tobacco is being used for re-export purposes, and what portion is being used for the domestic manufacture of tobacco products.

Upon the importation of flue-cured or burley tobacco, the importer must identify any and all end users of such tobacco, if such information is known to the importer. The conferees define an end user as either (1) a domestic manufacturer of cigarettes or other tobacco products, (2) an entity that mixes, blends, processes, alters in any manner, or stores imported tobacco for re-export, or (3) any other individual that the Secretary may identify as making use of imported tobacco for the production of tobacco products.

The conferees do not intend by this provision to place any unreasonable burden on importers of tobacco, or to create any barrier to imports. In cases in which the importer has no knowledge of the identity of the end user(s), the importer is required merely to identify those purchasers of the imported tobacco which are known to him or her. If at some future date, the importer gains knowledge of any additional purchaser or end user, the importer must submit such information to U.S.D.A.

In cases in which all end users of a particular imported shipment of flue-cured or burley tobacco have not been identified to U.S.D.A., then U.S.D.A. is required to take all steps available to identify such end users. Such steps shall include requesting from known purchasers of such imported tobacco any information relevant to the identification of the end user(s).

The amendment also requires the Secretary to report to the relevant committees of the Congress, by April 1, 1986, on the implementation of this section.

Strategic stockpile sale or barter authority

The *House* bill provides that one half of the commodities in the Commodity Credit Corporation or otherwise under the Department of Agriculture stores, as of January 1, 1986, shall be available for sale or barter with the proceeds to be used to furnish materials for the Strategic Stockpile without further appropriations therefor. Such sales or barter can be made within the United States and other sovereign countries. To the extent that the assets of the Commodity Credit Corporation are reduced by this process, the full faith and credit of the United States shall be substituted therefor. The Commodity Credit Corporation shall take appropriate action to protect fully the assets of the Commodity Credit Corporation on the basis of the established value at the time of transfer of the assets for sale or barter. In such sales or barter the commodities need not be sold or bartered at a profit and no such sale or barter shall be effected which in the judgment of the Commodity Credit Corporation will seriously adversely affect production or prices in the United States or elsewhere. (Sec. 1879.)

The *Senate* amendment makes various findings of Congress related to barter and exchange of agricultural commodities for strategic and critical materials. Section 4(h) of the Commodity Credit Corporation Charter Act is amended to require the Commodity Credit Corporation, to the maximum extent practicable and in consultation with the Secretary of State, to accept strategic and critical materials produced abroad in exchange for CCC commodities.

The Secretary of Agriculture, in effecting the exchange of strategic and critical materials produced abroad for CCC commodities, must use normal commercial trade channels, avoid displacing

usual marketings of U.S. agricultural commodities and products, and take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country of agricultural commodities used for the exchange. The CCC is also authorized to solicit bids from and to utilize private trading firms to effect the exchange of goods.

The CCC must be reimbursed for the CCC commodities exchanged for materials placed in the strategic and critical materials stockpile in the same fiscal year the materials are transferred to the stockpile.

If the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the prescribed levels the CCC must, to the maximum extent practicable, with the approval of the Secretary of Agriculture, make available annually to the Secretary of Energy, a quantity of agricultural products owned by the CCC with a market value at the time of the request of at least \$300,000,000 for use by the Secretary of Energy in acquiring petroleum products (including crude oil) produced abroad for placement in the Strategic Petroleum Reserve through an exchange of the agricultural products.

The terms and conditions of each exchange would be determined by the Secretary of Energy in consultation with the Secretary of Agriculture. If the volume of agricultural products to be exchanged has a value in excess of the established market price of the petroleum products (including crude oil) acquired by the exchange, the Secretary of Energy would require that the party or entity providing the petroleum products agree to purchase, within 6 months following the exchange, current-crop commodities or value-added food products from U.S. producers or processors in an amount equal to at least one-half of the difference between the value of the commodities received in the exchange and the market price of the petroleum products acquired for the Strategic Petroleum Reserve in the transaction.

The Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) is amended to require the Secretary, to the maximum extent practicable, in connection with barter activity under the Act to solicit bids from and to utilize private trading firms to arrange or make barter or exchanges for strategic or other materials.

The Secretary must encourage U.S. exporters of agricultural commodities and products to barter such commodities and products for foreign products needed by the exporters. The Secretary is also required to provide technical assistance relating to the barter of agricultural commodities and products to U.S. exporters requesting such assistance. (Sec. 111.)

The *Conference* substitute adopts the Senate amendment with an amendment to (1) strengthen the requirement that the Commodity Credit Corporation be reimbursed for CCC commodities provided in barter transactions; (2) provide that the Secretaries of Agriculture and Energy jointly determine the terms of barter transactions involving petroleum products; and (3) delete the requirement that the recipients of bartered agricultural commodities agree in certain cases to purchase additional agricultural commodities.

JOINT EXPLANATORY STATEMENT LANGUAGE

It is the position to the conferees that the Secretary of Agriculture is not to object to the applications submitted as of December 12, 1985, to the U.S. Department of Commerce, Foreign Trade Zone Board, for establishment of a Foreign Trade Subzone, where such subzone would be used for the manufacture of products containing substances numbered 155.20 as defined by the Tariff Schedules of the United States administered by the U.S. International Trade Commissioner and where such products would fall under U.S. import quotas.

It is the intent of the conferees that the Department utilize, on a priority basis, those export assistance programs that are more likely to directly enhance producer income.

TITLE XII—RESOURCE CONSERVATION

*(1) Definitions (Sec. 1201)**(a) Agricultural commodity*

The *House* bill defines "agricultural commodity" for the purposes of this title as any agricultural commodity planted and produced by annual tilling of the soil, or on an annual basis by one-trip planters. (Sec. 1201(1).)

The *Senate* amendment defines such term as any agricultural commodity planted and produced in a State by annual tilling of the soil, including tilling by one-trip planters; or *sugarcane planted and produced in a State*. (Sec. 1601(a)(1).)

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

(b) Wetland

The *House* bill defines "wetland", except when such term is part of the term "converted wetland", as land that has a predominance of hydric soils and that is inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances does support, a prevalence of hydrophytic vegetation typically adapted for life in saturated soil conditions. (Sec. 1201(3).)

The *Senate* amendment defines the term as an area, whether privately or publicly owned (including a swamp, marsh, bog, prairie pothole, or similar area) with the same characteristics as in the *House* bill except that with respect to hydrophytic vegetation the land must support the growth and regeneration of hydrophytic vegetation. (Sec. 1601(a)(19).)

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

(c) Converted wetland

The *House* bill defines the term "converted wetland" to mean wetland that has been converted by certain activity making the production of agricultural commodities possible that would not have been possible but for such activity and that, before such activity was taken, was wetland and not highly erodible land nor highly erodible cropland with several exemptions listed. (Sec. 1201(4).)

The *Senate* amendment is comparable with respect to "converted wetland" except that it does not apply to highly erodible cropland

(Sec. 1601(a)(4)(A)), and though the exemptions are similar they are stated differently.

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

(d) Field

The *House* bill defines "field" the same as that term is defined in 7 CFR 718.2. Under section 718.2, a "field" is defined as a part of a farm that is separated from the balance of the farm by permanent boundaries such as fences, permanent waterways, woodlands, croplines (in cases where farming practices make it probable that such cropline is not subject to change), or other similar features. The *House* bill provides, however, that any highly erodible land and any converted wetland on which an agricultural commodity is produced after the date of enactment and that is not exempt under section 1203 (listing exemptions) shall be considered as part of the field in which such land was included on date of enactment, and the Secretary of Agriculture shall provide for modification of boundaries of fields to effectuate the purposes and facilitate the administration of the subtitle. (Sec. 1201(5).)

The *Senate* amendment uses the same CFR definition (as of January 1, 1985), except that any highly erodible land on which an agricultural commodity is produced after the date of enactment and that is not exempt under section 1612 (listing exemptions) shall be considered as part of the field in which such land was included on the date of enactment unless the Secretary permits modification of the boundaries of the field to carry out the subtitle. (Sec. 1601(a)(7).)

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

(e) Highly erodible land

The *House* bill defines "highly erodible land" as land that is classified by the Soil Conservation Service of the Department of Agriculture as class IVe, VI, VII, or VIII land under the land capability classification system in effect on the date of the enactment of the bill; or that, if used to produce an agricultural commodity, would have an excessive average annual rate of erosion in relation to the soil loss tolerance level, as established by the Secretary, and as determined by the Secretary through application of factors from the universal soil loss equation and the wind erosion equation, including factors for climate, soil erodibility, and field slope. For purposes of this paragraph, the land capability class or rate of erosion for a field shall be that determined by the Secretary to be the predominant class or rate. (Sec. 1201(6).)

The *Senate* amendment defines "highly erodible land" in reference only to land classes and includes all land classes listed in the *House* bill as well as land classed as IIIe by the Soil Conservation Service. The *Senate* amendment also specifically includes publicly owned land. (Sec. 1601(a)(8).)

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

(f) Highly erodible cropland

The *House* bill defines "highly erodible cropland" as highly erodible land that is in cropland uses, as determined by the Secretary. (Sec. 1201(7).)

The *Senate* amendment contains no comparable provision. (However, the term "eligible erosion-prone land" is the equivalent term for land eligible for the conservation reserve. (See paragraph (h) below.)

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

(g) Conservation payment

The *Senate* amendment defines "conservation payment" as a payment made by the Secretary to an owner or operator of a farm or ranch containing eligible erosion-prone land to reimburse such owner or operator for the cost of establishing vegetative cover on such land in accordance with conservation acreage reserve provisions of the bill. (Sec. 1601(a)(3).)

The *House* bill contains no comparable definition.

The *Conference* substitute amends the *Senate* amendment and inserts in lieu thereof a new definition for the term "cost sharing payment" as referenced in Section 1233(1).

(h) Eligible erosion-prone land

The *Senate* amendment defines "eligible erosion-prone land" to mean erosion-prone land that has been devoted, or has been considered to be devoted, to the production of an agricultural commodity during at least two of the last three consecutive crop years ending prior to January 1, 1986. (Sec. 1601(a)(5).)

The *House* bill contains no comparable provision. However, the term "highly erodible cropland" is the equivalent term for land eligible for the conservation reserve. (See paragraph (f) above.)

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

(i) Erosion-prone land

The *Senate* amendment defines "erosion-prone land" similarly to the definition of "highly erodible land" in section 1201(6) of the *House* bill (see paragraph (e) above), except that the *Senate* amendment refers to an excessive rate of erosion and the *House* bill refers to an excessive average annual rate of erosion. (Sec. 1601(a)(6).)

The *House* bill contains no comparable definition.

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

(j) Hydric soil

The *Senate* amendment defines "hydric soil" as soil that, in its undrained condition, is saturated, flooded, as ponded long enough during a growing season to develop an anerobic condition that supports the growth and regeneration of hydrophytic vegetation. (Sec. 1601(a)(9).)

The *House* bill contains no comparable definition.

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

(k) Hydrophytic vegetation

The *Senate* amendment defines "hydrophytic vegetation" as a plant growing in water or in a substrate that is at least periodically deficient in oxygen during a growing season as a result of excessive water content. (Sec. 1601(a)(10).)

The *House* bill contains no comparable definition.

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

(l) In-kind commodities

The *Senate* amendment defines the term "in-kind commodities" as commodities that are normally produced on land that is the subject of an agreement entered into under the conservation acreage reserve program. (Sec. 1601(a)(11).)

The *House* bill contains no comparable definition.

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

(m) Rental payment

The *Senate* amendment defines "rental payment" to mean a payment made by the Secretary to an owner or operator of a farm or ranch containing eligible erosion-prone land to compensate the owner or operator for retiring such land from crop production and placing such land in the conservation acreage reserve. (Sec. 1601(a)(14).)

The *House* bill contains no comparable definition.

The *Conference* substitute adopts the *Senate* amendment with a modification substituting the term "highly erodible cropland" for the term "erosion-prone land."

(n) Shelterbelt

The *Senate* amendment defines the term "shelterbelt" as a vegetative barrier with a linear configuration composed of trees, shrubs, and other approved perennial vegetation. (Sec. 1601(a)(16).)

The *House* bill contains no comparable definition.

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

(o) State

The *Senate* amendment defines "State" to mean each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of Northern Mariana Islands, or the Trust Territory of the Pacific Islands. (Sec. 1601(a)(17).)

The *House* bill contains no comparable definition.

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

(p) Vegetative cover

The *Senate* amendment defines "vegetative cover" as perennial grasses or legumes with an expected life span of 5 or more years or trees. (Sec. 1601(a)(18).)

The *House* bill contains no comparable definition.

The *Conference* substitute adopts the *Senate* amendment with an amendment adding "forbs" and "shrubs."

(2) Criteria for identification of (and lists of) hydric soils and hydrophytic vegetation (Sec. 1201)

The *Senate* amendment requires the Secretary of Agriculture to develop criteria for the identification of hydric soils and hydrophytic vegetation and lists of such soils and vegetation. (Sec. 1601(c).)

The *House* bill contains no comparable provision.

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

(3) *Program ineligibility for production of commodities on highly erodible land or converted wetland (Sec. 1211)*

(a) The *House* bill provides that any person who, after enactment, produces during any crop year an agricultural commodity on highly erodible land or on converted wetland shall be ineligible for certain agricultural program benefits on any commodity the person produced during that crop year.

The *House* bill also itemizes the program benefits to which the sanction described in the paragraph above would apply as follows: any type of price support or payments, farm storage facility loans, Federal crop insurance, disaster payments, and any Farmers Home Administration (FmHA) insured or guaranteed loan if the FmHA loan would be used for a purpose that would contribute to excessive erosion of highly erodible land, or conversion of wetlands (other than as provided in this item and item (4)) to produce agricultural commodities. (Sec. 1202(a).)

The *Senate* amendment contains comparable provisions except that it treats "highly erodible land" and "converted wetland" separately as respects program ineligibility. (Secs. 1611 and 1621.)

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

(b) The *Senate* amendment provides that a person who produces an agricultural commodity on highly erodible land or converted wetland shall be ineligible, as to any commodity produced during that crop year by such person, for a payment made under section 4 or 5 (general and specific authorities) of the Commodity Credit Corporation Charter Act during such crop year for the storage of an agricultural commodity acquired by the Commodity Credit Corporation. (Sec. 1621(b).)

The *House* bill contains no comparable provision.

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

(4) *Landlord eligibility (Sec. 1243)*

The *House* bill provides that the program ineligibility of a tenant or sharecropper for benefits shall not cause a landlord to be ineligible for benefits for which the landlord would otherwise be eligible with respect to commodities produced on lands other than those operated by the tenant or sharecropper. (Sec. 1202(b).)

The *Senate* amendment contains no comparable provision.

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

(5) *Exemptions with respect to highly erodible land (Sec. 1212)*

The *House* bill exempts highly erodible land that was set aside, diverted, or otherwise not cultivated under provisions of a Department of Agriculture program for any of the 1981 through 1985 crops to reduce production of an agricultural commodity, except as otherwise provided under the conservation reserve provisions, from the program ineligibility provisions of section 1202. (Sec. 1203(2)(1).)

The *Senate* amendment contains no comparable provision.

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

(6) *Ineligibility of exempted highly erodible land (Sec. 1212)*

The *House* bill provides that the exemption from the program ineligibility provisions of section 1202 (relating to highly erodible

land) for lands cultivated, set aside, or diverted for any of the 1981 through 1985 crops of agricultural commodities ends on the later of January 1, 1990, or the date which is two years after the date such land on which such crop is produced was mapped by the Soil Conservation Service for the purposes of classifying such land under the land capability classification system. However, there is an exception providing that such program benefits shall not be denied to any person if as of January 1, 1990, or two years after the Soil Conservation Service has completed a soil survey for the farm, whichever is later, such person is actively applying a conservation plan based on the local Soil Conservation Service technical guide and approved by the local soil conservation district or the Secretary of Agriculture, in which event, such person shall have until January 1, 1995, to comply with the plan. (Sec. 1203(a)(1).)

The *Senate* amendment provides that the Secretary must require, as a condition of eligibility for any loan, purchase, or payment authorized for any agricultural commodity under any program carried out by the Secretary or the Commodity Credit Corporation, that any person who produces an agricultural commodity on highly erodible land must use a conservation system determined appropriate for such land by a conservation district, or the Secretary if no conservation district exists, beginning with the later of the 1988 crop year or the date that is 2 years after the date the Soil Conservation Service has mapped such land for the purpose of classifying such land under the land capability classification system. (Sec. 1613.)

The *Conference* substitute adopts the *House* provision with an amendment requiring the local soil conservation district to consult with the county Agricultural Stabilization and Conservation Committee in approving the conservation plan to be applied by the person.

The Conferees note that historically, the SCS technical guides in some states have included the provision that for land to be considered adequately treated, soil losses had to be reduced to an arbitrary standard called the soil loss tolerance or "T" value. This value ranges from two (2) to five (5) tons per acre per year. In many cases soil losses on highly erodible lands can be reduced from levels ranging from as much as 20-30 tons per acre per year or more to less than 10 tons per acre with very cost effective measures such as conservation tillage, contour farming, or strip cropping. These measures can usually be installed with a minimum of capital investment and can reduce erosion as much as 80-90 percent. If a rigid standard of "T" value is mandated for an acceptable conservation plan, even if erosion had been reduced from say 30 tons per acre to 7-8 tons per acre through the application of cost effective conservation measures, the producer could be required to either install a very expensive additional practice such as terraces or convert the land to grass or trees from cropland in order to continue to be eligible for program benefits.

It is not the intent of the Conferees to cause undue hardship on producers to comply with these provisions. Therefore, the Secretary should apply standards of reasonable judgment of local professional soil conservationist and consider economic consequences in estab-

lishing requirements for measures to be included in conservation plans prepared under this provision.

(7) Exemption for wetland (Sec. 1222)

(a) The *House* bill exempts converted wetland from the program ineligibility provision of section 1202 if the land became converted wetland before the date of enactment of the bill. (Sec. 1203(a)(6).)

The *Senate* amendment exempts converted wetland if the conversion of the wetland was commenced before the date of enactment of the bill. (Sec. 1622(a)(1).)

The *Conference* substitute adopts the *Senate* amendment. The Conferees intend that conversion of wetland is considered to be "commenced" when a person has obligated funds or begun actual modification of the wetland.

(b) The *House* bill exempts from the program ineligibility provisions of section 1202 production of an agricultural commodity on converted wetland (A) within a conservation district, in accordance with a wetland conservation plan that has been approved by the conservation district under regulations prescribed by the Secretary of Agriculture in consultation with the Secretary of the Interior acting through the United States Fish and Wildlife Service; or (B) not within a conservation district, in accordance with a wetland conservation plan that has been approved by the Secretary under regulations prescribed by the Secretary in consultation with the Secretary of the Interior acting through the United States Fish and Wildlife Service. (Sec. 1203(a)(7).)

The *Senate* amendment contains no comparable provisions.

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

(c) The *Senate* amendment provides that the Secretary may exempt a person from the program ineligibility provision relating to wetland for any action associated with the production of an agricultural commodity on converted wetland if the effect of such action, individually and in connection with all other similar actions authorized by the Secretary in the area, on the hydrological and biological aspect of wetland, is minimal. (Sec. 1622(b).)

The *House* bill contains a similar provision in the "converted wetland" definition but refers to actions of the producer whose cumulative and individual effect on the hydrological and biological values of the wetlands is minimal. (Sec. 1201(4)(B)(iv).)

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

(d) The *House* bill defines converted wetland to exclude artificial lakes and ponds, wetland created by irrigation and for fish production and other similar purposes. (Sec. 1201(4).)

The *Senate* amendment exempts from the ineligibility provisions of section 1621 relating to wetland any person who produces an agricultural commodity on land converted to artificial wetland as described in the *House* bill except that the reference in the *Senate* amendment to irrigation specifically includes subsurface irrigation. (Sec. 1622(a)(2).)

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

(8) Appeal procedure (Sec. 1243)

The *House* bill requires the Secretary of Agriculture to establish by regulation an appeal procedure for adverse determinations

made under the subtitle (including those under the conservation reserve). (Sec. 1206(c).)

The *Senate* amendment contains a comparable provision except that it does not apply to the conservation acreage reserve. However, it also requires the Secretary to establish, by regulations, an appeal procedure under which a person may seek review of a determination relating to classification of land or that the land is converted wetland. (Secs. 1616 and 1615(b)(1).)

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

The Conferees intend that the appeal procedure established by the Secretary be applicable to any adverse determinations made under all conservation programs established under this title.

(9) Consultation with Interior (Sec. 1223)

The *House* bill requires the Secretary of Agriculture to issue regulations, in consultation with the Secretary of the Interior, relating to determinations of minimal effect of producer actions on wetland and production of agricultural commodities on converted wetland in accordance with an approved wetland conservation plan. (Secs. 1201(4) and 1203(a)(7).)

The *Senate* amendment requires the Secretary to consult with the Secretary of the Interior on determinations and actions to carry out the wetland provisions, including the identification of wetland, determination of exemptions, and issuance of regulations. (Sec. 1623.)

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

CONSERVATION RESERVE

(10) Eligible land (Sec. 1231)

(a) The *House* bill requires the Secretary of Agriculture to carry out a Conservation Reserve (CR) program with owners of "highly erodible land" that is in cropland uses. (Secs. 1205(a), 1201(a)(7).)

The *Senate* amendment uses the term "eligible erosion-prone land" for land eligible for inclusion in the CR program (CR). (Sec. 1631(a).)

The definitions of these two terms are similar, but the *Senate* amendment specifies the land must have been devoted, or considered devoted, to the production of an agricultural commodity during at least 2 of the last 3 consecutive crop years preceding January 1, 1986. (Secs. 1601(a)(5) and 1631(a).)

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

(b) The *House* bill provides that the Secretary shall consider for inclusion in the CR those lands not highly erodible that pose an off-farm environmental threat or, if permitted to remain in production, pose a threat of continued degradation of productivity due to soil salinity. (Sec. 1205(o).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to delete the word "shall" and insert in lieu the word "may."

(11) *Contracting; Size of reserve (Sec. 1231)*

(a) The *House* bill requires the Secretary of Agriculture to enter into CR contracts beginning October 1, 1985, and ending September 30, 1990, covering not in excess of 20 million acres. (Sec. 1205(b)(1).)

The *Senate* amendment requires the Secretary to carry out the CR program during the 1986 through 1990 crop years and to place acreage in the CR as follows:

(1) during the 1986 crop year, not less than 5, nor more than 45, million acres;

(2) during the 1986 and 1987 crop years, a total of not less than 15, nor more than 45, million acres;

(3) during the 1988 through 1989 crop years, a total of not less than 25, nor more than 45, million acres;

(4) during the 1986 through 1989 crop years, a total of not less than 35, nor more than 45, million acres; and

(5) during the 1986 through 1990 crop years, a total of not less than 40, nor more than 45, million acres. (Sec. 1631(c).)

The *Conference* substitute adopts the *Senate* amendment with an amendment authorizing the Secretary to reduce the minimum conservation reserve acreage each year by no more than 25 percent if the Secretary determines that rental payments in the following year are likely to be significantly less. The amendment requires the Secretary to enter into the conservation reserve at least 40 million acres, but not more than 45 million acres, through fiscal year 1990.

(b) The *House* bill provides for an additional 5 million acres of cropland to be placed in the CR program with payment to be made in surplus agricultural commodities owned by the Commodity Credit Corporation except that payment under these contracts may be made in cash if sufficient commodities are not available or payment in commodities will have a depressing market effect. (Sec. 1205(b)(2).)

The *Senate* amendment contains no comparable provision.

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

(c) The *House* bill limits the amount of acreage that may be placed in the CR to not more than 25 percent of the cropland in any country. (Sec. 1205(a).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to allow the Secretary to exceed the 25 percent per county limitation if he determines that higher levels would not adversely affect the local economy in that particular county.

(12) *Duration of CR contracts (Sec. 1231)*

The *House* bill provides that the CR contracts for 20 million acres shall not be less than 10 years in duration and contracts for 5 million additional acres shall be for periods up to 10 years. (Sec. 1205(b)(1) and (2).)

The *Senate* amendment provides that CR contracts shall be for not less than 7 nor more than 15 years in duration. (Sec. 1631(d).)

The *Conference* substitute adopts the *Senate* amendment with an amendment striking "7" and inserting "10."

(13) Duties of owners and operators under a CR contract (Sec. 1232)

The *House* bill requires the owner or operator to effectuate a plan approved by the appropriate State forestry agency if the owner or operator is to convert the acreage to trees. (Sec. 1205(b)(1)(A).)

The *Senate* amendment contains no comparable provision.

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

(14) Violation of contract by owners or operators (Sec. 1232)

The *House* bill requires the Secretary of Agriculture to consider the recommendation of the Soil Conservation Service and the soil conservation district before determining that a violation of a contract is serious enough to warrant termination. (Sec. 1205(b)(1)(B).)

The *Senate* amendment contains no comparable provision.

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

(15) Result of a transfer of land subject to a CR contract (Sec. 1232)

The *House* bill authorizes the Secretary of Agriculture to make adjustments in payments and refunds under the CR contract upon transfer of the land subject to the contract unless the transferee assumes all obligations under the contract. (Sec. 1205(b)(1)(C).)

The *Senate* amendment contains no authority to make adjustments in payments upon transfer of the land subject to the contract but does require interest to be paid on the amounts to be refunded unless the transferee assumes all obligations under the contract, or the new owner or operator enters into a new contract with the Secretary in accordance with section 1635(a). (Sec. 1632(a)(6).)

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

(16) Haying and grazing (Sec. 1232)

The *House* bill requires the owner or operator to agree not to conduct, during the term of the contract, any harvesting or grazing nor otherwise make commercial use of the forage on land that is subject to the contract, except that the Secretary of Agriculture may permit harvesting or grazing or other commercial use of the forage on land that is subject to the contract in response to a drought or other similar emergency. (Sec. 1205(b)(1)(D).)

The *Senate* amendment prohibits haying and grazing and harvesting or other commercial use of forage or trees on land subject to a CR contract unless expressly permitted in the contract or under section 1632(d). Section 1632(d) provides that the Secretary may designate a State, or part of a State, as an area in which an owner or operator holding a CR contract may be permitted, on an individual basis, to conduct haying and grazing, subject to such terms and conditions as the Secretary may prescribe, on land subject to such contract, except that such haying or grazing may be permitted only during the 6 principal nongrowing months of a year, and except that the Secretary may not designate a State, or part of a State, under this exception for more than 1 year at a time. (Sec. 1632.)

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

(17) Forestry practices (Sec. 1232)

(a) The *House* bill provides that no contract may prohibit customary forestry practices such as pruning, thinning (including thinning that results in commercial pulpwood and fence post harvesting), or stand improvement on land subject to a CR contract. (Sec. 1205(b)(1)(E).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment striking "(including thinning that results in a commercial pulpwood and fence post harvesting)."

(b) The *House* bill provides that no contract may permit tree planting on CR land unless the contract specifies that the harvesting and commercial sale of such trees for Christmas trees is prohibited. (Sec. 1205(b)(1)(E).)

The *Senate* amendment contains no comparable provision.

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

(c) The *Senate* amendment provides that no less than 5 million acres of land placed in the CR during the period 1986-1990 will be devoted to trees. (Sec. 1632(c).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment deleting "5 million acres of land" and instead requiring that "not less than one-eighth of the number of acres of land placed in the conservation reserve each year under this subtitle during the 1986 through 1990 crop years, to the extent practicable, shall be devoted to trees."

(18) Acceptability of contract offers (Sec. 1234)

(a) The *House* bill provides that the Secretary of Agriculture, when considering contract offers, may accept those offers that provide for the establishment of shelterbelts and windbreaks, or permanently vegetated stream borders, filter strips of permanent grass, forbs, shrubs, and trees that will reduce sedimentation substantially. (Sec. 1205(f)(2).)

The *Senate* amendment directs the Secretary, when considering the acceptability of contract offers, to give priority to those offers that will result in the lowest cost to the Federal Government when calculated on the basis of all relevant factors, including the number of acres of eligible erosion-prone land removed from production each year, the amount of funds made available to carry out the program, the extent to which eligible erosion-prone land may contribute to off-site damages, and the potential benefits to wildlife. (Sec. 1634(c)(1).)

The *Conference* substitute adopts the *House* provision. The *Conferees* intend that the Conservation Reserve be administered, to the extent practicable, so as not to reward those who in recent years have converted highly erodible land to cropland uses.

(b) The *Senate* amendment provides that in determining the acceptability of contract offers the Secretary may (A) establish different criteria in various States and regions of the United States to determine the extent to which erosion be abated, and (B) give priority to offers made by owners and operators who are subject to the highest degree of economic stress. (Sec. 1634(c)(2) and (3).)

The *House* bill contains no comparable provision.

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

(19) Payment limitation (Sec. 1234)

(a) The *House* bill limits a person to payments of annual rental fees applicable to a farm or ranch to \$50,000. The *House* bill also requires the Secretary of Agriculture to issue regulations defining the term "person" and provides that the regulations issued by the Secretary on December 18, 1970, under the Agricultural Act of 1970 shall be used to determine whether corporations and their stockholders will be considered separate persons. (Sec. 1205(d)(3).)

The *Senate* amendment provides that the total amount of rental payments, including rental payments made in the form of in-kind commodities, made to an owner or operator under a CR contract for any fiscal year may not exceed \$50,000. (Sec. 1634(h)(1).)

The *Conference* substitute adopts the *Senate* amendment with an amendment incorporating that section of the *House* provision providing that the regulations issued by the Secretary on December 18, 1970, under the Agricultural Act of 1970 shall be used to determine whether corporations and their stockholders will be considered separate persons.

(b) The *Senate* amendment also provides that the rental payments under a CR contract shall be outside of other payment limits established under the bill or the Agricultural Act of 1949. (Sec. 1634(h)(2).)

The *House* bill contains no comparable provision.

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

(20) Payment of cost of installing and maintaining conservation measures (Sec. 1234)

The *House* bill directs the Secretary of Agriculture to pay 50 percent of the cost of installing and maintaining the specified conservation measures set forth in the CR contract. (Sec. 1205(e).)

The *Senate* amendment directs the Secretary to cost share no more than 50 percent of the cost of the conservation measures set forth in the contract. (Sec. 1633 (1).)

The *Conference* substitute adopts the *House* provision with an amendment striking the words "installing and maintaining" and inserting instead the word "establishing."

(21) Change in ownership (Sec. 1235)

(a) The *House* bill places restrictions on the ability of the Secretary of Agriculture to enter into CR contracts covering land with respect to which the ownership has changed in the 3-year period preceding the first year of the contract period unless the new ownership was acquired by will or succession, the new ownership was acquired before January 1, 1985, or the Secretary determines the land was not acquired to place it in the program. (Sec. 1205(i)(1).)

The *Senate* amendment contains no comparable provision.

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

(b) The *House* bill permits the continuation of a CR contract by a new owner after a contract has been entered into, and does not require a person to own the land if such person has operated the land for at least three years preceding the date of the contract or

since January 1, 1985, whichever is later, and controls the land for the contract period. (Sec. 1205(i)(2).)

The *Senate* amendment provides that if, during the term of the CR contract, land subject to the contract is transferred, the new owner may continue the contract, enter into a new contract, or elect not to participate in the CR program. (Sec. 1635(a).)

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

(22) Modification of contract by Secretary (Sec. 1235)

The *Senate* amendment allows the Secretary of Agriculture to modify or waive a term or condition of a CR contract in order to permit all or part of the land subject to such contract to be devoted to the production of an agricultural commodity during a crop year. (Sec. 1635(b)(2).)

The *House* bill provides authority for the Secretary to waive or modify requirements of a plan approved by the Secretary or the conservation district under the CR program. (Sec. 1205(b)(1)(A).)

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

(23) Payment in cash or in-kind (Sec. 1234)

(a) The *House* bill provides that payment under CR contracts can be made in cash or commodities, except that in-kind payments described in item (11)(b) shall be made in cash if payment in-kind would have a depressing market effect, or stocks are unavailable. (Sec. 1205(g).)

The *Senate* amendment requires the Secretary of Agriculture to make the annual rental payment under a CR contract for the first year in cash and for subsequent years in the form of in-kind commodities in such amounts as are agreed upon in the contract. The Secretary may make in-kind payments only if the Secretary makes a finding that the use of such commodity will not displace to a significant degree the usual marketings of such commodity. (Sec. 1634(e)(1) and (2).)

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

(b) The *Senate* amendment provides that if payment is to be made with in-kind commodities, such payment shall be made by CCC (A) by delivery of the commodity involved to the owner at a warehouse in the county where the land under contract is located or at another agreed-on location, (B) by transfer of negotiable warehouse receipts; or (C) by such other method including the sale of the commodity in commercial markets as the Secretary deems appropriate. (Sec. 1634(e)(3).)

The *House* bill contains no comparable provision.

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

(c) The *Senate* amendment also provides that if CCC stocks are not readily available to make full payment in kind under a CR contract, the Secretary may substitute full or partial payment in cash. (Sec. 1634(e)(4).)

The *House* bill contains no comparable provision except as described in paragraph (a) above.

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

(24) Program ineligibility of CR acreage

The *House* bill provides that upon the termination or expiration of a CR contract, the highly erodible cropland that was the subject of such contract shall be considered highly erodible land for the purposes of section 1202, the program ineligibility section. (Sec. 1205(m).)

The *Senate* amendment contains no comparable provision.

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

The Conferees agreed that the Secretary should inform all persons entering contracts to place highly erodible cropland in the Conservation Reserve that upon expiration or termination of such contracts any highly erodible cropland will likely be subject to the program ineligibility section of this Act and therefore must be operated in accordance with an approved conservation plan would specify any land which could not be put into cultivation and any land which could be put into cultivation subject to installation of approved conservation practices. Such persons should be fully informed in advance, of the general scope of the requirements and obligations of the conservation plan.

(25) Termination of a CR contract (Sec. 1235)

The *Senate* amendment requires the Secretary of Agriculture to give written notice to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate at least 90 days before terminating all CR contracts. (Sec. 1635(c)(2).)

The *House* bill contains no comparable provision.

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

(26) Carry out program through the Commodity Credit Corporation (Sec. 1241)

(a) The *House* bill authorizes the use of Commodity Credit Corporation funds to carry out the CR program and authorizes appropriations to reimburse the CCC for any amounts expended by it under the CR program and not previously reimbursed. (Sec. 1205(n).)

The *Senate* amendment requires the use of CCC funds in carrying out the CR program in fiscal years 1986 and 1987 and authorizes such use of CCC funds in subsequent fiscal years only if CCC has received prior appropriated funds to cover such CCC expenditures under the CR program. (Sec. 1636(a).)

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

(b) The *House* bill provides that the authority to enter into contracts under CR program, not within the authority of the CCC or the Secretary of Agriculture as of the date of enactment of the bill, shall be effective for any fiscal year to such extent or in such amount as provided in appropriation Act (Sec. 1206(e).)

The *Senate* amendment provides that the authority to conduct the CR is in addition to other authorities available to the Secretary and the CCC. (Sec. 1636(f).)

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

(27) Utilize other agencies (Sec. 1242)

(a) The *House* bill requires the Secretary of Agriculture in carrying out the highly erodible land, wetland, and conservation reserve provisions to use ASC Committees and the technical services of the Soil Conservation Service, the Forest Service, State foresters, and conservation district. (Sec. 1206(b).)

The *Senate* amendment requires the Secretary to use ASC Committees in carrying out the highly erodible land provisions and authorizes the Secretary in carrying out the conservation reserve provisions to use the same entities as provided for in the *House* bill with the addition of the Fish and Wildlife Service, State Fish and game authorities, the land grant colleges, and other appropriate agencies. (Secs. 1615(a) and 1636(b).)

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

(b) The *Senate* amendment requires the Secretary, to the extent practicable, in carrying out the CR program at the State and county levels, to consult with the Fish and Wildlife Service, State forestry and fish and game agencies, land grant colleges, conservation districts, and other appropriate agencies and groups. (Sec. 1636(c).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendments with an amendment deleting the reference to "and groups."

(28) Base history (Secs. 1232 and 1236)

(a) The *House* bill explicitly provides that a conservation plan under the CR program may provide for the permanent retirement of any existing cropland base and allotment history for the land. (Sec. 1205(c).)

The *Senate* amendment contains no comparable explicit provision.

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

(b) The *House* bill also provides that a reduction, based on a ratio between the total cropland acreage on the farm and the acreage placed in the conservation reserve, as determined by the Secretary of Agriculture, shall be made, during the period of the contract, in crop bases, quotas, and allotments with respect to crops for which there is a production adjustment program. (Sec. 1205(d)(2).)

The *House* bill further provides that notwithstanding the program ineligibility provisions relating to highly erodible land, the Secretary, by appropriate regulation, may provide for preservation of cropland base and allotment history applicable to acreage converted from the production of agricultural commodities under the CR program, for the purpose of any Federal program under which the history is used as a basis for participation in the program or for an allotment or other limitation in the program, unless the owner and operator agree under the contract to retire permanently the cropland base and allotment history. (Sec. 1205(1).) (See also item (24) above.)

The *Senate* amendment provides that, if an owner or operator diverts acreage from production under a CR contract, any cropland base or allotment history with respect to such acreage shall be retired. However, a cropland base or allotment history may be rees-

tablished on such acreage under law applicable upon the expiration of such contract. (Sec. 1636(e).)

The *Conference* substitute adopts the *House* provision with an amendment providing that a reduction, based on a ratio between the total cropland acreage on the farm and the acreage placed in the conservation reserve, as determined by the Secretary of Agriculture, shall be made, during the period of the contract, in the aggregate, in crop bases, quotas, and allotments on the farm with respect to crops for which there is a production adjustment program.

(29) Technical assistance for water resources (Sec. 1251)

The *House* bill provides that the Secretary of Agriculture may formulate plans and provide technical assistance to property owners and agencies of State and local governments and interstate river basin commissions to protect the quality and quantity of subsurface water, enable property owners to reduce their vulnerability to flood hazards, and control the salinity in the Nation's agricultural water resources. The Secretary is required to submit a report by February 15, 1987, and each February 15th thereafter, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate evaluating such plans and technical assistance. (Sec. 1211.)

The *Senate* amendment is the same except that it does not contain a provision requiring a report. (Sec. 1954.)

The *Conference* substitute adopts the *House* provision with an amendment deleting the requirement for the Secretary to submit annual reports after the report due on February 15, 1987.

(30) Extension of the Soil and Water Resources Conservation Act of 1977 (Sec. 1252)

(a) The *House* bill extends the Soil and Water Resources Conservation Act of 1977 to December 3, 2008. (Sec. 1221.)

The *Senate* amendment extends the Act to December 31, 2005. (Sec. 1644.)

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

(b) The *House* bill amends the Act to require the Secretary of Agriculture to conduct four appraisals of the status of the soil, water, and related resources of the Nation to be completed by December 31, 1979, December 31, 1985, December 31, 1995, and December 31, 2005, respectively. (Sec. 1221.)

The *Senate* amendment requires the appraisals to be completed not later than December 31, 1979, December 31, 1984, December 31, 1994, and December 31, 2004. In the case of an appraisal due to be completed after December 31, 1984, the Secretary may supplement the preceding appraisal in lieu of preparing a new appraisal. (Sec. 1644.)

The *Conference* substitute adopts the *House* provision with an amendment changing the required completion date for the second appraisal from December 31, 1985, to December 31, 1986.

(c) The *House* bill amends the Act to require national soil and water conservation program updates to be completed by December 31, 1987, December 31, 1997, and December 31, 2007. (Sec. 1221.)

The *Senate* amendment requires program plans to be completed not later than December 31, 1979, December 31, 1984, December 31,

1994, and December 31, 2004. In the case of any plan required to be completed after December 31, 1984, the Secretary may supplement the preceding plan in lieu of preparing a new plan. (Sec. 1644.)

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

(d) The *Senate* amendment requires the Secretary in developing the national soil and water conservation program to take into consideration the priorities (as well as responsibilities) of Federal, State, and local governments in conservation efforts. (Sec. 1644.)

The *House* bill contains no comparable provision.

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

(e) The *House* bill requires the President to transmit to the Speaker of the House of Representatives and the President of the Senate (A) the appraisals developed under section 5 of the Act at the time Congress convenes in 1980, 1986, 1996, and 2006; and (B) the program and program updates developed under section 6 of the Act at the time Congress convenes in 1980, 1988, 1998, and 2008, together with a detailed statement of policy regarding soil and water conservation activities of the Department of Agriculture. (Sec. 1221.)

The *Senate* amendment requires the President to submit the program plans and appraisals to the Speaker of the House and the President of the Senate on the first day Congress convenes in 1980, 1984, 1994, and 2004. (Sec. 1644.)

The *Conference* substitute adopts the *House* provision with an amendment changing the deadline when the second appraisal must be submitted to the Congress from the time Congress convenes in 1986 to 1987.

(f) The *House* bill deletes section 7(b) of the Act, which requires the President to submit an annual report to Congress of program and policy achievement in relation to the budget. (Sec. 1222.)

The *Senate* amendment contains no comparable provision.

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

(31) Dry land farming (Sec. 1253)

The *Senate* amendment amends section 7(a) of the Soil Conservation and Domestic Allotment Act by adding the promotion of energy and water conservation through dry land farming as an additional policy and purpose of such Act. (Sec. 1642.)

The *House* bill contains no comparable provision.

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

(32) Agricultural conservation program

The *Senate* amendment amends section 8(d) of the Soil Conservation and Domestic Allotment Act to require that, in order to be eligible to receive a payment or grant of aid made under the agricultural conservation program authorized by sections 7 through 15, 16(a), 16(f), and 17 of such Act and sections 1001 through 1008 and 1010 of the Agricultural Act of 1970, a producer must use such payment or grant in accordance with a conservation plan approved (A) by the soil and water conservation district or districts in which the land described in the plan is situated, or (B) in areas where such district or districts do not exist or fails to act on the approval of such plan, the Secretary of Agriculture. In order to receive such approval, the plan must ensure that soil loss levels on lands subject

to such plan do not exceed the standards determined by the Secretary. The Secretary is required to provide technical assistance to producers to assist producers in preparing such plans. (Sec. 1643.)

The *House* bill contains no comparable provision.

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

(33) *Soil Conservation Service*

The *Senate* amendment, after making several findings concerning the Nation's soil and water resources, provides that it is the sense of Congress that (A) the vital work of the Soil Conservation Service be vigorously pursued to address the serious soil and water problems still confronting the United States; and (B) adequate support and funding be continued for the Soil Conservation Service and its necessary program. (Sec. 1645.)

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* amendment. The Conferees endorse the *Senate* amendment for "Sense of the Congress" purposes.

(34) *Softwood timber (Sec. 1254.)*

The *Senate* amendment amends section 608 of the Agricultural Programs Adjustment Act of 1984 to require the Secretary of Agriculture to implement a program under which a delinquent loan made or insured under the Consolidated Farm and Rural Development Act, or portion of such loan, may be reamortized with the use of future revenue produced from the planting of softwood timber crops on land that was cultivated or in pasture and secures such a loan. Accrued interest on the outstanding loan may be capitalized. The Secretary is to set the interest rate on the new loan at a rate not more than the rate on comparable U.S. obligations, plus one percent. Payments on the reamortized loan may be deferred until the timber crop produces revenue or for a term of 45 years (whichever comes first) and must be repaid not later than 50 years after the date of reamortization. The borrower of the reamortized loan must place at least 50 acres of land in softwood timber production. The Secretary may make loans to such borrowers to assist in their placing their land in timber production. Such a loan may not exceed \$100,000 per borrower and shall be secured by the land on which the trees are planted. (Sec. 1646.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* amendment with an amendment providing discretion for the Secretary to establish such a program pursuant to the recommendations contained in the study mandated by Section 608 of Public Law 98-258. The amendment limits the program to "distressed" rather than "delinquent" FmHA loans and to "marginal land as determined by the Secretary." It also limits the amount borrowers may obtain to assist them in placing such land in softwood timber production to "the actual costs of tree planting for land placed in the program." The amendment requires that if the program is implemented, the Secretary must issue rules prescribing the terms and conditions for "management and harvesting practices of the timber crop." The *Conference* substitute also limits the size of the program to not more than 50,000 acres.

(35) Farmland protection (Sec. 1255.)

The *Senate* amendment amends the Farmland Protection Policy Act to state that it is the policy of the United States that the expenditure of Federal program funds is not to contribute to the irreversible conversion of farmland to nonagricultural uses, unless it can be demonstrated that there is no feasible alternative to achieve the program objective. Provisions of current law requiring the Secretary of Agriculture to develop criteria for identifying effects of Federal programs on the conversion of farmland to nonagricultural uses would be deleted. (Sec. 1956(a).)

The *House* bill contains no comparable provision.

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

TITLE XIII—CREDIT

(1) Joint operations

The *House* bill amends sections 302 and 311(a) of the Consolidated Farm and Rural Development Act (the Act) to add joint operations to those entities eligible to receive farm ownership, soil and water conservation, recreation, and farm operating loans. It also amends section 343 of the Act to define the term "joint operation" to mean an operation in which two or more farmers work together sharing equally or unequally land, labor, equipment expenses, and income. (Sec. 1301.)

The *Senate* amendment contains no comparable provision.

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

(2) Eligibility for real estate and operating loans

The *Senate* amendment amends sections 302 and 311 of the Act to prohibit the Secretary of Agriculture from restricting eligibility for farm ownership, soil and water, recreation, and farm operating loans solely to borrowers who have loans outstanding as of the date of enactment of the bill. (Sec. 1701.)

The *House* bill contains no comparable provision.

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

(3) Water and waste disposal facilities

(a) The *House* bill in section 306(a) of the Act will require the Secretary of Agriculture to establish a grant rate for each water or waste disposal contract for which a grant is made, and to set that rate in accordance with regulations providing for a graduated scale of grant rates with a higher rate for communities with lower level community populations and income levels. However, the grant rate will be the maximum permitted rate (75 percent) for any project in a community that has a population of 1,500 or fewer persons and a median household income not exceeding the higher of (1) the poverty line, or (2) 80 percent of the statewide nonmetropolitan median household income. (Sec. 1302(1).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment deleting the requirement that the grant rate be the maximum permitted for communities that meet specific population and income criteria. The amendment requires a graduated scale of

grant rates with targeting toward communities with low income and population.

(b) The *House* bill will require the Secretary to use a project selection system in deciding which water or waste disposal facility projects will be receiving grant assistance. The project selection system will provide for the objective and uniform comparison of requests for assistance (in the form of pre-applications) on the basis of relative need as reflected by factors determined by the Secretary, including (1) low community median income, (2) low population, and (3) severity of health hazards stemming from inadequate potable water or sewage disposal. The three factors described in the preceding sentence would be weighted equally and account for not less than 75 percent of the total rating points in the project selection system. (Sec. 1302(2).)

The *Senate* amendment contains no comparable provisions.

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

(c) The *House* bill will add a new provision to section 306(a) to authorize the Secretary to make grants to private nonprofit organizations to finance technical assistance and training to (1) identify and evaluate solutions to water and sewage disposal problems in rural areas, (2) prepare applications for water and waste disposal grants made under the Act, or (3) improve operations and maintenance at water and waste disposal facilities. Not less than 2 percent of any appropriation for grants under section 306(a)(2) must be reserved for such grants unless the applications qualifying for such grants for the fiscal year total less than 2 percent of such appropriations. (Sec. 1302(2).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provisions with an amendment providing that not less than 1 percent or more than 2 percent of any appropriation for grants under section 306(a)(2) must be reserved for grants to provide technical assistance and training.

The conferees intend that the grant funds set aside to finance technical assistance and training not be used to recruit new applicants for the water and waste disposal program, but rather to be used to assist those communities that have already decided to make application for the FmHA water and waste disposal loan and grant program.

(d) The *House* bill will add a new provision to section 306(a) to require the Secretary to use median income and population figures of all the communities involved in cases in which water or waste disposal facility projects serve more than one community. The median figures would be used in (1) determining the grant rate described in paragraph (a) above, (2) applying the project selection system described in subsection (b), and (3) determining the interest rates under section 307 of the Act. (Sec. 1302(2).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment deleting reference to the use of median income and population figures for a project selection system referred to in item 3(b).

(e) The *House* bill will authorize the Secretary to make grants, aggregating not more than \$10 million in any fiscal year, to asso-

ciations, nonprofit corporations, Indian tribes, and public and quasi-public agencies to test cost-effective methods of meeting basic needs of rural residents who do not have and cannot afford safe drinking water systems. Financing under such grants could be used to cover (1) individual or small, multiuser drinking water facilities, (2) costs involved in connecting rural residences into community water systems, (3) improvements to small community water systems, and (4) alternative rural drinking water systems. (Sec. 1302(2).)

The *Senate* amendment contains no comparable provision.

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

(f) The *House* bill will add a new provision to section 306 that provides that water and waste disposal facility grants can be used to pay the local share requirements of other Federal grant-in-aid programs. (Sec. 1302(2).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment which specifies that water and waste disposal facility grants may be used to pay the local share requirements of other Federal grant-in-aid programs if this use is authorized in the statute under which the Federal grant-in-aid program is carried out.

(g) The *Senate* amendment provides that the Secretary, in approving any water and waste disposal facility loan, must consider fully any recommendation made by the applicant or borrower concerning the technical design and choice of materials to be used for such facility. The Secretary must give the applicant or borrower a comprehensive justification if the Secretary determines that a different design or materials should be used. (Sec. 1702(a).)

The *House* bill contains no comparable provision.

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

(4) *Interest rates—water and waste disposal facility and community facility loans*

The *House* bill provides that the interest rate for water and waste disposal facility loans and community facility loans must be the lower of the rate in effect (1) at the time of loan approval or (2) at the time of loan closing. (Sec. 1303(3).)

The *Senate* amendment contains no comparable provision.

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

(5) *Effective date*

The *House* bill provides that the water and waste disposal facility loan and grant provisions in section 1302 and the interest rate provisions on water and waste disposal and community facility loans in section 1303 will be effective October 1, 1985, and will apply to any loan or grant applicant, regardless of whether the loan or grant application was made before October 1, 1985. (Sec. 1304.)

The *Senate* amendment contains no comparable provision.

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

(6) *Water and waste disposal plant feasibility study*

The *Senate* amendment requires that the Secretary of Agriculture study the practicality and cost-effectiveness of making loans and grants under section 306 of the Act for the construction of

water and waste disposal facilities at individual locations in rural areas, rather than at central or community locations. The study must be submitted to the House and Senate agriculture committees within 120 days of the date of enactment of the bill. (Sec. 1702(c).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment specifying that the study also focus on small multi-use drinking water facilities, costs involved in connecting rural residents into community water systems, improvements to small community water systems, and alternative rural drinking water systems.

(7) Mineral rights as collateral

The *House* bill amends section 307 of the Act to prohibit the consideration of oil, gas, or other mineral rights as part of the collateral for farm ownership loans made after the date of enactment of the bill, unless the appraised value of these rights is specifically included in the appraised value of the collateral securing the loan. However, any payment or compensation the borrower receives for damage to the surface of the real estate stemming from mineral exploration or recovery may be counted as part of the collateral securing the loan. (Sec. 1305.)

The *Senate* amendment contains no comparable provision.

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

(8) Use of proceeds from mineral sales or leases

The *House* bill provides that for loans made after the date of enactment of the bill, unless the appraised value of the oil, gas, or other mineral rights was included as part of the appraised value of the loan security, a farm loan borrower, having an outstanding farm ownership, operating, disaster, or economic emergency loan, be allowed to use the royalties or lease or sale proceeds generated from such mineral rights to make prospective scheduled payments on the loan. (Sec. 1309.)

The *Senate* amendment is similar in that it allows the making of prospective payments on such loans with proceeds (1) from the lease of oil, gas or other mineral rights to real property securing the loan or (2) from the sale of oil, gas, or minerals removed from such property if the value of the rights was not used to secure the loan and the loan security is otherwise adequate. However, this option does not apply if liquidation or foreclosure is pending on the property on the date of enactment of the bill. (Sec. 1709.)

The *Conference* substitute adopts the *Senate* provision with a technical amendment deleting language specifying that the security for the loan be otherwise adequate.

(9) Sale of notes and security

The *Senate* amendment amends sections 309(d) and 309A(e) of the Act to clarify the authority of the Secretary of Agriculture to sell to parties notes evidencing loans made from the agricultural credit and rural development insurance funds. The clarification specifies that sale may be made on a nonrecourse basis and that the Secretary and any purchaser of such notes will be relieved of any responsibilities that might have been imposed had the borrower re-

mained indebted to the Secretary. Additionally, notes sold from the Agricultural Credit Insurance Fund on a nonrecourse basis must have been held in that fund for at least 4 years. (Sec. 1703.)

The *House* bill contains no comparable provision.

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

(10) *Rural industrial assistance*

(a) The *House* bill amends section 310B of the Act to limit the principal amount of a business and industry loan to \$25,000,000. (Sec. 1306(1).)

The *Senate* amendment contains no comparable provision.

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

(b) The *House* bill adds a new subsection to section 310B of the Act that effective October 1, 1986, authorizes the Secretary of Agriculture to make grants to public and private nonprofit institutions for the establishment and operation of rural technology development centers to promote the development and commercialization of (1) new products that can be manufactured in rural areas, and (2) new processes that can be used in such manufacturing. Grants will be made on a competitive basis, giving preference to applicants in areas that have, (1) a low level of industry and agribusiness, or (2) high unemployment, (3) low per capita income, and (4) high out-migration. The Secretary must issue regulations providing for monitoring and evaluating the rural technology development activities carried out by institutions that receive such grants. (Sec. 1306.)

The *Senate* amendment contains no comparable provision.

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

(c) The *Senate* amendment modifies section 310B of the Act to authorize the Secretary to guarantee loans to finance the production and distribution of ethanol in rural areas. All other loan and grant authority under section 310B is repealed. (Sec. 1704.)

The *House* bill contains no comparable provision.

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

(d) The *Senate* amendment provides that, for fiscal year 1986 only, the Secretary must guarantee loans made by public agencies and private organizations to nonprofit national rural development and finance corporations that establish statewide development and finance programs for purposes of providing loans, loan guarantees, and other financial assistance to improve business, industry, and employment opportunities in rural areas (as determined by the Secretary). To obtain a loan, a rural development and finance corporation must:

(1) demonstrate its ability to administer a national revolving rural development loan program;

(2) be prepared to commit corporate resources to establish affiliated statewide rural development and finance programs; and

(3) have secured commitments of significant financial support from public agencies and private organizations for such affiliated statewide programs.

A determination to establish a particular affiliated statewide program must be based in large part on the willingness of the State and private organizations to make funds available to such program. The Secretary must use \$20 million of the \$150 million authorized for the production and distribution of ethanol in rural areas to

guarantee loans made to rural development and finance corporations, such funds to remain available until expended. (Sec. 1720(a).)

The *House* bill has no comparable provision.

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

(e) The *Senate* amendment provides that, for fiscal year 1986 only, the Secretary must make grants to national rural development and finance corporations for purposes of establishing a rural development program to provide financial and technical assistance to complement the loan guarantees required to be made in the provisions explained in paragraph (d).

All funds deposited in the Rural Development Loan Fund under sections 623(c)(1) and 633 of the Community Economic Development Act of 1981 that are available on the date of enactment of the bill must be transferred to the Secretary for the purpose of making such grants and must remain available until expended. (Sec. 1720(b).)

The *House* bill has no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment requiring that any loans made prior to the date of enactment shall bear the rate of interest in effect on the date of issuance for the life of such loan.

(11) Farm recordkeeping training for limited resource borrowers

The *Senate* amendment amends section 312(a) of the Act to authorize the making of an operating loan to a limited resource borrower holding a real estate loan made under section 310D of the Act for purposes of paying for training in the maintenance of records of farming and ranching operations. (Sec. 1705.)

The *House* bill contains no comparable provision.

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

(12) Emergency loans

(a) The *House* bill amends section 321 of the Act to require individual applicants for emergency loans to own and operate (for loans for farm real estate purposes) or operate (for loans for farm operating purposes) not larger than family farms. In the case of entities (farm cooperatives, private domestic corporations and partnerships—including joint operations) to be eligible for emergency loans, the majority interest of the entity must be held by citizens who own and operate (for real estate loans) or operate (for operating loans) not larger than family farms. In the case of such entities in which a majority interest is held by individuals who are related by blood or marriage, such individuals must be either owners or operators of not larger than a family farm and at least one such individual must be an operator of not larger than a family farm. The family farm requirement applicable to entities is to apply as well to all farms in which the entity has an ownership or operator interest. (Sec. 1307(a).)

The *Senate* amendment contains no comparable provision.

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

(b) The *Senate* amendment provides that no emergency loan may be made for production losses that could have been insured under the Federal Crop Insurance Act. The change made by this amendment does not affect those persons whose eligibility for a loan re-

sulted from damage to an annual crop planted before the date of enactment of the bill. (Sec. 1706 (a) and (f).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment providing that the ineligibility provision shall not apply to any annual crop planted or harvested before the end of 1986.

Further, the conferees intend that the Secretary of Agriculture not deny eligibility for Farmers Home Administration emergency disaster loans to producers who are prevented from planting a crop due to flood, drought, or natural disaster, notwithstanding the producer's eligibility for crop insurance under the Federal Crop Insurance Act.

Also, the conferees intend that the Secretary of Agriculture conduct a thorough review of the present method of establishing insurable crop yields under the Federal Crop Insurance Act. It is further the intent of the conferees that in counties which have been declared natural disaster areas in at least three of the past five years, the Secretary must offer producers at least one alternative method for computing crop yields—for crop insurance purposes—that may more accurately reflect the longer term historical productivity of that producer's crop land.

(c) The *Senate* amendment amends sections 321(b) and 324(b)(1) of the Act to repeal the authority of the Secretary of Agriculture to make emergency loans to applicants who are able to obtain credit elsewhere. (Secs. 1706 (a) and (c).)

The *House* bill contains no comparable provision.

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

(d) The *Senate* amendment deletes obsolete provisions from section 324 of the Act. (Sec. 1706(b).)

The *House* bill contains no comparable provision.

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

(e) The *House* bill amends section 329 of the Act to require that eligibility for emergency loans based on production losses be determined without regard to the Secretary's failure to designate a county or counties for emergency loan purposes. (Sec. 1307(b).)

The *Senate* amendment contains no comparable provision.

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

(f) The *Senate* amendment amends section 329 of the Act to require the Secretary to make emergency loans based on production losses either (A) on the same criteria as under current law (that is that the applicant's operation has sustained at least a 30 percent loss of normal production or a lesser percent as determined by the Secretary) or (B) beginning with the 1985 crop of an agricultural commodity, if the applicant shows that a crop produced by the applicant under an established practice of double cropping has sustained at least a 50 percent loss of production (or a lesser percent as determined by the Secretary). (Sec. 1706(d).)

The *House* bill contains no comparable provision.

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

(g) The *Senate* amendment repeals the authority to make subsequent annual production emergency loans found in section 330 of the Act. (Sec. 1706(e).)

The *House* bill contains no comparable provision.

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

(13) Settlement of claims and homestead protection

(a) The *Senate* amendment revises section 331(d) of the Act to authorize the Secretary of Agriculture to compromise, adjust, reduce or charge-off claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements made or administered by the Farmers Home Administration (FmHA) as circumstances may require to carry out the purposes of the Act. Borrowers or others obligated on a debt incurred under the Act may be released from personal liability with or without payment of consideration at the time of the claim settlement, subject to two limitations. The limitations are that no compromise or adjustment may be made (i) on terms more favorable than those recommended by the appropriate county committee, and (ii) after the claim has been referred to the Attorney General, unless the Attorney General approves. (Sec. 1707(a).)

The *House* bill contains no comparable provision.

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

(b) The *Senate* amendment requires that the Secretary or the Administrator of the Small Business Administration, as applicable, must permit a borrower having an outstanding farm loan under the Act or the Small Business Act, as the case may be, to retain possession and occupancy of the borrower's principal residence plus up to 10 adjoining acres (including any farm buildings on such acreage) upon application by the borrower if (1) the Secretary or Administrator forecloses on property securing the loan, or (2) if the borrower declares bankruptcy or voluntarily liquidates to avoid bankruptcy or foreclosure. The total value of the homestead property retained cannot exceed \$250,000, as determined by an independent appraisal made within 6 months of the borrower's retention application. The period of occupancy granted must be at least 3 years but not over 5 years. To qualify for homestead retention, the borrower must (A) apply within 3 years after enactment of the bill, (B) have exhausted all other debt restructuring or extension remedies, (C) have made gross annual farm sales of at least \$40,000 in at least 2 of the years 1981 through 1985, (D) have received at least 60 percent of the borrower's annual income (including income earned by a spouse, if any) from farming in at least 2 of such 5 years, (E) have occupied the property during such 5-year period, (F) pay reasonable rent during occupancy, and (G) maintain the property in good condition.

Failure to timely pay rent on the homestead would be grounds to terminate the borrower's possession and occupancy. At the end of the occupancy period, the borrower has a first right of refusal to reacquire the homestead property, and the Secretary or SBA Administrator cannot demand total payment of principal that exceeds the total value of the homestead property. (Sec. 1707(b).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment which provides that the authority granted under this provision shall be discretionary with the Secretary. Further, the amount of adjoining land is modified to eliminate specifying ten acres and instead specifying that the borrower may retain a rea-

sonable amount of land. The amendment removes authority to include farm buildings located on such property. The provision for the value of such residence and property to total \$250,000 is deleted. The value of such property shall be determined by an independent appraisal.

(c) The *Senate* amendment provides that, if a loan made under the Consolidated Farm and Rural Development Act is secured by the borrower's principal residence, the borrower defaults on the repayment of the loan, and the borrower is required to forfeit the residence to the Secretary or pay an amount equal to the borrower's equity in the residence; the appropriate State director of the Farmers Home Administration is authorized to make a loan to the borrower in accordance with the following:

(1) the borrower must be able to repay the new loan (as determined by the Secretary) and otherwise meet the eligibility requirements for a Farmers Home Administration real estate loan;

(2) the loan amount of the new loan may not exceed the lesser of (A) the equity the borrower has in the residence, or (B) the outstanding amount of principal and interest owed by the borrower on the loan in default;

(3) the interest rate on the new loan will be set by the Secretary, but cannot exceed the cost of borrowing to the government for the same term as the new loan, plus not to exceed 1 percent; and

(4) the repayment period for the new loan cannot exceed 25 years.

If the borrower makes all payments due on the new loan, the borrower cannot be made subject to an action to force repayment of the new loan or the loan in default. (Sec. 1721.)

The *House* bill contains no comparable provision.

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

(14) *Transfer of loan accounts*

The *Senate* amendment requires the Secretary of Agriculture to permit an FmHA borrower to transfer, on a one-time basis and with the approval of the FmHA State Director, the borrower's loan accounts to a FmHA county office in an adjacent county. (Sec. 1708.)

The *House* bill contains no comparable provision.

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

The conferees note that the Secretary may, under existing authorities, permit FmHA borrowers to transfer their loan accounts to adjacent counties. It is the intent of the conferees that the Secretary consider allowing borrowers, who so request, to transfer their loan accounts.

(15) *County committees*

The *House* bill provides that two members of the three member FmHA county committees must be elected, from their number, by farm operators living in the area and one member be appointed by the Secretary of Agriculture. In selecting the appointed members, the Secretary must ensure that, to the greatest extent practicable, the committee is fairly representative of farmers in the county or area. Elected and appointed members will serve 3-year terms (shorter terms are provided for the initially elected members). As

provided for in current law, alternate members may be appointed and removed for cause. (Sec. 1308.)

The *Senate* amendment contains no comparable provision.

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

(16) Administration of farm real estate acquired by the Secretary

The *House* bill adds new provisions to the Act that override all other procedures in the Act for the disposition of property acquired by the Secretary of Agriculture under the Act. The new provisions prohibit the Secretary from selling acquired farmland (1) if placing the farmland on the market would have a detrimental effect on the value of farmland in the area or (2) in any State or portion thereof that is identified by the Secretary as having suffered a substantial reduction in the average value of farmland since 1980, until the State or portion thereof experiences a period of 12 consecutive months in which farmland values don't decrease. The Secretary must also offer to sell such farmland, to the maximum extent practicable, in tracts of a size suitable for family farms and to give priority in the sale of such land to the previous owner and to beginning farmers. The Secretary may not lease and operate such farmland for the production of surplus agricultural commodities, but must devote it to conserving uses, and likewise devote any land that is highly erodible to conserving uses.

To the extent such property is leased, leases must be offered on a competitive bid basis, giving priority to the previous owner, family farmers, and beginning farmers. Leases to previous owners can be made without regard to the restrictions imposed by the *House* bill, with priority in leasing to the previous owner. If the property is to be administered under a management contract, the contract must be let under a competitive bid system, giving preference to small businessmen in the area. Acreage allotments, marketing quotas, or assigned acreage bases are not to be adversely affected by compliance with these provisions. (Sec. 1310.)

The *Senate* amendment also adds new provisions to the Act to establish specified priorities for the disposition of farmland acquired by the Secretary. It sets as first priority the selling, and then the leasing, of such land to operators of not larger than family-size farms.

A lease with an option to purchase may also be used as a vehicle for the disposition of land. In leasing land, special consideration will be given to a previous owner or operator, providing that such owner or operator has the finances, management skills, and experience to be successful in a farming operation.

The land may be sold under an installment sales basis or similar device, and such a contract can be later sold by the Secretary. The sale price to operators of not larger than family-size farms has to reflect the average annual income that can reasonably be anticipated to be generated from farming the land. The Farmers Home Administration county committee by majority vote, will select an operator to purchase, or lease with the option to purchase, the land if two or more qualified operators of not larger than family-size farms want to so purchase or lease the land. The Secretary may prescribe regulations governing the procedures. The land must be subdivided into suitable tracts if, due to its size, it is not suitable

for sale or lease to an operator of not larger than a family-size farm.

Suitable farmland will be disposed of by advertising in at least one local newspaper and posting a notice at the local FmHA office. Specific conservation practices can be required on highly erodible farmland as a condition of its sale or lease. The provisions in the *Senate* amendment must be implemented within 90 days of enactment. (Sec. 1712.)

The *Conference* substitute adopts the *Senate* provision with an amendment specifying that if the farm real estate is to be administered under a management contract, the contract must be let under a competitive bid system, giving the preference to small businessmen in the area. Also, acreage allotments, marketing quotas, or assigned acreage bases are not to be adversely affected as a result of the operation of the provision. The amendment also specifies that the Secretary may not sell acquired farmland if putting such land on the market would have a detrimental effect on the value of farmland in the area.

(17) Farm debt restructure and conservation set-aside

(a) The *House* bill authorizes conservation, recreational, or wildlife easements to be acquired or retained by the Secretary of Agriculture for a period of not less than 50 years on land that is wetland, upland, highly erodible land, or marginal cropland, if the Secretary determined that such land is suitable for the easement involved. Such easements could be (i) retained by the Secretary on land in FmHA inventory or (ii) could be acquired on land securing a FmHA loan if the borrower involved is unable to repay the loan, and (iii) the land was row cropped in each of the 3 years preceding the date of enactment of the bill. Payment for an easement on land securing loans of the borrower would be through the cancellation of a portion of such loans. The portion of the loans to be cancelled is to the total amount of the outstanding loans as the number of acres subject to the easement is to the total number of acres of land securing such loans. (Sec. 1311.)

The *Senate* amendment is similar except (1) land securing FmHA loans must also be held by the Secretary and (2) lands on which easements may be acquired or retained are restricted to wetlands and highly erodible land. (Sec. 1641.)

The *Conference* substitute adopts the *Senate* provision with an amendment including "upland" in the provision and specifying that the rowcropping requirement of this provision does not apply to wetlands. The amendment further provides that the value of the debt cancelled shall not exceed the value of the land on which the easement is acquired.

(b) The *House* bill defines the term "highly erodible land" to mean land classified by the Soil Conservation Service as class IVe, VI, VII, or VIII land under the land capability classification system in effect on the effective date of the bill. (Sec. 1311(b).)

The *Senate* amendment is similar, except it includes class IIIe land. (Sec. 1641.)

The *Conference* substitute adopts the *House* provision with an amendment conforming the definitions of "highly erodible land"

and "wetland" to the definitions adopted in the conservation title of the bill.

(c) The *House* bill provides that the term "recreational uses" includes hunting. (Sec. 1311(b).)

The *Senate* amendment contains no comparable provision.

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

(d) The *House* bill provides that the term "wetlands" has the meaning given that term in section 3 of the Water Bank Act. The Water Bank Act defines wetlands to mean (1) the inland fresh areas described as types 1 through 7 in Circular 39, Wetlands of the United States, published by the Department of the Interior (or the inland fresh areas corresponding to such types in any successor wetland classification system), (2) artificially developed inland fresh areas that meet the description of the inland fresh areas described in clause (1), and (3) such other wetland types as the Secretary may designate. (Sec. 1311(b).)

The *Senate* amendment defines the term "wetland" by reference to section 1601(a)(19) of the *Senate* amendment. Under that definition, wetland is an area, whether publicly or privately owned (including a swamp, marsh, bog, prairie pothole, or similar area) having a predominance of hydric soils that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances supports, the growth and regeneration of hydrophytic vegetation. (Sec. 1641.)

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

(e) The *Senate* amendment provides that any part of a loan cancelled under this provision shall not be included in income and shall not have any effect on any tax attributed to any taxpayer or property, for purposes of the Internal Revenue Code of 1954. (Sec. 1641(c).)

The *House* bill contains no comparable provision.

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

(f) The *Senate* amendment would authorize the Secretary, for conservation purposes, to grant or sell to local or State governmental units or private nonprofit organizations easements, restrictions, and development rights on land in FmHA inventory separate from all other interests of the United States in the property. (Sec. 1712.)

The *House* bill contains no comparable provision.

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

(18) Reauthorization

(a) *House* bill amends section 346 of the Act to provide authorization levels for fiscal years 1986, 1987, and 1988 as follows:

For farm real estate loans, \$700,000,000 for FY 1986 (\$650,000,000 for insured loans and \$50,000,000 for guaranteed loans with authority to transfer 25 percent of these amounts between categories), and \$700,000,000 for each of FY 1987 and 1988 (all for guaranteed loans);

For farm operating loans, \$3,150,000,000 for each fiscal year (\$2,500,000,000 for insured loans and \$650,000,000 for guaranteed loans with authority to transfer 25 percent of these amounts between categories); and

For emergency loans, \$1,300,000,000 in FY 1986, \$700,000,000 in FY 1987, and \$600,000,000 in FY 1988.

For fiscal years 1986, 1987, and 1988: \$340,000,000 is authorized for insured water and waste disposal facility loans; \$250,000,000 is authorized for industrial development loans; and \$115,000,000 is authorized for insured community facility loans. (Sec. 1312.)

The *Senate* amendment provides that for each of fiscal years 1986, 1987, and 1988 farm real estate and farm operating loans are authorized in an aggregate amount of \$4,000,000,000, of which at least \$520,000,000 must be for farm ownership loans. The breakdown by fiscal year is as follows:

For FY 1986, \$2,000,000,000 is authorized for insured loans and \$2,000,000,000 is authorized for guaranteed loans, with not less than \$260,000,000 of each amount reserved for farm ownership loans;

For FY 1987, \$1,500,000,000 for insured loans, (of which not less than \$195,000,000 is reserved for farm ownership loans) and \$2,500,000,000 for guaranteed loans (of which not less than \$325,000,000 for farm ownership loans); and

For FY 1988, \$1,000,000,000 for insured loans (of which not less than \$130,000,000 is reserved for farm ownership loans) and \$3,000,000,000 for guaranteed loans (of which not less than \$390,000,000 is reserved for farm ownership loans).

For each of these fiscal years the Secretary may transfer no more than 20 percent of the amount authorized for guaranteed loans to amounts authorized for insured loans.

Emergency loans are to be insured or guaranteed in such amounts as are necessary to meet needs resulting from natural disasters.

For each of the 3 fiscal years, the total amount authorized for guaranteed loans for ethanol production and distribution is established at \$150,000,000.

For FY 1986, water and waste facility loans may be insured in the amount of \$75,000,000. (Sec. 1715.)

The *Conference* substitute adopts the *Senate* provision with an amendment providing that authorization levels for the FmHA emergency disaster loan program shall be \$1,300,000,000 for fiscal year 1986, \$700,000 for fiscal year 1987, and \$600,000,000 for fiscal year 1988. The amendment deletes the authorization levels for the Rural Development Insurance Fund contained in the *Senate* amendment and substitutes the *House* provision which provides that \$340 million is authorized for the FmHA water and waste disposal loan program for fiscal years 1986, 1987, and 1988; \$250,000,000 is authorized for industrial development loans for FY 1986, 1987, 1988; and \$115,000 is authorized for insured community facility loans for FY 1986, 1987, 1988. Further, the amendment provides, in each fiscal year, that the Secretary may transfer up to 25 percent of the guaranteed loan account to the insured loan account.

(b) The *House* bill provides that, to the extent that there are sufficient applications from eligible farmers, not less than 25 percent of the funds (authorized in the bill) used for (1) insured farm ownership loans and (2) insured farm operating loans would be required to be made available to eligible low-income, limited resource borrowers. The Secretary would be required to inform in writing all

farm ownership and operating loan applicants of the availability of these loans and the nature of the program.

The *Senate* amendment would permanently require that 25 percent of insured farm ownership and operating loans made in any fiscal year must be made to eligible low income, limited resource borrowers.

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

(19) Limitation on insured real estate loans

The *House* bill provides that, effective for fiscal years 1987 and 1988, no FmHA insured loans may be made for farm ownership purposes under the Act. (Sec. 1312.)

The *Senate* amendment contains no comparable provisions.

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

(20) Administration of guaranteed farm loan programs

(a) The *House* bill requires that the FmHA guaranteed farm loan program under the Act be designed to be responsive to borrower and lender needs and to provide for partial loss claim payments prior to completion of the liquidation process. (Sec. 1313.)

The *Senate* amendment contains no comparable provision.

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

(21) Use of talents of older Americans

The *House* bill authorizes the Secretary of Agriculture to make grants to or enter into cooperative agreements with private non-profit organizations designated by the Secretary of Labor under the Older Americans Act to use the talents of older Americans in FmHA programs authorized under the Act. The Secretary of Agriculture has to first certify that the grant or agreement will not displace current employees of the agency, or cause someone to be employed over someone laid off from the same or very similar job or affect existing service contracts. Grant awards or agreements cannot be made unless funding is provided in advance in an appropriations Act. (Sec. 1313.)

The *Senate* amendment contains no comparable provision.

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

(22) Protection for purchasers of farm products

(a) the *House* bill provides that, notwithstanding any other provision of Federal, State, or local law, a buyer in the ordinary course of business who buys a farm product from a seller engaged in farming operations takes that product free of a security interest, even though the interest is perfected and the buyer knows of its existence, unless (1) the buyer, within the preceding year, has received written notice of the security interest and any payment obligation that is imposed on the buyer as a condition for waiver or release of the security interest and the buyer has failed to perform the payment obligation. Similar provisions also apply to commission merchants and selling agents who sell farm products for others. (Sec. 1314(d).)

The *Senate* amendment is essentially the same as the *House* provision, except that it exempts buyers of farm products produced in States having central systems for the recording of financial state-

ments from the general provisions explained in paragraph (a). In States having a central filing system, the buyer purchases the farm product subject to a lender's security interest if (1) the buyer did not register with the Secretary of State as a potential buyer of the class of farm products involved and the lender has filed an effective financing statement covering the product being sold, or (2) the buyer (i) received written notice from the Secretary of State that specifies both the seller and the specific farm product that is subject to an effective security interest and (ii) did not obtain waiver or release of the security interest from the secured party. Similar provisions apply to commission merchants and selling agents who sell farm products for others. (Sec. 1950 (b) through (d)).

(b) The *House* bill provides that a security agreement may require a seller of farm products to furnish the secured party with a list of the persons to whom the producer may sell his products. If the seller is required to furnish such a list of potential product purchasers and sells the farm product collateral to a person not included on the list, the seller can be fined up to \$5,000. (Sec. 1314(f) and (g).)

The *Senate* amendment is similar to the House provision, except it also applies to commission merchants and selling agents and provides for a fine of \$5,000, or 15 percent of the value of the products, whichever is greater. (Sec. 1950(e)(3).)

(c) The *House* bill provides that the farm product purchaser provisions will be effective 30 days after date of enactment, but exempts from these provisions for a period of 1 year those security interests created before the effective date. (Sec. 1314(h).)

The *Senate* amendment provides that the farm product purchaser provisions will be effective 12 months after date of enactment; or as to any State in which the legislature does not meet during the 12-month period, within such State 60 days after a sine die adjournment of the next session of the legislature of that State. All security interests that attach prior to the effective date of these provisions will be exempt from the provision for 1 year.

(d) The *House* bill defines the term "buyer in the ordinary course of business" as a person who (1) in the ordinary course of business buys farm products from a person engaged in farming operations who is in the business of selling farm products; and (2) buys the products in good faith without knowledge of the sale is in violation of the ownership rights of security interest of a third party. (Sec. 1314(c)(1).)

The *Senate* amendment defines the term "buyer in the ordinary course of business" as a person who, in the ordinary course of business, buys farm products from a person engaged in farming operations. (Sec. 1950(a)(1).)

(e) The *House* bill defines the term "farm products" to mean crops or livestock used or produced in farming operations or products of crops or livestock in their unmanufactured state. (Sec. 1314(c)(2).)

The *Senate* amendment defines the term "farm product" to mean a specific agricultural commodity such as a type of crop or a species of livestock used or produced in farming operations, or a product of such crop or livestock in its unmanufactured state. (Sec. 1950(a)(5).)

(f) The *Senate* amendment defines the terms "commission merchants", "central filing system", "effective financing statement", "selling agent", "State", "person", and "Secretary of State". (Sec. 1950(a)(2); (a)(4); and (a)(8)-(a)(11).)

The *House* bill contains no comparable provision.

(g) The *House* bill contains congressional findings that—

(1) certain State laws permit a secured lender to enforce the lender's lien against a purchaser of farm products even though the purchaser (i) does not know that the sale violates the lender's security interest, (ii) lacks any practical method for discovering the existence of the security interest, and (iii) has no reasonable means to ensure that the seller uses the sale proceeds to repay the lender; and

(2) these State laws subject the purchaser of farm products to double payment for the products, thus inhibiting free competition in the market for farm products and burdening and obstructing interstate commerce in farm products.

The purpose of the *House* provision is to remove this burden on and obstruction to interstate commerce in farm products. (Sec. 1314 (a) and (b).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute deletes the text of the *House* and *Senate* provisions, and adopts the following new provision:

PROTECTION FOR PURCHASERS OF FARM PRODUCTS

SEC. 1324. (a) Congress finds that—

(1) certain State laws permit a secured lender to enforce liens against a purchaser of farm products even if the purchaser does not know that the sale of the products violates the lender's security interest in the products, lacks any practical method for discovering the existence of the security interest, and has no reasonable means to ensure that the seller uses the sales proceeds to repay the lender;

(2) these laws subject the purchaser of farm products to double payment for the products, once at the time of purchase, and again when the seller fails to repay the lender;

(3) the exposure of purchasers of farm products to double payment inhibits free competition in the market for farm products; and

(4) this exposure constitutes a burden on and an obstruction to interstate commerce in farm products.

(b) The purpose of this section is to remove such burden on and obstruction to interstate commerce in farm products.

(c) For the purposes of this section—

(1) the term "buyer in the ordinary course of business" means a person who, in the ordinary course of business, buys farm products from a person engaged in farming operations who is in the business of selling farm products.

(2) the term "central filing system" means a system for filing effective financing statements or notice of such financing statements on a statewide basis and which has been certified by the Secretary of the United States Department of Agriculture; the Secretary shall certify such system if the system complies with

the requirements of this section; specifically under such system—

(A) effective financing statements or notice of such financing statements are filed with the office of the Secretary of State of a State.

(B) the Secretary of State records the date and hour of the filing of such statements;

(C) the Secretary of State compiles all such statements into a master list—

(i) organized according to farm products;

(ii) arranged within each such product—

(I) in alphabetical order according to the last name of the individual debtors, or, in the case of debtors doing business other than as individuals, the first word in the name of such debtors; and

(II) in numerical order according to the social security number of the individual debtors or, in the case of debtors doing business other than as individuals, the Internal Revenue Service taxpayer identification number of such debtors; and

(III) geographically by county or parish; and

(IV) by crop year;

(iii) containing the information referred to in paragraph (4)(D);

(D) the Secretary of State maintains a list of all buyers of farm products, commission merchants, and selling agents who register with the Secretary of State, on a form indicating—

(i) the name and address of each buyer, commission merchant and selling agent;

(ii) the interest of each buyer, commission merchant, and selling agent in receiving the lists described in subparagraph (E); and

(iii) the farm products in which each buyer, commission merchant, and selling agent has an interest;

(E) the Secretary of State distributes regularly as prescribed by the State to each buyer, commission merchant, and selling agent on the list described in subparagraph (D) a copy in written or printed form of those portions of the master list described in paragraph (C) that cover the farm products in which such buyer, commission merchant, or selling agent has registered an interest;

(F) the Secretary of State furnishes to those who are not registered pursuant to (2)(D) of this section oral confirmation within 24 hours of any effective financing statement on request followed by written confirmation to any buyer of farm products buying from a debtor, or commission merchant or selling agent selling for a seller covered by such statement.

(3) The term "commission merchant" means any person engaged in the business of receiving any farm product for sale, on commission, or for or on behalf of another person.

(4) The term "effective financing statement" means a statement that—

- (A) is an original or reproduced copy thereof;
- (B) is signed and filed with the Secretary of State of a State by the secured party;
- (C) is signed by the debtor;
- (D) contains,

- (i) the name and address of the secured party;
 - (ii) the name and address of the person indebted to the secured party;

- (iii) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor;

- (iv) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where applicable; and a reasonable description of the property, including county or parish in which the property is located;

- (E) must be amended in writing, within 3 months, similarly signed and filed, to reflect material changes;

- (F) remains effective for a period of 5 years from the date of filing, subject to extensions for additional periods of 5 years each by refileing or filing a continuation statement within 6 months before the expiration of the initial 5 year period;

- (G) lapses on either the expiration of the effective period of the statement or the filing of a notice signed by the secured party that the statement has lapsed, whichever occurs first;

- (H) is accompanied by the requisite filing fee set by the Secretary of State; and

- (I) substantially complies with the requirements of this subparagraph even though it contains minor errors that are not seriously misleading.

(5) The term "farm product" means an agricultural commodity such as wheat, corn, soybeans, or a species of livestock such as cattle, hogs, sheep, horses, or poultry used or produced in farming operations, or a product of such crop or livestock in its unmanufactured state (such as ginned cotton, wool-clip, maple syrup, milk, and eggs), that is in the possession of a person engaged in farming operations.

(6) The term "knows" or "knowledge" means actual knowledge.

(7) The term "security interest" means an interest in farm products that secures payment or performance of an obligation.

(8) The term "selling agent" means any person, other than a commission merchant, who is engaged in the business of negotiating the sale and purchase of any farm product on behalf of a person engaged in farming operations.

(9) The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

(10) The term "person" means any individual, partnership corporation, trust, or any other business entity.

(11) The term "Secretary of State" means the Secretary of State or the designee of the State.

(d) Except as provided in subsection (e) and notwithstanding any other provision of Federal, State, or local law, a buyer who in the ordinary course of business buys a farm product from a seller engaged in farming operations shall take free of a security interest created by the seller, even though the security interest is perfected; and the buyer knows of the existence of such interest.

(e) A buyer of farm products takes subject to a security interest created by the seller if—

(1)(A) within 1 year before the sale of the farm products, the buyer has received from the secured party or the seller written notice of the security interest organized according to farm products that—

(i) is an original or reproduced copy thereof;

(ii) contains,

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue Service taxpayer identification number of such debtor;

(IV) a description of the farm products subject to the security interest created by the debtor, including the amount of such products where applicable, crop year, county or parish, and a reasonable description of the property and

(iii) must be amended in writing, within 3 months, similarly signed and transmitted, to reflect material changes;

(iv) will lapse on either the expiration period of the statement or the transmission of a notice signed by the secured party that the statement has lapsed, whichever, occurs first; and

(v) any payment obligations imposed on the buyer by the secured party as conditions for waiver or release of the security interest; and

(B) the buyer has failed to perform the payment obligations, or

(2) in the case of a farm product produced in a State that has established a central filing system—

(A) the buyer has failed to register with the Secretary of State of such State prior to the purchase of farm products; and

(B) the secured party has filed an effective financing statement or notice that covers the farm products being sold; or

(3) in the case of a farm product produced in a State that has established a central filing system, the buyer—

(A) receives from the Secretary of State of such State written notice as provided in subparagraph (c)(2)(E) or (c)(2)(F) that specifies both the seller and the farm product

being sold by such seller as being subject to an effective financing statement or notice; and

(B) does not secure a waiver or release of the security interest specified in such effective financing statement or notice from the secured party by performing any payment obligation or otherwise; and

(f) What constitutes receipt, as used in this section, shall be determined by the law of the State in which the buyer resides.

(g)(1) Except as provided in paragraph (2) and notwithstanding any other provision of Federal, State, or local law, a commission merchant or selling agent who sells, in the ordinary course of business, a farm product for others, shall not be subject to a security interest created by the seller in such farm product even though the security interest is perfected and even though the commission merchant or selling agent knows of the existence of such interest.

(2) A commission merchant or selling agent who sells a farm product for others shall be subject to a security interest created by the seller in such farm product if—

(A) within 1 year before the sale of such farm product the commission merchant or selling agent has received from the secured party or the seller written notice of the security interest; organized according to farm products, that—

(i) is an original or reproduced copy thereof;

(ii) contains,

(I) the name and address of the secured party;

(II) the name and address of the person indebted to the secured party;

(III) the social security number of the debtor or, in the case of a debtor doing business other than as an individual, the Internal Revenue service taxpayer identification number of such debtor;

(IV) a description of the farm products subject to the security interest created by the debtor, including the amount of such products, where applicable, crop year, county or parish, and a reasonable description of the property, etc.; and

(ii) must be amended in writing, within 3 months, similarly signed and transmitted, to reflect material changes;

(iv) will lapse on either the expiration period of the statement or the transmission of a notice signed by the secured party that the statement has lapsed, whichever occurs first; and

(v) any payment obligations imposed on the commission merchant or selling agent by the secured party as conditions for waiver or release of the security interest; and

(B) the commission merchant or selling agent has failed to perform the payment obligations;

(C) in the case of a farm product produced in a State that has established a central filing system—

(i) the commission merchant or selling agent has failed to register with the Secretary of State of such State prior to the purchase of farm products; and

(ii) the secured party has filed an effective financing statement or notice that covers the farm products being sold; or

(D) in the case of a farm product produced in a State that has established a central filing system, the commission merchant or selling agent—

(i) receives from the Secretary of State of such State written notice as provided in subsection (c)(2)(E) or (c)(2)(F) that specifies both the seller and the farm products being sold by such seller as being subject to an effective financing statement or notice; and

(ii) does not secure a waiver or release of the security interest specified in such effective financing statement or notice from the secured party by performing any payment obligation or otherwise.

(3) What constitutes receipt, as used in this section, shall be determined by the law of the State in which the buyer resides.

(h)(1) A security agreement in which a person engaged in farming operations creates a security interest in a farm product may require the person to furnish to the secured party a list of the buyers, commission merchants, and selling agents to or through whom the person engaged in farming operations may sell such farm product.

(2) If a security agreement contains a provision described in paragraph (1) and such person engaged in farming operations sells the farm product collateral to a buyer or through a commission merchant or selling agent not included on such list, the person engaged in farming operations shall be subject to paragraph (3) unless the person—

(A) has notified the secured party in writing of the identity of the buyer, commission merchant, or selling agent at least 7 days prior to such sale; or

(B) has accounted to the secured party for the proceeds of such sale not later than 10 days after such sale.

(3) A person violating paragraph (2) shall be fined \$5,000 or 15 per centum of the value or benefit received for such farm product described in the security agreement, whichever is greater.

(i) The Secretary of Agriculture shall promulgate regulations not later than 90 days after the date of enactment of this Act, to aid states in the implementation and management of a central filing system.

(j) This section shall become effective 12 months after the date of enactment of this Act.

(23) Coordinated financial statements

The *House* bill prohibits Farmers Home Administration from using or requiring the submission of coordinated financial statements referred to in proposed regulations published on November 8, 1983, or requiring any substantially similar document in connection with any farm loan application. This provision would affect those loan applications submitted on or after the date of enactment. (Sec. 1315.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment that specifies that the prohibition against using a "co-ordinated financial statement" only applies to the document referred to in proposed regulations published on November 8, 1983.

(24) *Regulatory restraint resolution*

The *House* bill makes various findings that high production costs and low commodity prices have subjected many agricultural producers to severe economic hardship through no fault of their own, making them unable to meet loan repayment schedules in a timely fashion and that a policy of adverse classification of agricultural loans by bank examiners will trigger a wave of foreclosures and similar actions by banks and thus depress land and equipment values and have a devastating effect on farmers, banks, and rural areas.

The *House* bill also provides that it is the sense of Congress that bank examiners exercise caution and restraint and consider not only farmers' current cash flow but also their loan collateral and ultimate repayment ability in evaluating farmers' loans. This consideration should be given as long as the adverse cost-price squeeze impairs farm borrowers' abilities to make scheduled loan payments. (Sec. 1316.)

The *Senate* amendment contains no comparable provision.

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

(25) *Farm Credit Report*

The *House* bill directs the President to prepare and submit to Congress before November 1, 1985, the President's findings and recommendations concerning the continued sound and efficient operation of the Farm Credit System. (Sec. 1317.)

The *Senate* amendment requires that the Chairman of the Board of Governors of the Federal Reserve System, in consultation with the Secretary of Agriculture and the Governor of the Farm Credit Administration, conduct a study of methods to ensure the availability of adequate credit for farmers on reasonable terms. The study must evaluate (1) the financial circumstances of lenders and borrowers of farm credit and (2) the structure, performance, and conduct of the Farm Credit System. The Chairman of the Board of Governors of the Federal Reserve System must make a report to the House and Senate agriculture committees containing the results of the study, together with any comments and recommendations for providing a sound and reasonable credit program, not later than 180 days.

The *Senate* amendment also requires the Governor of the Farm Credit Administration to conduct a study into the need for an insurance fund to be used to insure Farm Credit System institutions against loan losses, and for any other purpose that would help stabilize the System's financial condition and provide for protection of borrower capital. In conducting the study, the Governor must consider the advisability of using the revolving fund provided in section 4.1 of the Farm Credit Act to provide startup capital for the insurance fund and estimate the amount and level of future assessments on System institutions that would be necessary to ensure such fund's long-term liquidity. A report of the results of the study

must be submitted to the House and Senate agriculture committees within 180 days of the date of enactment of the bill. (Sec. 1718.)

The *Conference* substitute adopts the *Senate* provision with an amendment that deletes the requirement for the Chairman of the Board of Governors of the Federal Reserve System to conduct a study of agricultural credit. The amendment retains the *Senate* provision which requires the Farm Credit Administration to conduct a study into the need for an insurance fund to be used to insure Farm Credit System institutions against loan losses, and for any other purpose that would help stabilize the System's financial condition and provide for protection of borrower capital. In conducting the study, the FCA must consider the advisability of using the revolving fund provided in section 4.1 of the Farm Credit Act to provide startup capital for the insurance fund and estimate the amount and level of future assessments on System institutions that would be necessary to ensure such fund's long-term liquidity. A report of the results of the study must be submitted to the House and Senate agriculture committees within 180 days of the date of enactment of the bill.

(26) Continuation of small farmer training and technical assistance program

The *House* bill requires the Secretary of Agriculture to maintain the Farmers Home Administration small farmer training and technical assistance program at substantially current levels. (Sec. 1319.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment limiting the authorization for such program to fiscal years 1986, 1987, and 1988.

(27) Nonsupervised accounts

The *House* bill amends section 312 of the Act to require the Secretary of Agriculture to reserve at least 10 percent of the proceeds of any farm operating loan. Such proceeds are to be placed in a nonsupervised bank account for use at the borrower's discretion for necessary family living needs or for purposes not inconsistent with the previously agreed upon farm or ranch plans of operation. If this reserve is exhausted, the Secretary may review and adjust the plan with the borrower, and consider such action as loan rescheduling, extending more credit, using income proceeds to pay necessary farm, home and other expenses, or using additional available loan servicing. (Sec. 1320.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment restricting the amount of funds reserved to 10 percent of the amount of the loan or \$5,000, whichever is less.

(28) Prompt application review and availability of loan proceeds

(a) The *House* bill adds a new section 333A to the Act to require the Secretary of Agriculture to: (1) approve or disapprove a completed application for a loan or loan guarantee under the Act and notify the applicant within 45 days after receipt of a completed application; and (2) inform the applicant who submits an incomplete application of the reasons why it is incomplete within 5 days after

receipt of the application. The Secretary is required to provide the loan funds to an insured loan applicant within 5 days of approval of the application, unless the applicant approves a longer period, or, if such funds are not available for such purpose, as soon as practicable, but no later than 5 days after sufficient funds become available. (Sec. 1321.)

The *Senate* amendment contains comparable provisions, except that the time periods are different. Instead of 45 days for action after receipt of an application, the *Senate* amendment requires action within 90 days. Instead of 5 days for notification regarding an incomplete application, the *Senate* amendment provides for a 20-day period. Instead of 5 days for the provision of loan funds to the borrower, the *Senate* amendment provides for 15 days. (Sec. 1710.)

The *Conference* substitute adopts the *Senate* provision with an amendment changing the period for action on an FmHA loan application from 90 to 60 days.

(b) The *House* bill provides that, if an application is disapproved initially but the decision is reversed or revised because of an administrative appeal or judicial action, the Secretary must act on the application within 5 days. If the Secretary fails to comply with the time deadlines for approved loans or loans guaranteed that are specified in the preceding sentence and in paragraph (a) above, the Secretary must reduce the interest payments on an insured loan, and make payments on behalf of the borrower on a loan that has been guaranteed to cover the interest accruing during the time the Secretary is not in compliance. The Secretary is required to inform all loan applicants of the requirements of new section 333A when the Secretary receives the applications. (Sec. 1321.)

The *Senate* amendment contains no comparable provisions.

The *Conference* substitute adopts the *House* provision with an amendment changing the period for action after reversal of a decision from 5 to 15 days and deleting the provision that requires the Secretary to reduce interest payments on an insured loan and make payments on behalf of the borrower on a guaranteed loan if the Secretary fails to take action within the required 15 days.

(c) The *Senate* amendment requires the Secretary to ensure that a request for designation as an approved lender be reviewed and acted upon within 15 days of receipt of a lender's complete application for such status. (Sec. 1710.)

The *House* bill contains no comparable provision.

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

(d) The *Senate* amendment directs the Secretary to use other Departmental personnel to aid FmHA in expeditiously processing applications, to have such personnel work overtime, if necessary, and to contract out for assistance (Secs. 1710 and 1948.)

The *House* bill contains no comparable provision.

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

The conferees urge the Secretary of Agriculture to give the highest priority to permit the continued use of temporary staff help in those local Farmers Home Administration offices where it is deemed necessary in order to deliver loan processing servicing, and other farm loan responsibilities on a timely basis to farmer-borrowers.

(29) *Loan program appeals*

(a) The *House* bill provides that the Secretary of Agriculture must provide FmHA borrowers and recipients of loan guarantees, and applicants for loans and guarantees, who have been directly and adversely affected by a decision of the Secretary under the Act with the right to (i) written notice, (ii) an opportunity for an informal meeting, and (iii) an opportunity for a hearing on the record with respect to the decision. (Sec. 1322.)

The *Senate* amendment contains a similar provision, except the amendment does not specify whether the hearing is on the record. (Sec. 1711.)

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

(b) The *House* bill requires the Secretary to establish procedures for informal meetings between appellants and FmHA officials to discuss adverse decisions under the Act. The procedures must require that (1) such an informal meeting take place (unless waived) before the formal hearing may occur; (2) the informal meeting be completed within thirty days after the notice of the adverse decision; (3) the original decision maker be directly involved in the informal meeting; (4) waiver of the informal meeting if the appellant and official agree that it would not likely avoid a formal appeal; and (5) written notice to the appellant of any decision reached after the informal meeting and, if the decision is adverse, the reason therefor. Even if waiver of the informal meeting is agreed to, the appellant must be notified by the Secretary of the right to a formal hearing. The reconsidered decision by the Secretary becomes the record for purposes of appeal. (Sec. 1322.)

The *Senate* amendment requires that, if the appellant requests it, an informal meeting be held with the appellant prior to the start of any formal appeal, but the amendment does not specify any detailed procedure for such informal meetings. (Sec. 1711(a).)

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

(c) The *House* bill specifies a large number of particulars with regard to review by an administrative law judge, after the informal review process, of any decision adverse to the loan applicant or borrower, including procedures for holding hearings at FmHA offices, the scope of permissible evidence at the hearings, a requirement for tape recording of hearings, the scope of the administrative law judge's authority, requirements for the Secretary to publish the judge's decision, review of the decision on appeal, and abbreviated time periods for the issuance of opinions and the making of appeals. (Sec. 1322.)

The *Senate* amendment has no comparable provision.

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

(d) The *Senate* amendment provides that the Secretary must conduct a study of the administrative appeals procedure used in the FmHA farm loan programs. The Secretary must examine—

(1) the number and type of appeals initiated by loan applicants and borrowers;

(2) the extent to which initial administrative actions are reversed on appeal and the reasons that such actions are reversed, modified, or sustained on appeal;

(3) the number and disposition of appeals in which the loan applicant or borrower is represented by legal counsel;

(4) the quantity of time required to complete action on appeals and the reasons for delays;

(5) the feasibility of using administrative law judges in the appeals process; and

(6) the desirability of electing members of the Farmers Home Administration county committees.

The Secretary must submit a report of the results of this study to the *House* and *Senate* agriculture committees by September 1, 1986. (Sec. 1711(b).)

The *House* bill has no comparable provision.

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

(30) *Family farm restriction*

The *House* bill amends sections 302 and 311 of the Act to add specific language concerning the holders of the entire interest in an entity applying for a farm ownership or farm operating loan who are related by blood or marriage and who all are or will become farm operators. If each holder's ownership interest separately amounts to not larger than a family farm, then the entity qualified for a loan even if, taken together, the interests amount to larger than a family farm. (Sec. 1323.)

The *Senate* amendment contains no comparable provision.

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

(31) *Release of normal income security*

The *Senate* amendment provides that the Secretary of Agriculture must release from normal income security an amount of funds sufficient to pay a borrower's essential household and farm operating expenses. The Secretary need not release funds if the Secretary determines the loan should be accelerated. The amendment defines the term "normal income security" as it is defined in 7 CFR sec. 1962.17(b) (Jan. 1, 1985). (Note: 7 CFR sec. 1962.17(b) defines "normal income security" as all security not considered basic security, including crops, livestock, poultry, products, and other property that are sold in operating the farm. "Basic security" is defined by regulation as all equipment and foundation herds and flocks that serve as the basis for the farming operation.) (Sec. 1713.)

The *House* bill contains no comparable provision.

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

(32) *Loan summary statements*

The *Senate* amendment amends section 337 of the Act to require, that, on the request of a borrower, the Secretary of Agriculture must furnish a loan summary statement to such borrower in connection with any loan insured under the Act that describes the status of each loan of the borrower during the summary period. The statement must set forth the details of each loan for the summary period, including the interest rate, outstanding principal due at the beginning of the period, amount of payments made during the period, amount due at the end of the period, allocation of payments (and the system used to make such allocation), total amount due on all loans at the end of the period, any delinquency, a sched-

ule of payments due, and the manner in which the borrower can obtain more information on the status of each loan. (Sec. 1714.)

The *House* bill contains no comparable provision.

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

(33) *Interest rate reduction program*

Effective for the period from date of enactment until September 30, 1988, the *Senate* amendment adds a new section 350 to the Act. The new section requires the Secretary of Agriculture to establish an interest rate reduction program for loans guaranteed under the Act and to enter into contracts to carry out the program. The interest rate a borrower pays to the lender will be reduced if the borrower cannot obtain credit elsewhere, cannot make timely loan payments, and has a total estimated cash income during the 12 months that begin on the date the contract is entered into that will equal or exceed the total estimated cash expenses during the same period. The lender will have to reduce the annual interest rate by a minimum percentage specified in the contract (but would be free to reduce the interest rate further). The Secretary will then pay the lender up to 50 percent of the cost of reducing the interest rate, so long as these payments do not exceed the cost to the government of reducing the rate by more than 2 percent. The term of the interest rate reduction contract may not exceed the remaining loan term, or 3 years, whichever is shorter. The Agricultural Credit Insurance Fund may be used to carry out this program, and the total amount of funds used by the Secretary to implement it cannot exceed \$490,000,000. (Sec. 1716.)

The *House* bill contains no comparable provision.

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

(34) *Study of farm and home plan*

The *Senate* amendment requires that a study be made of the appropriateness of the farm and home plan used by FmHA in connection with loans made or insured under the Act. If, as a result of the study, the Secretary of Agriculture finds the plan form to be inappropriate, the Secretary must evaluate other alternative forms, the need to develop a new form, and specify the steps that should be taken to improve or replace the current form. The Secretary must report the results of this study to both the *House* and *Senate* agriculture committees no later than 120 days after the date of enactment of the bill. (Sec. 1717.)

The *House* bill contains no comparable provisions.

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

(35) *Security for loans*

The *Senate* amendment provides that, notwithstanding any other provision of the Consolidated Farm and Rural Development Act, to be eligible for a loan under such Act, a borrower must—

(1) provide only such security as the Secretary of Agriculture determines is necessary to secure the loan during its term;

(2) dispose of all real property that the Secretary determines is not essential to the operation of the borrower's enterprise;

(3) in the case of an operating loan for annual production of crops or livestock, pledge such crops or livestock and any other

property that the Secretary determines is necessary to secure the loan;

(4) in the case of a real estate loan, pledge real estate to secure such loan; and

(5) in the case of a loan secured by chattels whose loss would jeopardize the interests of the lender, insure such chattels against hazards customarily covered by insurance.

If the borrower provides security for a loan in the manner outlined in the preceding paragraph, the Secretary cannot require such borrower to pledge additional security as a condition of eligibility for the consolidation, rescheduling, reamortization or deferral of payment of such loan. (Sec. 1722.)

The *House* bill contains no comparable provision.

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

(36) Extension of Credit to all Rural Utilities

The *Senate* amendment amends the Farm Credit Act of 1971 to expand the category of rural utilities eligible to borrow from the banks for cooperatives. Current law provides that, in order to be eligible to borrow from the banks for cooperatives, 60 percent of the voting control of a rural utility cooperative must be held by farmers, producers or harvesters of aquatic products, or other eligible cooperatives. Under the provision in the *Senate* amendment, such eligibility would be expanded to include cooperatives and other entities that have (1) received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration, (2) received a loan or commitment from the Rural Telephone Bank, or (3) been certified by the Administrator of REA to be eligible for such a loan, loan commitment, to loan guarantee. In addition, subsidiaries of such cooperatives or other entities will be eligible to borrow from the banks for cooperatives. (Sec. 1719.)

The *House* bill contains no comparable provision.

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

TITLE XIV—AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING

(1) Short title

The *House* bill designates this title as the "National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1985". (Sec. 1401)

The *Senate* amendment contains no comparable provision.

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

(2) Findings

The *House* bill revises the congressional findings set out in section 1402 (congressional findings) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (hereinafter referred to as the "1977 Act") to revise the findings by adding statements that—(a) it is critical that emerging agricultural-related technologies, economic changes, and sociological and environmental developments be analyzed on a continuing basis in an interdisciplinary fashion with respect to their effect on agriculture; (b) biotechnology guidelines and regulations must be made consistent throughout the Federal Government so that they promote scientific

development and protect the public, and the biotechnology risk assessment provisions used by Federal agencies must be standardized; and (c) expanded research programs in the uses of conservation and forest and range production practices is needed to develop more economical and effective management systems, and such efforts should include incorporating water and soil-saving technologies into current and evolving production practices; developing more cost-effective and practical conservation technologies; managing water in stressed environments, protecting the quality of the Nation's surface water and groundwater resources; establishing integrated organic farming research projects; developing better targeted pest management systems; and improving forest and range management technologies. The *House* bill also revises the current description of the need for increased efforts in the area of international food and agriculture by stressing the need for greater exchange of agricultural knowledge and information to improve food and agricultural progress, and for a dedicated effort by the Federal Government, the State cooperative institutions and other colleges and universities to expand international food and agricultural research, extension, and teaching programs. The *House* bill also makes technical changes to the text of section 1402. (Sec. 1402.)

The *Senate* amendment contains no comparable provisions.

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

(3) *Responsibilities of the Secretary of Agriculture*

(a) The *House* bill expands the responsibilities of the Secretary of Agriculture with respect to agricultural research, to include the coordination of efforts by the States, State cooperative institutions, State extension services, the Joint Council, the Advisory Board, and other appropriate institutions, in assessing and developing a plan for the effective transfer of new technologies, including biotechnology, to the farming community, with particular emphasis on addressing the unique problems of small and medium-sized farms in gaining information about these technologies. (Sec. 1404.)

The *Senate* amendment contains no comparable provision.

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

(b) The *Senate* amendment deletes the existing requirement that the Secretary develop in conjunction with others a long-term needs assessment for food, fiber, and forest products and determine the research requirements necessary to meet such needs. (Sec. 1503.)

The *House* bill contains no comparable provision.

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

(c) The *Senate* amendment makes it the responsibility of the Secretary to establish appropriate controls with respect to the development and use of the application of biotechnology to agriculture. (Sec. 1503.)

The *House* bill contains no comparable provision.

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

(4) *Joint Council on Food and Agricultural Sciences*

(a) The *House* bill extends the term of the Joint Council on Food and Agricultural Sciences to September 30, 1990. (Sec. 1405(a).)

The *Senate* amendment extends the term to September 30, 1989. (Sec. 1504(a).)

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

(b) The *House* bill adds to the duties of the Joint Council responsibility for coordinating with the Secretary of Agriculture in assessing the current status of, and developing a plan for, the effective transfer of new technologies to the farming community. (Sec. 1405(b).)

The *Senate* amendment contains no comparable provision.

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

(c) The *Senate* amendment provides that the Secretary shall appoint two of the members of the Joint Council from among distinguished persons who are food technologists from accredited or certified departments of food technology to ensure that the views of food technologists are considered by the Joint Council. (Sec. 1504(b).)

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment to change the number of food technologists appointed to the Joint Council from 2 to 1.

(5) *National Agricultural Research and Extension Users Advisory Board*

(a) The *House* bill extends the term of the National Agricultural Research and Extension Users Advisory Board to September 30, 1990. (Sec. 1406(a).)

The *Senate* amendment extends the term of the Advisory Board to September 30, 1989. (Sec. 1505(a).)

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

(b) The *Senate* amendment increases the membership of the Advisory Board from 25 to 27 by adding 2 members who are food technologists from accredited or certified departments of food technology, as determined by the Secretary of Agriculture. (Sec. 1505(b).)

The *House* amendment contains no comparable provision.

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

(c) The *House* bill adds to the duties of the Advisory Board responsibility for coordinating with the Secretary in assessing the current status of, and developing a plan for, the effective transfer of new technologies to the farming community. (Sec. 1406(b).)

The *Senate* amendment contains no comparable provision.

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

(d) The *Senate* amendment deletes the requirement that the Advisory Board submit a report, not later than February 20 of each year, to the President and the *Senate* and *House* agriculture and appropriations committee on the Advisory Board's appraisal of the President's proposed budget for the food and agricultural sciences for the fiscal year beginning in such year, and provides that such appraisal of the proposed budget of the President be included in the Advisory Board's annual July 1 statement, to the Secretary, of recommendations on federally supported agricultural research and extension programs. Further, it requires the Secretary to furnish copies of the July 1 statement and appraisal to the *Senate* and *House* agriculture and appropriations committees. (Sec. 1505(c).)

The *House* bill contains no comparable provision.

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

(6) *Project termination*

The *House* bill requires that in the event a research project being conducted by the Agricultural Research Service is proposed to be terminated, written notice of such intended action must be given to the *House* and *Senate* agriculture committees at least 15 days prior to the date of the proposed termination of the project. (Sec. 1407.)

The *Senate* amendment contains no comparable provision.

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

(7) *Federal-State partnership*

(a) The *House* bill adds a new subsection to section 1409A of the 1977 Act, which addresses the Federal-State research, extension, and teaching partnership. The new subsection provides that in order to promote research for purposes of developing agricultural policy alternatives, the Secretary of Agriculture must designate at least one State cooperative institution to conduct research in an interdisciplinary fashion and to report on a regular basis with respect to the effect of emerging technological, economic, sociological, and environmental developments on the structure of agriculture. The *House* bill also provides that support for this effort should include grants to examine the role of various food production, processing, and distribution systems that may primarily benefit small and medium-sized family farms, such as diversified farm plans, energy, water, and soil conservation technologies, direct and cooperative marketing, production and processing cooperatives, and rural community resource management. (Sec. 1408(2).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to encourage (instead of require) the Secretary to designate at least one State Cooperative institution.

(b) The *House* bill adds an additional new subsection to section 1409A that provides that in order to address more effectively the critical need for reducing farm input costs, improving soil, water, and energy conservation on farms and in rural areas, using sustainable agricultural methods, adopting alternative processing and marketing systems, and encouraging rural resources management, the Secretary must designate at least one State agricultural experiment station and one Agricultural Research Service facility to examine these issues in an integrated and comprehensive manner, while conducting ongoing pilot projects contributing additional research through the Federal-State partnership. (Sec. 1408(2).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to encourage (instead of require) the Secretary to designate at least one State agricultural experiment station and one agricultural research service facility.

(8) *Competitive, special and facilities research grants*

(a) The *House* bill broadens the definition of "high priority research" for purposes of awarding competitive research grants under section 2(b) of the Act of August 4, 1965, (A) to include research that emphasizes biotechnology in the development of new and innovative products, methods and technologies that increase

agricultural and forest production, and (B) to include interdisciplinary agricultural research on the effect of emerging technologies, economic changes, and sociological and environmental developments on the structure of agriculture. (Sec. 1410(a)(1).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to delete purpose "(B)".

(b) The *Senate* amendment adds research to develop new and alternative industrial uses for agricultural crops to the definition of "high priority research". (Sec. 1508(a).)

The *House* bill contains no comparable provision.

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

(c) The *House* bill provides for a restriction prohibiting competitive research or special research grants from being made, (A) to renovate or refurbish research spaces in buildings or the acquisition of fixed equipment or (B) for the planning, repair, rehabilitation, acquisition, or construction of a building or a facility. (Sec. 1410(a)(2).)

The *Senate* amendment contains no comparable provision.

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

(d) The *House* bill, effective October 1, 1985, extends the authorization for appropriations for competitive research grants under the Act in such sums as may be necessary for each of the fiscal years 1986 through 1990. (Sec. 1410(b)(3).)

The *Senate* amendment extends the authorization for appropriations for competitive research grants at a level of \$70,000,000 for each of the fiscal years 1986 through 1989. (Sec. 1508(b).)

The *Conference* substitute adopts the *Senate* provision with an amendment to extend the authorization for appropriations at the stated level through fiscal year 1990.

(e) The *House* bill requires the Secretary of Agriculture to retain 4 percent of the amount appropriated each fiscal year for competitive grants to pay administrative costs incurred by the Secretary in carrying out the competitive research grants program. (Sec. 1410(b)(3).)

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to authorize (instead of require) the Secretary to retain 4 percent of the appropriated amounts.

(f) The *House* bill requires the Secretary to retain 4 percent of the amount appropriated each fiscal year for special research grants to pay administrative costs incurred by the Secretary in carrying out the special research grants program. (Sec. 1410(a)(5).)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to authorize (instead of require) the Secretary to retain 4 percent of appropriated amounts.

(9) Grants for schools of veterinary medicine

The *Senate* amendment increases from 4 to 5 percent the percentage of funds appropriated for grants to States to establish or expand schools of veterinary medicine that would be retained by the Secretary of Agriculture for administration, program assistance, and program coordination. (Sec. 1509.)

The *House* bill contains no comparable provision.

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

(10) *Research facilities*

(a) The *Senate* amendment provides that grants under the Research Facilities Act be on a matching funds basis. (Sec. 1411(a).)

The *House* bill contains no comparable provision.

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

(b) The *House* bill, effective October 1, 1985, extends the authorization for appropriations for grants to eligible institutions under the Research Facilities Act at a level of \$20,000,000 for each of the fiscal years 1986 through 1990. (Sec. 1411(d)(1).)

The *Senate* amendment extends the authorization for appropriations for grants to eligible institutions at a level of \$31,000,000 for each of the fiscal years 1986 through 1989. (Sec. 1510(d).)

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

(c) The *House* bill amends section 4(b) of the Research Facilities Act to repeal the current allocation formula and to require 50 percent matching of grant funds under the research facilities program (Sec. 1411(d)(2).)

The *Senate* amendment deletes section 4(b), but adds to section 4(a) a provision that the amount of the non-Federal share required for a matching grant under the Facilities Act be determined by the Secretary. (Sec. 1510(d).)

The *Conference* substitute adopts the *House* provision with an amendment to delete reference to a specific 50 percent matching requirement. Matching would still be required but at a level determined by the Secretary.

(d) The *Senate* amendment also deletes reference in section 5 of the Research Facilities Act to the requirement that the Secretary provide for a coordinated research program among eligible institutions in each State having more than one eligible institution. (Sec. 1510(f).)

The *House* bill contains no comparable provision.

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

(e) The *House* bill repeals the provisions of section 8 of the Research Facilities Act concerning the allocation of funds. (Sec. 1411(h).)

The *Senate* amendment makes conforming amendments to section 8 of the Research Facilities Act by deleting references to the allocation of funds. (Sec. 1510(i).)

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

(f) The *House* bill amends section 10(3) of the Research Facilities Act to provide that the Secretary is required to report to Congress annually concerning those eligible institutions, if any, that were prevented, because of failure to repay funds as required under the Act, from receiving any grant under the Act. (Sec. 1411(j).)

The *Senate* amendment contains no comparable provision.

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

(g) The *House* bill will statutorily designate the Act as the "Research Facilities Act." (Sec. 1410(1).)

The *Senate* amendment contains no comparable provision.

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

(11) Grants and fellowships for food and agricultural sciences education

(a) The *House* bill, effective October 1, 1985, extend the authorization for appropriations for grants and fellowships for food and agricultural sciences education in such amounts as may be necessary for each of the fiscal years 1986 through 1990. (Sec. 1412(b).)

The *Senate* amendment extends the authorization for appropriations for the grants and fellowships at a level of \$50,000,000 for each of the fiscal years 1986 through 1989. (Sec. 1511(b).)

The *Conference* substitute adopts the *Senate* provision with an amendment to extend the authorization for appropriations at the stated level through fiscal year 1990.

(b) The *House* bill exempts panels that review applications for grants, from the provisions of the Federal Advisory Committee Act and related provisions of the 1977 Act. (Sec. 1412(c).)

The *Senate* amendment contains no comparable provision.

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

(12) Animal health and disease research

(a) The *House* bill extends the term of the Animal Health Science Research Advisory Board to September 30, 1990. (Sec. 1415.)

The *Senate* amendment extends the term of the Advisory Board to September 30, 1989. (Sec. 1513(a).)

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

(b) The *House* bill extends the authorization for appropriations for continuing animal health and disease research programs at the current level of \$25,000,000 annually for the years, 1986 through 1990. (Sec. 1416.)

The *Senate* amendment extends such annual authorization for years 1986 through 1989. (Sec. 1513 (b).)

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

(c) The *House* bill extends the authorization for appropriations for research on national or regional animal health or disease problems at the current level of \$35,000,000 annually through September 30, 1990. (Sec. 1417.)

The *Senate* amendment extends such annual authorization through September 30, 1989. (Sec. 1513(c).)

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

(13) Extension at 1890 Land-Grant colleges, including Tuskegee Institution

The *House* bill amends section 1444 of the 1977 Act by extending indefinitely the requirement that an amount not less than 6 percent of the total appropriations for each year under the Smith-Lever Act be appropriated for extension at 1890 land-grant colleges, including the Tuskegee Institute. The *House* bill also requires that an amount not less than 6 percent of the total amounts appropriated under related acts pertaining to cooperative extension work at the land-grant institutions identified in the Act of May 8, 1914, be appropriated for extension at 1890 land-grant colleges, including the Tuskegee Institute. (Sec. 1418.)

The *Senate* amendment extends through fiscal year 1989 the requirement that an amount not less than 6 percent of the total ap-

propriations for each year under the Smith-Lever Act be appropriated for extension at 1890 land-grant colleges, including the Tuskegee Institute. (Sec. 1514(a).)

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

(14) Grants to upgrade 1890 Land-Grant College extension facilities

The *House* bill declares the intent of Congress to assist the 1890 land-grant colleges, including Tuskegee Institute, in the acquisition and improvement of extension facilities and equipment so that eligible institutions may participate fully with the State cooperative extension services in a balanced way in meeting the extension needs of the people of their respective States. The *House* bill authorizes to be appropriated, for the grant program under this provision, \$10 million for each of the fiscal years 1986 through 1990, such sums to remain available until expended. Four percent of the sums appropriated would be available to the Secretary of Agriculture for administration of the grants program under this provision and the remainder would be available for grants to the eligible institutions for the purpose of assisting them in the purchase of equipment and land, and the planning, construction, alteration, or renovation of buildings, to provide adequate facilities to conduct extension work in their respective States. Grants would be made in such amounts and under such terms as the Secretary determines necessary. Federal funds provided under this provision would not be used for the payment of any overhead costs of the eligible institution. (Sec. 1419.)

The *Senate* amendment contains no comparable provision.

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

(15) Research at 1890 Land-Grant Colleges, including Tuskegee Institute

The *House* bill amends section 1445(g)(2) of the 1977 Act, which authorizes appropriations to support agricultural research at 1890 land-grant colleges, including the Tuskegee Institute, to provide that whenever it appears to the Secretary of Agriculture, from the annual statement of receipts and expenditures of funds by any eligible institution, that an amount in excess of 5 percent of the preceding annual appropriation allotted to that institution under that section remains unexpended, such amount in excess of 5 percent of the preceding annual appropriation allotted to that institution would be deducted from the next succeeding annual allotment to the institution. (Sec. 1420(2).)

The *Senate* amendment provides that no more than 5 percent of the funds received by an institution under section 1445 of the 1977 Act in any fiscal year may be carried forward to the succeeding fiscal year. (Sec. 1514(b).)

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

(16) Agricultural information exchange with Ireland

The *House* bill requires the Secretary of Agriculture to undertake discussions with the Government of Ireland that may lead to an agreement that will provide for the development of a program between the United States and Ireland whereby there will be a greater exchange of agricultural scientific and educational informa-

tion and personnel, the fostering of joint investment ventures, cooperative research, and the expansion of United States trade with Ireland. The *House* bill requires the Secretary to periodically report to the House and Senate committees on agriculture on the progress and accomplishments with regard to the development of the program. (Sec. 1423.)

The *Senate* amendment contains no comparable provision.

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

(17) Evaluation of the Extension Service and the Cooperative Extension Services

The *House* bill repeals section 1459 of the 1977 Act which required the Secretary of Agriculture to report to Congress not later than March 31, 1979, an evaluation of the Extension Service and the cooperative extension services. (Sec. 1424.)

The *Senate* amendment contains no comparable provision.

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

(18) Authorization of appropriations for certain agricultural research programs

(a) The *House* bill amends section 1463(a) of the 1977 Act to extend the authorization for appropriations for agricultural research programs, with certain exceptions, at the level of \$600,000,000 for fiscal year 1986, \$610,000,000 for fiscal year 1987, \$620,000,000 for fiscal year 1988, \$630,000,000 for fiscal year 1989, and \$640,000,000 for fiscal year 1990. (Sec. 1428(a).)

The *Senate* amendment extends the authorization for appropriations at the level of \$890,000,000 for each of the fiscal years 1986-1989 and provides that not less than \$500,000 of such amounts would be made available each fiscal year for research to control or eradicate Africanized honey bees. (Sec. 1517(a).)

The *Conference* substitute adopts the *House* provision. The conferees encourage the Secretary of Agriculture to provide adequate funding each fiscal year for research to control or eradicate Africanized honey bees.

(b) The *House* bill amends section 1463(b) of the 1977 Act to extend the authorization for appropriations for agricultural research at State agricultural experiment stations at the level of \$270,000,000 for fiscal year 1986, \$280,000,000 for fiscal year 1987, \$290,000,000 for fiscal year 1988, \$300,000,000 for fiscal year 1989, and \$310,000,000 for fiscal year 1990. (Sec. 1428(b).)

The *Senate* amendment extends the authorization for appropriations at the level of \$300,000,000 for each of the fiscal years 1986 through 1989. (Sec. 1517(b).)

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

(19) Authorization for appropriations for extension education

The *House* bill amends section 1464 of the 1977 Act to extend the authorization for appropriations for certain agricultural extension programs at the level of \$350,000,000 for fiscal year 1986, \$360,000,000 for fiscal year 1987, \$380,000,000 for fiscal year 1988, \$400,000,000 for fiscal year 1989, and \$420,000,000 for fiscal year 1990. (Sec. 1429.)

The *Senate* amendment amends section 1464 of the 1977 Act by consolidating all existing authorizations for appropriations for extension and related programs administered or funded through the Extension Service and authorizing \$380,000,000 for each of the fiscal years 1986 through 1989 for such programs. (Sec. 1518.)

The *Conference* substitute adopts the *House* provision with an amendment to change the program levels as follows: \$370,000,000 for fiscal year 1986; \$380,000,100 for fiscal year 1987; and \$390,000,000 for fiscal year 1988. The levels of \$400,000,000 for fiscal year 1989; and \$420,000,000 for fiscal year 1990 would remain unchanged.

(20) Contracts, grants and cooperative agreements

The *House* bill provides that, with respect to the provision in the *House* bill and in the *Senate* amendment that any Federal agency may participate in any cooperative agreement relating to agricultural research, extension, or teaching by contributing funds through the appropriate agency of the Department of Agriculture, or otherwise when, such participation would be based on a mutual agreement that the objectives of the agreement will further the authorized programs of the contributing agency. (Sec. 1430.)

The *Senate* amendment contains no comparable provision.

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

(21) Restriction on treatment of indirect costs and tuition remission

The *House* bill amends section 1473 of the 1977 Act to permit the reimbursement of indirect costs in connection with cooperative agreements between the Secretary of Agriculture and State cooperative institutions when such agreements are funded under the provisions of the Foreign Assistance Act of 1961. The amount of indirect costs to be reimbursed would be negotiated on a case-by-case basis. (Sec. 1431.)

The *Senate* amendment amends section 1473 of the 1977 Act to provide that the prohibition on the use of funds for the reimbursement of indirect costs shall not apply to funds for international agricultural programs conducted by a State cooperative institution and administered by the Secretary, or to funds provided by a Federal agency for such purpose. The Secretary would limit the amount of the reimbursement to an amount necessary to carry out the program or agreement. (Sec. 1520.)

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

(22) Cost-reimbursement agreements

The *Senate* amendment authorizes the Secretary of Agriculture to enter into cost-reimbursable agreements with State cooperative institutions without regard to any requirement for competition, for the acquisition of goods or services, including personal services, to carry out agricultural research, extension, or teaching activities of mutual interest. Reimbursable costs under the agreements would include the actual direct costs of performance, as mutually agreed on by the parties, and the indirect costs of performance, not exceeding 10 percent of the direct cost. (Sec. 1520A.)

The *House* bill contains no comparable provision.

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

(23) Technology development for small- and medium-sized farming operations

The *House* bill expresses the sense of Congress that the agricultural research, extension, and teaching activities conducted by the Department of Agriculture relating to the development, application, transfer, or delivery of agricultural technology, and, to the greatest extent practicable, any funding received by the Department of Agriculture for these activities, should be directed to technology that can be used effectively by small and medium-sized farming operations. (Sec. 1432(a).)

The *Senate* amendment contains no comparable provision.

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

(24) Special technology development research program

The *Senate* amendment contains certain funding provisions relating to the provisions in both the *House* bill (Sec. 1432) and *Senate* amendment (Sec. 1521) for cooperative agreements with private agencies, organizations and individuals to share the cost of research projects, or to allow the use of Federal facilities and services on a cost-sharing or cost-reimbursable basis, to develop new agricultural technology to further the research programs of the Department of Agriculture. The *Senate* amendment provides that beginning in fiscal year 1986 and extending through fiscal year 1989, not more than \$3,000,000 of the funds appropriated to the Agricultural Research Service for each fiscal year may be used to carry out these agreements. The *Senate* amendment also requires cooperators under this provision to contribute matching funds from non-Federal sources in an amount equal to at least 50 percent of any Federal contribution; and limits the amount of funds or in kind assistance made available by the Secretary of Agriculture under this provision for a particular research project to \$50,000 in any fiscal year or a total amount of \$150,000.

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

(25) Supplemental and alternative crops

The *House* bill amends the 1977 Act to add a new section 1437C that requires the Secretary of Agriculture in fiscal years 1987 through 1989 to develop and implement a research and pilot project program for the development of supplemental and alternative crops, using such funds as are appropriated to the Secretary each fiscal year under the 1977 Act in order to assist producers of agricultural commodities whose livelihoods are threatened by the decline in demand of certain of their crops due to changes in consumption patterns or other related causes. The Secretary would use such research funding, special or competitive grants, or other means, as the Secretary determines, to further the purposes of this provision in the implementation of a comprehensive and integrated program.

The pilot program would include agreements, grants, and other arrangements to conduct comprehensive resource and infrastructure assessments, to develop and introduce supplemental and alternative income-producing crops, to develop and expand domestic and export markets for such crops, and to provide technical assistance

to farm owners and operators, marketing cooperatives, and others. The Secretary would use the expertise and resources of the Agriculture Research Service, the Cooperative State Research Service, the Extension Service, and the land-grant colleges and universities for the purpose of carrying out this provision. (Sec. 1431.)

The *Senate* amendment contains no comparable provision.

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

(26) *Aquaculture assistance programs*

(a) The *House* bill amends section 1475 of the 1977 Act to include nonprofit private research institutions as eligible institutions to participate in aquaculture assistance programs under section 1475. The *House* bill also provides that with respect to State matching grants under section 1475(b), no more than 50 percent of the matching grant may be an in-kind contribution. In addition, the *House* bill expands the eligibility for aquaculture research, development, and demonstration centers under section 1475 to include State agricultural experiment stations, colleges and universities with aquacultural research capacity, and nonprofit private research institutions.

The *Senate* amendment contains no comparable provisions.

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

(b) The *House* bill provides that funds authorized under this section may be used for the acquisition or rehabilitation of existing buildings or facilities, or new construction to house aquaculture centers but limits the authorization for any one new building or facility to no more than \$250,000.

The *Senate* amendment contains no comparable provision.

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

(c) The *House* bill provides that, to the extent practicable, aquaculture centers established under section 1475(b) would be geographically located so that they are representative of the regional aquaculture opportunities in the United States.

The *Senate* amendment contains no comparable provision.

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

(d) The *House* bill provides that the annual report of the Secretary on the aquaculture assistance programs would be submitted to the *House* Committee on Merchant Marine and Fisheries in addition to the President and certain other congressional committees. (Sec. 1434.)

The *Senate* amendment amends section 1475 of the 1977 Act to delete the requirement that the Secretary submit an annual report to the President and certain congressional committees on the aquaculture assistance programs. (Sec. 1522(a).)

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

(27) *Aquaculture Advisory Board*

The *House* bill amends section 1476(a) of the 1977 Act to extend the term of the Aquaculture Advisory Board through September 30, 1990. (Sec. 1435.)

The *Senate* amendment repeals section 1476 of the 1977 Act (Sec. 1522(b).)

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

(28) Authorization of appropriations—aquaculture research

(a) The *House* bill extends the authorization for appropriations for aquaculture assistance programs at \$7,500,000 for each of the fiscal years 1986 through 1990. (Sec. 1436(a).)

(a) The *Senate* amendment extends the authorization for appropriations at \$7,500,000 for each of the fiscal years 1986 through 1989. (Sec. 1522(c).)

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

(b) The *House* bill amends section 1477(b) of the 1977 Act by deleting the requirement that funds so appropriated be allocated by the Secretary of Agriculture for work to be done as mutually agreed upon between the Secretary and the recipient institutions. (Sec. 1436(b).)

The *Senate* amendment contains no comparable provision.

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

(c) The *Senate* amendment amends section 1477(b) of the 1977 Act by deleting the requirement that the Secretary consult with the Aquaculture Advisory Board in developing plans for the use of such funds. (Sec. 1522(c).)

The *House* bill contains no comparable provision.

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

(29) Rangeland Research Advisory Board

The *House* bill extends the term of the Rangeland Research Advisory Board to September 30, 1990. (Sec. 1437.)

The *Senate* amendment extends the term to September 30, 1989. (Sec. 1523(a).)

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

(30) Authorization of appropriations—rangeland research

The *House* bill extends the authorization for appropriations for rangeland research at the level of \$10,000,000 annually through September 30, 1990. (Sec. 1438.)

The *Senate* amendment extends the authorization for appropriations at the level of \$10,000,000 annually through September 30, 1989. (Sec. 1523.)

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

(31) Authorization of appropriations for Federal agricultural research facilities

The *House* bill authorizes appropriations for fiscal year 1988 and for each succeeding fiscal year in such sums as may be necessary for the planning, construction, acquisition, alteration, and repair of buildings and other public improvements, including the cost of acquiring or obtaining rights to use land of or used by the Agricultural Research Service, provided that the cost of planning any one facility may not exceed \$500,000 and that the total cost of any one facility may not exceed \$5 million. The *House* bill provides that not later than 60 days after the end of each of the fiscal years 1986 through 1990, the Secretary of Agriculture is required to report to the *House* and *Senate* Agriculture Committees on the location of each facility planned, constructed, acquired, repaired, or remodeled with funds appropriated under this provision in the fiscal year in-

volved, and with respect to each building, laboratory, research facility and improvement, the amount of the funds obligated and expended in the fiscal year for each item. (Sec. 1439.)

The *Senate* amendment contains no comparable provision.

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

(32) *Dairy goat research*

The *House* bill amends section 1432(b)(5) of the National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1981, effective October 1, 1985, to require the Secretary of Agriculture to make a grant of funds to an 1890 land-grant college, including the Tuskegee Institute, for dairy goat research for each of the fiscal years 1986 through 1990. (Sec. 1440.)

The *Senate* amendment contains no comparable provision.

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

(33) *Grants to upgrade 1890 Land-Grant College research facilities*

The *House* bill extends the authorization for appropriations for grants to upgrade 1890 land-grant college research facilities at the level of \$10,000,000 for the fiscal year 1987. (Sec. 1441.)

The *Senate* amendment extends the authorization for appropriations at the level of \$10,000,000 for each of the fiscal years 1986 through 1989. (Sec. 1524(b).)

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

(34) *Smith-Lever Act*

(a) The *House* bill amends section 2 of the Smith-Lever Act to provide that cooperative extension work would consist of the development of practical applications of research knowledge and the giving of instruction and practical demonstration of existing or improved practices or technologies in agriculture, the use of solar energy in agriculture, home economics, and rural energy. (Sec. 1443.)

The *Senate* amendment contains no comparable provision.

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

(b) The *House* bill amends section 3 of the Smith-Lever Act, to add a new provision to authorize the Secretary of Agriculture to conduct educational, instructional, demonstration, and publication distribution programs through the Extension Service, and to enter into cooperative agreements with private industry and individuals to share the cost, through private contributions, of funding such program. The *House* bill also provides that the Secretary may receive contributions from private sources for such purposes and may provide matching funds in an amount not greater than 50 percent of the contributions. No more than one-half of 1 percent of the funds appropriated to the Extension Service for each of the fiscal years 1986 through 1991 may be used to provide matching funds for this provision. The Secretary would be required to report to the House and Senate agriculture committees, within 1 year after enactment of the bill, on the progress of such programs and to make recommendations regarding how other similar private sector initiatives could be used by the Extension Service. (Sec. 1443.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to delete (1) the requirement that no more than one-half of 1 percent of the funds appropriated to the Extension Service for each of the fiscal years 1986 through 1991 to be used to provide matching funds, and (2) the requirement that the Secretary report to the House and Senate Agriculture Committees.

(c) The *House* bill also requires the Secretary to conduct a study to determine if the funds appropriated after the date of enactment of the bill to carry out the Smith-Lever Act (except for the disadvantaged farmer program under section 8 of that Act) in excess of the aggregate amount so appropriated in fiscal year 1985 can be allocated more effectively among the States. The Secretary would be required to report to the House and Senate agriculture committees within one year after enactment of the bill on the results of the study and make recommendations regarding the allocation of these funds. (Sec. 1443.)

The *Senate* amendment contains no comparable provision.

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

(35) Market expansion research

(a) The *House* bill requires the Secretary of Agriculture, using available funds, to increase or intensify Department of Agriculture programs to develop technology to overcome barriers to expanded export sales of U.S. agricultural commodities and products. (Sec. 1129.)

The *Senate* amendment contains a comparable provision except that it does not contain the limitation regarding available funds. (Sec. 1526(a).)

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

(b) The *Senate* amendment requires the Secretary of Agriculture to carry out a research and development program to formulate new uses for farm or forest products, including industrial, new, and value-added products. The program would be carried out through grants, cooperative agreements, contracts, and interagency agreements. Appropriations to carry out the program would be authorized, and funds could be transferred from other accounts for use by the program. The Secretary of Agriculture would be required to use at least \$10 million annually, in fiscal years 1986 through 1989, for the program. The Federal share of each project funded under this provision could not exceed 50 percent of the cost of the project. (Sec. 1526(b).)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment to provide that not less than \$10,000,000 of funds would be used by the Secretary to carry out the program provided sufficient matching fund requests were made.

(36) Pesticide resistance study

The *House* bill requires the Secretary of Agriculture to conduct a 1-year study on the detection and management of pesticide resistance and report on the study to the President and Congress. The study would include (a) a review of existing efforts to examine and identify the mechanisms, genetics, and ecological dynamics of target populations of insect and plant pests developing resistance to

pesticides, and existing efforts to monitor current and historical patterns of pesticide resistance; and (b) a strategy for the establishment of a national pesticide resistance monitoring program involving Federal, State, and local agencies, as well as the private sector. (Sec. 1444.)

The *Senate* amendment contains no comparable provision.

The *Conference* substitute adopts the *House* provision with an amendment to encourage (instead of require) the Secretary to conduct the study.

(37) Expansion of education study

The *Senate* amendment requires the Secretary of Agriculture and the Secretary of Education to take such joint action as may be necessary to expand the scope of the Study of Agriculture Education on the Secondary Level, currently being conducted by the National Academy of Sciences and sponsored jointly by the Departments of Agriculture and Education to include (A) a study of the potential use of modern technology in the teaching of agriculture programs at the secondary school level; and (B) recommendations of the National Academy of Sciences on how modern technology can be most effectively utilized in the teaching of agricultural programs at the secondary school level. Any increase in the cost of conducting the study as a result of expanding the scope of the study would be borne by the Secretary of Agriculture out of funds appropriated to the Department of Agriculture for research and education or from funds made available to the National Academy of Sciences from private sources. (Sec. 1527.)

The *House* bill contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision with an amendment to authorize (instead of require) the Secretaries of Agriculture and Education to expand the education study.

(38) Critical agricultural materials

The *Senate* amendment amends section 5(b)(9) of the Critical Agricultural Materials Act to require the Secretary of Agriculture to carry out demonstration projects to promote the development or commercialization of native agricultural crops that would supply critical agricultural materials for strategic and industrial purposes (including projects designed to expand domestic or foreign markets for such crops). In carrying out the demonstration projects the Secretary would be authorized to (1) enter into a contract or cooperative agreement with, or provide a grant to, any person, or public or private agency or organization, to participate in, carry out, support, or stimulate the project; (2) make available for purposes of the contracts or agreements agricultural commodities or the products thereof acquired by the Commodity Credit Corporation under price support operations conducted by the Corporation; or (3) use any funds appropriated under the Critical Agricultural Materials Act, or any funds provided by any person, or public or private agency or organization, to carry out the project or reimburse the Commodity Credit Corporation for agricultural commodities or products that are utilized in connection with such project.

The *House* bill contains no comparable provision.

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

(39) Dietary assessment and studies

The *House* bill requires the Secretary of Agriculture and the Secretary of Health and Human Services to conduct an assessment of existing scientific literature and research concerning (A) the relationship between dietary cholesterol and blood cholesterol and human health and nutrition and (B) dietary calcium and its importance in human health and nutrition. The Secretaries must consult with Federal agencies involved in related research. Upon completion of the assessments, the Secretaries must each recommend such further studies as the Secretaries consider useful.

Not later than 1 year after the date of enactment of the bill, each Secretary must submit a report to the House Committee on Agriculture and Energy and Commerce and the Senate Committees on Agriculture, Nutrition and Forestry and Labor and Human Resources with the results of the assessments and recommendations for more complete studies including a protocol, feasibility assessment, budget estimates, and a timetable. (Sec. 1445.)

The *Senate* amendment contains similar provisions except that the dietary calcium study would include, at a minimum, a comprehensive investigation of skeletal integrity, and regulation of hypertension and in both studies the Secretaries would be required to request assistance from other agencies and private sector organizations as the Secretaries considered appropriate. (Secs. 1553, 1554.)

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

(40) Special grants for financially stressed farmers and dislocated farmers

The *House* bill amends section 502 of the Rural Development Act by adding a new subsection establishing a program during the period beginning on the date of enactment of this Act and ending 3 years thereafter which would provide special grants for education and counseling programs to develop income alternatives for farmers who have been adversely affected by the current farm and rural economic crisis and who have been displaced from farming. The Secretary would be authorized to provide support to mental health officials in developing outreach programs in rural areas. (Sec. 1447.)

The *Senate* amendment contains no comparable provision.

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

(41) Annual report on family farms

The *House* bill amends section 102(b) of the Food and Agriculture Act of 1977 to require the Secretary of Agriculture to include in the annual report to Congress on the status of the family farm the effect of current and proposed changes in tax laws on the family farm, new food and agricultural production and processing technological developments (especially in the area of biotechnology), the credit needs of family farms, an assessment of how U.S. economic and trade policies affect the financial operations of family farms, and an assessment of the affect of Federal farm programs on family farms. (Sec. 1448.)

The *Senate* amendment contains no comparable provision.

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

(42) Agricultural productivity research

The *Senate* amendment establishes a new program of agricultural productivity research. This program would:

provide for the definition of terms used in the program; (Sec. 1531.)

declare the findings of Congress that the long-term agricultural viability and profitability of the farms and ranches in the United States are dependant on highly productive and efficient agricultural systems; agricultural research and technology transfer activities of the Secretary of Agriculture, State cooperative extension services, land-grant and other colleges and universities, and State agricultural experiment stations have contributed to innovation in agriculture and have a continuing role to play in improving agricultural productivity; agricultural productivity is reduced by annual irretrievable loss of billions of tons of top soil through wind and water erosion; many farmers and ranchers are highly dependent on machines and energy resources for agricultural production; public funding of a properly planned and balanced agricultural research program is essential to improving efficiency in agricultural production and conservation practices; and expanded agricultural research and extension efforts are needed to improve agricultural productivity and implement soil, water, and energy conservation practices; (Sec. 1532.)

establish the purposes of the subtitle as being those of facilitating and promoting scientific investigation in order to enhance agricultural productivity, maintain the productivity of land, reduce soil erosion and loss of water and plant nutrients, and conserve energy and natural resources; and facilitating the conduct of research projects in order to study agricultural production systems located in areas possessing various soil, climatic and physical characteristics, and managed using farm production practices that rely on items purchased for the production of an agricultural commodity and a variety of conservation practices, and are subjected to change as the result of such practices; (Sec. 1533.)

require the Secretary to inventory and classify by subject all studies, reports and other materials developed by any person or governmental agency with the participation or financial assistance of the Secretary, that could be used to promote the purposes of the subtitle. In addition, the Secretary is required to identify, assess, and classify existing information and research reports that will further the purposes of the program; provide useful information and to make the reports available to farmers and ranchers, and identify gaps in such information and carry out a research program to fill such gaps; (Sec. 1534.)

require the Secretary, in cooperation with Federal and State research agencies and agricultural producers, to conduct such research projects as are necessary to promote the purposes of the subtitle. In carrying out these research projects the Secretary is required to conduct projects and studies in areas that are broadly representative of United States agricultural production. In addition, the Secretary is authorized to conduct

such research projects involving crops, soils, production methods, and weed, insect and disease pests on individual fields or other areas of land. In the case of research projects involving the planting of a sequence of crops, the Secretary is required to conduct the projects for a term of at least five years and, to the extent practicable, twelve to fifteen years. The Secretary is also required to ensure that producers are aware of the research projects and to ensure that such projects are open for public observation. The Secretary is authority to indemnify an operator of a project for damages incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under the project that is not experienced in normal farming operations. Any indemnity payment would be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project; (Sec. 1535.)

require the Secretary to establish a panel of experts consisting of representatives of the Agricultural Research Service, Cooperative State Research Service, Soil Conservation Service, Extension Service, State cooperative extension services, State agricultural experiment stations, and other specialists in agricultural research and technology transfer; and to take into consideration the views of the panel before a project under this subtitle is designed; (Sec. 1536.)

require the Secretary to report to the House and Senate agriculture committees within 180 days after the effective date of this subtitle on the design of the research projects established under this subtitle, within 15 months after the effective date of the subtitle on the results of the information study, and not later than April 1, 1987, and annually thereafter on the progress of projects conducted under this subtitle; (Sec. 1537.)

authorize the Secretary to carry out the required information study through agreements with land-grant colleges or universities, other universities, nonprofit organizations, or Federal or State governmental entities, that have demonstrated appropriate expertise in agriculture research and technology transfer; (Sec. 1538.)

require the Secretary to make the information and research reports identified under the information study and the information and conclusions resulting from any research project conducted under the subtitle available to the public through the Extension Service, State cooperative extension services and otherwise as necessary; (Sec. 1539.)

authorize the appropriation of such sums as may be necessary to carry out the subtitle and provide that such sums are to remain available until expended; (Sec. 1540.) and

establish the effective date of the subtitle as October 1, 1985. (Sec. 1541.)

The *House* bill contains no comparable provisions.

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