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11 **TITLE I-COMMODITY PROGRAMS**

12 **SEC. 1001. DEFINITIONS.**

13 Section 1001 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7901) is
14 amended to read as follows-

15 **“SEC. 1001. DEFINITIONS.**

16 “In this title (except chapter 2 of subtitle C):

1 “(1) BASE ACRES.-The term ‘base acres’, with respect to a covered commodity on a farm,
2 means the number of acres established under sections 1101 or 1302, as those sections existed one
3 day before the date of enactment of *farm bill 2007*.

4 “(2) BEGINNING FARMER OR RANCHER.-The term ‘beginning farmer or rancher’ means a
5 beginning farmer or rancher as defined in section 343(8) of the Consolidated Farm and Rural
6 Development Act (7 U.S.C.1991(8)).

7 “(3) COUNTER-CYCLICAL PAYMENT.-The term ‘counter-cyclical payment’ means a payment
8 made to producers on a farm under section 1103.

9 “(4) COVERED COMMODITY.-The term ‘covered commodity’ means wheat, corn, grain
10 sorghum, barley, oats, peanuts, upland cotton, rice, soybeans and other oilseeds.

11 “(5) DIRECT PAYMENT.-The term ‘direct payment’ means a payment made to producers on a
12 farm under section 1102.

13 “(6) EXTRA LONG STAPLE COTTON.-The term ‘extra long staple cotton’ means cotton that—

14 “(A) is produced from pure strain varieties of the *Barbadense* species or any hybrid
15 thereof, or other similar types of extra long staple cotton, designated by the Secretary, having
16 characteristics needed for various end uses for which United States upland cotton is not
17 suitable and grown in irrigated cotton-growing regions of the United States designated by the
18 Secretary or other areas designated by the Secretary as suitable for the production of the
19 varieties or types; and

20 “(B) is ginned on a roller-type gin or, if authorized by the Secretary, ginned on another
21 type gin for experimental purposes.

1 “(7) LOAN COMMODITY.-The term ‘loan commodity’ means wheat, corn, grain sorghum,
2 barley, oats, upland cotton, extra long staple cotton, peanuts, rice, soybeans, other oilseeds, wool,
3 mohair, honey, dry peas, lentils, and small chickpeas.

4 “(8) OTHER OILSEEDS.-The term ‘other oilseeds’ means a crop of sunflower seed, rapeseed,
5 canola, safflower, crambe, sesame seed, flaxseed, mustard seed, or, if designated by the
6 Secretary, another oilseed.

7 “(9) PAYMENT ACRES.-The term ‘payment acres’ means 85 percent of the base acres of a
8 covered commodity on a farm, as established under section 1101 or 1302, as those sections
9 existed one day before the date of enactment of *farm bill 2007*.

10 “(10) PAYMENT YIELD.-The term ‘payment yield’ means the yields established for a covered
11 commodity on a farm under section 1102 or 1302 for direct payments and counter-cyclical
12 payments, respectively, as those sections existed one day before the date of enactment of *farm*
13 *bill 2007*.

14 “(11) PRODUCER.-The term ‘producer’ means an owner, operator, landlord, tenant, or
15 sharecropper that shares in the risk of producing a crop and is entitled to share in the crop
16 available for marketing from the farm, or would have shared had the crop been produced. A
17 grower of hybrid seed shall be considered a producer whether or not the producer has title to the
18 seed or otherwise shares in the risk of producing such seed.

19 “(12) SECRETARY.-The term ‘Secretary’ means the Secretary of Agriculture.

1 “(13) STATE.-The term ‘State’ means each of the several States of the United States, the
2 District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of
3 the United States.

4 “(14) UNITED STATES.-The term ‘United States’, when used in a geographical sense, means all
5 of the States.”.

6 **Subtitle A—DIRECT PAYMENTS AND COUNTER-** 7 **CYCLICAL PAYMENTS**

8 **SEC. 1101. BASE ACRES, PAYMENT ACRES, AND PAYMENT YIELDS.**

9 Section 1101 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7911) is
10 amended to read as follows:

11 **“SEC. 1101. BASE ACRES, PAYMENT ACRES, AND PAYMENT YIELDS.**

12 “(a) IN GENERAL.-The Secretary shall maintain base acres and payment yields for a covered
13 commodity on a farm.

14 “(b) ELECTION.-The owner of a farm may elect to permanently reduce, at any time, the
15 base acres for any covered commodity for the farm.

16 “(c) PERMANENT TERMINATION.-The Secretary shall permanently terminate the base
17 acres for a covered commodity for a farm if that farm is acquired in a transaction subject to
18 section 1031 of the Internal Revenue Code of 1986.

19 “(d) NON-AGRICULTURAL USES.-Base acres eligible for payments on a farm may not be
20 devoted to non-agricultural uses.”.

1 **SEC. 1102. DIRECT PAYMENTS.**

2 Section 1102 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7912) is
3 amended to read as follows:

4 “**SEC. 1102. DIRECT PAYMENTS.**

5 “(a) **PAYMENT REQUIRED.**-The Secretary shall, through annual contracts, make direct
6 payments to producers on farms for which payment yields and base acres for a covered
7 commodity are established.

8 “(b) **PAYMENT RATE.**-

9 “(1) **IN GENERAL.**-Except as provided in paragraph (3), the payment rates used to make
10 direct payments with respect to covered commodities for the 2008, 2009, and, subject to
11 paragraph (2), subsequent crop years, are as follows:

12 “(A) Wheat, \$0.52 per bushel.

13 “(B) Corn, \$0.28 per bushel.

14 “(C) Grain sorghum, \$0.35 per bushel

15 “(D) Barley, \$0.25 per bushel.

16 “(E) Oats, \$0.024 per bushel.

17 “(F) Upland cotton, \$0.1108 per pound.

18 “(G) Rice, \$2.35 per hundredweight.

19 “(H) Soybeans, \$0.47 per bushel.

20 “(I) Other Oilseeds, \$0.0080 per pound.

1 “(J) Peanuts, \$36.00 per ton.

2 “(2) 2010-2112 CROP YEARS.-Except as provided in paragraph (3), the payment rates
3 used to make direct payments with respect to covered commodities for the 2010 through 2012
4 crop years are as follows:

5 “(A) Wheat, \$0.56 per bushel.

6 “(B) Corn, \$0.30 per bushel.

7 “(C) Grain sorghum, \$0.37 per bushel

8 “(D) Barley, \$0.26 per bushel.

9 “(E) Oats, \$0.03 per bushel.

10 “(F) Upland cotton, \$0.1108 per pound.

11 “(G) Rice, \$2.52 per hundredweight.

12 “(H) Soybeans, \$0.50 per bushel.

13 “(I) Other Oilseeds, \$0.00857 per pound.

14 “(J) Peanuts, \$38.61 per ton.

15 “(3) BEGINNING FARMERS AND RANCHERS.-

16 “(A) IN GENERAL.-The payment rates used to make direct payments with respect to
17 covered commodities to a beginning farmer or rancher during the first five years of the
18 beginning farmer’s or rancher’s operation, as determined by the Secretary, for the 2008,
19 2009, and, subject to subparagraph (B), subsequent crop years, are as follows:

20 “(i) Wheat, \$0.624 per bushel.

1 “(ii) Corn, \$0.336 per bushel.

2 “(iii) Grain sorghum, \$0.42 per bushel.

3 “(iv) Barley, \$0.30 per bushel.

4 “(v) Oats, \$0.0288 per bushel.

5 “(vi) Upland cotton, \$0.1330 per pound.

6 “(vii) Rice, \$2.82 per hundredweight.

7 “(viii) Soybeans, \$0.564 per bushel.

8 “(ix) Other oilseeds, \$0.0096 per pound.

9 “(x) Peanuts, \$43.20 per ton.

10 “(B) 2010-2012 CROP YEARS.-The payment rates used to make direct payments to a
11 beginning farmer or rancher with respect to covered commodities for the 2010 through
12 2012 crop years are as follows:

13 “(i) Wheat, \$0.672 per bushel.

14 “(ii) Corn, \$0.36 per bushel.

15 “(iii) Grain sorghum, \$0.444 per bushel.

16 “(iv) Barley, \$0.312 per bushel.

17 “(v) Oats, \$0.036 per bushel.

18 “(vi) Upland cotton, \$0.1330 per pound.

19 “(vii) Rice, \$3.024 per hundredweight.

20 “(viii) Soybeans, \$0.60 per bushel.

21 “(ix) Other oilseeds, \$0.0103 per pound.

1 “(x) Peanuts, \$46.332 per ton.

2 “(c) PAYMENT AMOUNT.- The amount of the direct payment to be paid to the producers
3 on a farm for a covered commodity for a crop year shall be equal to the product of the following:

4 “(1) The payment rate specified in subsection (b);

5 “(2) The payment acres of the covered commodity on the farm; and

6 “(3) The payment yield for a direct payment for the covered commodity on the farm.

7 “(d) TIME FOR PAYMENT.-

8 “(1) IN GENERAL.-The Secretary shall make direct payments not before October 1 of the
9 calendar year in which the crop of the covered commodity is harvested.

10 “(2) ADVANCE PAYMENTS.-At the option of the producers on a farm, up to 22 percent
11 of the direct payment shall be paid to the producers in advance. The producers shall select the
12 month within which the advance payment for a crop year will be made. The month selected
13 may be any month during the period beginning on December 1 of the calendar year before the
14 calendar year in which the crop of the covered commodity is harvested through the month
15 within which the direct payment would otherwise be made. The producers may change the
16 selected month for a subsequent crop year advance payment by providing advance notice to
17 the Secretary.

18 “(3) REPAYMENT OF ADVANCE PAYMENTS.-If a producer on a farm that receives an
19 advance direct payment for a crop year ceases to be a producer on that farm, or the extent to
20 which the producer shares in the risk of producing a crop changes, before the date the

1 remainder of the direct payment is made, the producer shall be responsible for repaying the
2 Secretary the applicable amount of the advance payment, as determined by the Secretary.

3 “(e) CONSERVATION ENHANCED PAYMENT OPTION.—

4 “(1) IN GENERAL.—All producers on a farm that meet the eligibility requirements of
5 paragraph (2) may, in lieu of direct payments otherwise provided in this section, make a one
6 time election to receive enhanced direct payments through crop year 2012 in accordance with
7 this subsection.

8 “(2) ELIGIBILITY.—To be eligible to obtain an enhanced direct payment for a covered
9 commodity for a crop year under this subsection, the producers on a farm shall enter into a
10 contract with the Secretary under which the producers of the farm agree, for each crop year—

11 “(A) to forgo all counter-cyclical payments under this subtitle and all marketing
12 assistance loans and all loan deficiency payments under subtitle B for the farm subject to a
13 contract under this subsection;

14 “(B) to carry out conservation practices on the farm that are at least equivalent to the
15 requirements for land enrolled under the progressive tier of a conservation security contract
16 entered into under section 1238A of the Food Security Act of 1985 (16 U.S.C. 3838a); and

17 “(C) to meet such other requirements as are established by the Secretary.

18 “(3) AMOUNT.—The amount of an enhanced direct payment to be paid to the producers on
19 a farm for a covered commodity for a crop year that enter into a contract with the Secretary
20 under this subsection shall be equal to the product obtained by multiplying—

1 “(A) the amount of the direct payment the producers on a farm would otherwise be
2 eligible to receive under subsection (c); and

3 “(B) 1.10.

4 “(4) ONE TIME ENROLLMENT.-Producers on a farm shall have one period of time (as
5 determined by the Secretary) in which to enter into a contract for a conservation enhanced
6 payment.

7 “(f) DE MINIMIS PAYMENTS.-A payment under this section that is less than \$10.00 in
8 amount shall not be tendered to a producer on a farm.”.

9 **SEC. 1103. COUNTER-CYCLICAL PAYMENTS.**

10 Section 1103 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7913) is
11 amended to read as follows:

12 **“SEC. 1103. COUNTER-CYCLICAL PAYMENTS.**

13 “(a) PAYMENT REQUIRED.-The Secretary shall make counter-cyclical payments to
14 producers on farms for which payment yields and base acres are established with respect to a
15 covered commodity, if the Secretary determines that the national actual revenue per acre for the
16 covered commodity (except for other oilseeds) is less than the national target revenue per acre
17 for the covered commodity, as determined in this section.

18 “(b) NATIONAL ACTUAL REVENUE PER ACRE.-For each covered commodity (except
19 for other oilseeds) for the applicable year, the Secretary shall establish a national actual revenue
20 per acre by multiplying the national average yield for the given year by the higher of:

1 “(1) the national average market price received by producers during the 12-month
2 marketing year established by the Secretary; or

3 “(2) the loan rate.

4 “(c) NATIONAL TARGET REVENUE PER ACRE. B The national target revenue per acre
5 shall be, on a per acre basis, as follows:

6 “(1) Wheat, \$140.42.

7 “(2) Corn, \$344.12.

8 “(3) Grain Sorghum, \$131.28.

9 “(4) Barley, \$123.13.

10 “(5) Oats, \$88.36.

11 “(6) Upland cotton, \$516.86.

12 “(7) Rice, \$548.06.

13 “(8) Soybeans, \$219.58 .

14 “(9) Peanuts, \$683.83.

15 “(d) NATIONAL PAYMENT YIELD.-The national payment yield shall be as follows:

16 “(1) Wheat, 36.1 bushels per acre.

17 “(2) Corn, 114.2 bushels per acre.

18 “(3) Grain Sorghum, 58.1 bushels per acre.

19 “(4) Barley, 48.7 bushels per acre.

20 “(5) Oats, 49.8 bushels per acre.

21 “(6) Upland cotton, 636 pounds per acre.

1 “(7) Rice, 51.24 hundredweight per acre.

2 “(8) Soybeans, 34.1 bushels per acre.

3 “(9) Peanuts, 1.495 tons per acre.

4 “(e) NATIONAL PAYMENT RATE.-The national payment rate used to make counter-
5 cyclical payments for a crop year shall be the result of-

6 “(1) the difference between the national target revenue per acre for the covered commodity
7 and the national actual revenue per acre for the covered commodity; divided by

8 “(2) the national payment yield for the covered commodity.

9 “(f) PAYMENT AMOUNT- If counter-cyclical payments are required to be paid for any of
10 the 2008 through 2012 crop years of a covered commodity, the amount of the counter-cyclical
11 payment to be paid to the producers on a farm for that crop year for the covered commodity shall
12 be equal to the product of -

13 “(1) the national payment rate for the covered commodity;

14 “(2) the payment acres of the covered commodity on the farm; and

15 “(3) the payment yield for counter-cyclical payments for the covered commodity.

16 “(g) TIME FOR PAYMENTS.-

17 “(1) GENERAL RULE.- If the Secretary determines that counter-cyclical payments are
18 required to be made under this section for the crop of a covered commodity, the Secretary
19 shall make the counter-cyclical payments for the crop as soon as practicable after the end of
20 the 12-month marketing year for the covered commodity.

1 “(2) AVAILABILITY OF PARTIAL PAYMENTS.-If, before the end of the 12-month
2 marketing year for a covered commodity, the Secretary estimates that counter-cyclical
3 payments will be required for the crop of the covered commodity, the Secretary shall give
4 producers on a farm the option to receive partial payments of the counter-cyclical payment
5 projected to be made for that crop of the covered commodity.

6 “(3) TIME FOR PARTIAL PAYMENTS.-When the Secretary makes partial payments
7 available under paragraph (2) for a covered commodity-

8 “(A) the first partial payment for the crop year shall be made not earlier than October 1,
9 and, to the maximum extent practicable, not later than October 31, of the calendar year in
10 which the crop of the covered commodity is harvested;

11 “(B) the second partial payment shall be made not earlier than February 1 of the next
12 calendar year; and

13 “(C) the final partial payment shall be made as soon as practicable after the end of the
14 12-month marketing year for the covered commodity.

15 “(4) AMOUNT OF PARTIAL PAYMENTS.-

16 “(A) FIRST PARTIAL PAYMENT.-The first partial payment under paragraph (3) to
17 the producers on a farm may not exceed 35 percent of the projected counter-cyclical
18 payment for the covered commodity for the crop year, as determined by the Secretary.

19 “(B) SECOND PARTIAL PAYMENT- The second partial payment under paragraph (3)
20 for a covered commodity for a crop year may not exceed the difference between--

1 “(i) 70 percent of the projected counter-cyclical payment (including any revision
2 thereof) for the crop of the covered commodity; and

3 “(ii) the amount of the payment made under subparagraph (A).

4 “(C) FINAL PAYMENT.-The final payment for the crop year shall be equal to the
5 difference between--

6 “(i) the actual counter-cyclical payment to be made to the producers for the covered
7 commodity for that crop year; and

8 “(ii) the amount of the partial payments made to the producers on a farm under
9 subparagraphs (A) and (B) for that crop year.

10 “(5) REPAYMENT.-Producers on a farm that receive a partial payment under this
11 subsection for a crop year shall repay to the Secretary the amount, if any, by which the total of
12 the partial payments exceed the actual counter-cyclical payment to be made for the covered
13 commodity for that crop year.

14 “(h) DE MINIMIS PAYMENTS.-A payment under this section that is less than \$10.00 in
15 amount shall not be tendered to a producer on a farm.”.

16 **SEC. 1104. PRODUCER AGREEMENT REQUIRED AS CONDITION OF PROVISION**
17 **OF DIRECT PAYMENTS AND COUNTER-CYCLICAL PAYMENTS.**

18 Section 1104 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7914) is
19 amended -

20 (1) by redesignating section 1105 as 1104;

21 (2) by striking subsection (a)(1)(C) and (D) and redesignating subparagraph (E) as (C);

1 (3) in subparagraph (C) (as redesignated in paragraph (2) by striking everything from
2 “Secretary” through “subparagraph (D)” and inserting “Secretary.”; and
3 (4) in subsection (c) by striking “shall” and inserting “may”.

4 **SEC. 1105. PLANTING FLEXIBILITY.**

5 Section 1105 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7915) is
6 amended to read as follows:

7 **“SEC. 1105. PLANTING FLEXIBILITY.**

8 “(a) IN GENERAL.-Subject to the conservation provisions under title XII of the Food Security
9 Act of 1985 (16 U.S.C. 3801 et seq.) any commodity or crop may be planted on any portion of a
10 farm enrolled in the programs established under this title.

11 “(b) CROP PRICE MONITORING.-The Secretary shall monitor crop prices and conditions.”.

12 **SEC. 1106. LAND TRANSFERRED FOR NON-AGRICULTURAL USES.**

13 Section 1106 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7916) is
14 amended to read as follows:

15 **“SEC. 1106. LAND TRANSFERRED FOR NON-AGRICULTURAL USES.**

16 In the case of transfers of a farm, or portion of a farm, that occur subsequent to the date of
17 enactment of *farm bill 2007*, the base acres for covered commodities for the farm shall be
18 reduced permanently in a manner as determined by the Secretary in proportion to the amount of
19 acreage of the farm that was transferred for nonagricultural uses if such nonagricultural use
20 occurs prior to December 31, 2012.”.

21 **SEC. 1107. PERIOD OF EFFECTIVENESS.**

1 (h) Section 1107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7918) is
2 amended to read as follows:

3 **“SEC. 1107. PERIOD OF EFFECTIVENESS.**

4 “This subtitle shall be effective for the 2008 through 2012 crop years.”.

5 **Subtitle B-MARKETING ASSISTANCE LOANS AND**
6 **LOAN DEFICIENCY PAYMENTS**

7 **SEC. 1201. MARKETING ASSISTANCE LOANS AND LOAN DEFICIENCY**
8 **PAYMENTS**

9 (a) Section 1201 of the Farm Security and Rural Development Act of 2002 (7 U.S.C. 7931) is
10 amended-

11 (1) in subsection (a)(1) by striking everything from “For each of” through “loan
12 commodity, the” and inserting “The”;

13 (2) by amending subsection (b) to read as follows:

14 “(b) ELIGIBLE PRODUCTION.—

15 “(1) IN GENERAL.—The producers on a farm shall be eligible for a marketing assistance loan
16 under subsection (a) for any quantity of a loan commodity produced on the farm. In addition,
17 such producers must have beneficial interest, as determined under paragraph (2), in the
18 commodity at the time the commodity is tendered as collateral for such loan.

19 “(2) BENEFICIAL INTEREST.—In order to have beneficial interest in a commodity, a producer
20 shall:

1 “(A) be the producer of the commodity;

2 “(B) possess and maintain ownership and control of the commodity;

3 “(C) not have received any payment from any party with respect to the commodity; and

4 “(D) satisfy other criteria, as determined by the Secretary.

5 “(3) INELIGIBLE PRODUCTION.-A crop of a loan commodity shall be ineligible for a
6 marketing assistance loan if the crop was produced on land of a farm that has been subject to
7 a land transaction covered under section 1101(c).”; and

8 (3) by striking subsection (e) and inserting:

9 “(e) ADJUSTMENTS OF LOANS.-

10 “(1) ADJUSTMENT AUTHORITY.-The Secretary may make appropriate adjustments in the loan
11 rates for any commodity for differences in grade, type, quality, location, and other factors.

12 “(2) MANNER OF ADJUSTMENT.-The adjustments under the authority of this section shall, to
13 the maximum extent practicable, be made in such manner that the national average loan rate
14 for the commodity will, on the basis of the anticipated incidence of the factors, be equal to the
15 level of support determined as provided in this title.

16 “(f) HANDLING AND STORAGE CHARGES.-All payments for storage, handling or other charges
17 associated with a loan commodity subject to a marketing assistance loan or loan deficiency payment
18 under this subtitle are the responsibility of the producer and shall not be paid by the Secretary.

19 (b) Section 1202 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7932) is
20 amended to read as follows:

1 **“SEC. 1202. LOAN RATES FOR NONRECOURSE MARKETING ASSISTANCE**

2 **LOANS.**

3 “(a) IN GENERAL.-Except as provided in subsection (b), the loan rate for each crop of a loan
4 commodity shall be equal to the amount determined by multiplying:

5 “(1) .85; and

6 “(2) the average of the national average market price received by producers during the five
7 preceding marketing years, excluding the highest and lowest prices determined for such years, as
8 determined by the Secretary.

9

10 “(b) LOAN RATES.-The loan rate determined under (a) shall not exceed, in the case of-

11 “(1) wheat, \$2.58 per bushel;

12 “(2) corn, \$1.89 per bushel;

13 “(3) grain sorghum, \$1.89 per bushel;

14 “(4) barley, \$1.70 per bushel;

15 “(5) oats, \$1.21 per bushel;

16 “(6) upland cotton, \$0.5192 per pound;

17 “(7) extra long staple cotton, \$0.7965 per pound;

18 “(8) rice, \$6.50 per hundredweight;

19 “(9) soybeans, \$4.92 per bushel;

20 “(10) other oilseeds, \$0.087 per pound;

21 “(11) graded wool, \$1.00 per pound;

1 “(12) nongraded wool, \$0.40 per pound;

2 “(13) mohair, \$4.20 per pound;

3 “(14) honey, \$0.60 per pound;

4 “(15) dry peas, \$6.22 per hundredweight;

5 “(16) lentils, \$11.72 per hundredweight;

6 “(17) small chickpeas, \$7.43 per hundredweight; and

7 “(18) peanuts, \$350.00 per ton.”.

8 (c) Section 1204 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7934) is
9 amended-

10 (1) by amending subsection (a) as to read follows:

11 “(a) GENERAL RULE.-

12 “(1) REPAYMENT OF COMMODITY LOANS.-The Secretary shall permit the producers on a farm
13 to repay a marketing assistance loan under section 1201 for a loan commodity (other than
14 upland cotton, rice, extra long staple cotton, confectionary and each other kind of sunflower
15 seed (other than oil sunflower seed)) at a rate that is the lesser of-

16 “(A) the loan rate established for the commodity under section 1202, plus interest
17 (determined in accordance with section 163 of the Federal Agriculture Improvement and
18 Reform Act of 1996 (7 U.S.C. 7283)); or

19 “(B) a rate that the Secretary determines will--

20 “(i) minimize potential loan forfeitures;

1 “(ii) minimize the accumulation of stocks of the commodity by the Federal
2 Government;

3 “(iii) minimize the cost incurred by the Federal Government in storing the
4 commodity;

5 “(iv) allow the commodity produced in the United States to be marketed freely and
6 competitively, both domestically and internationally; and

7 “(v) minimize discrepancies in marketing loan benefits across State boundaries and
8 across county boundaries.

9 “(2) RATE ADJUSTMENTS.-

10 “(A) IN GENERAL.-Subject to subparagraph (B) and except as provided in subsection (b),
11 repayment rates established under this section shall be adjusted by the Secretary no more
12 than once every month for all loan commodities.

13 “(B) MONTHLY REPAYMENT RATE.-In establishing the monthly repayment rates with
14 respect to wheat, corn, grain sorghum, barley, oats and soybeans, the rates shall be
15 established by using the rates determined for five days in the previous month as determined
16 in regulations issued by the Secretary, which shall-

17 “(i) exclude the rates for days that represent the highest and lowest rates for the 5 day
18 period; and

19 “(ii) use the average of the three remaining rates to establish the monthly repayment
20 rate.

1 “(3) DATE FOR DETERMINING REPAYMENT RATE.-With respect to the monthly repayment
2 rates established under paragraph (2) and subsection (b) and (c), the rate shall be-

3 “(A) in the case of a producer who, as determined by the Secretary, loses beneficial
4 interest immediately upon repayment of the loan, the monthly repayment rate determined
5 under paragraph (2) and subsection (b) and (c) that is in effect on the date beneficial interest
6 is lost; and

7 “(B) in the case of other producers who did not lose beneficial interest upon repayment
8 of the loan, the repayment rate in effect on the earlier of:

9 “(i) the month in which the loan matures; or

10 “(ii) the last month of the marketing year established by the Secretary for the
11 commodity.

12 “(4) REPAYMENT OF CONFECTIONARY AND OTHER KINDS OF SUNFLOWER SEEDS LOANS.- The
13 Secretary shall permit the producers on a farm to repay a marketing assistance loan under
14 section 1201 for confectionary and each other kind of sunflower seed (other than oil sunflower
15 seed) at a rate that is the lesser of-

16 “(A) the loan rate established for the commodity under section 1202, plus interest
17 (determined in accordance with section 163 of the Federal Agriculture Improvement and
18 Reform Act of 1996 (7 U.S.C. 7283)); or

19 “(B) the repayment rate established for oil sunflower seed.

1 “(5) QUALITY GRADES FOR DRY PEAS, LENTILS, AND SMALL CHICKPEAS.-The loan repayment
2 rates for dry peas, lentils, and small chickpeas shall be based on the quality grades for the
3 applicable commodity.”; and

4 (2) in subsection (e)-

5 (A) by striking “(1) In General.-”;

6 (B) in the stem by striking “2008” and inserting “2013”

7 (C) by striking “(A) the adjusted” and inserting “(1) the adjusted”;

8 (D) by striking “(B) the Friday” and inserting “(2) the Friday”; and

9 (E) by striking paragraphs (2) and (3); and

10 (3) by striking subsections (f)-(h).

11 (d) Section 1205 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7935) is
12 amended-

13 (1) in subsection (a)-

14 (A) by redesignating paragraph (2) as paragraph (3), and inserting a new paragraph (2)
15 that reads as follows:

16 “(2) BENEFICIAL INTEREST.-At the time producers request payments under this section, the
17 producers must have beneficial interest, as defined in section 1201(b)(2), in the commodity for
18 which such payment is requested.”; and

19 (B) in paragraph (3) (as redesignated in subparagraph (A)) by striking “However,
20 effective for the 2002 through 2007 crop years, the” and inserting “The”;

21 (2) by amending subsection (c) to read as follows:

1 “(c) PAYMENT RATE.-

2 “(1) LOAN COMMODITIES.—

3 “(A) IN GENERAL.-With respect to all loan commodities except extra long staple cotton,
4 the payment rate shall be determined as of the day the producer loses beneficial interest in
5 the commodity.

6 “(B) FORMULA.-The payment rate under subparagraph (A) shall be the amount that
7 equals the difference between -

8 “(i) the loan rate established under section 1202 for the loan commodity; and

9 “(ii) the monthly repayment rate determined for the commodity under section 1204.

10 “(2) UNSHORN PELTS.— In the case of unshorn pelts, the payment rate shall be the amount
11 that equals the difference between—

12 “(A) the loan rate established under section 1202 for ungraded wool: and

13 “(B) the rate at which ungraded wool may be redeemed under section 1204.

14 “(3) HAY, SILAGE, FEED AND SIMILAR USES.-

15 “(A) IN GENERAL.-In the case of a commodity that would otherwise be eligible to be
16 pledged as collateral for a marketing assistance loan at the time of harvest of the
17 commodity, but cannot be pledged due to the normal commercial state of the commodity,
18 the payment rate shall be the average of the monthly repayment rates established for the
19 first three months of the marketing year of the commodity, as determined by the Secretary.

1 “(B) INCLUSIONS.-Commodities covered by subparagraph (A) shall be determined by
2 the Secretary, and shall include hay, silage, cracked corn, and corn stored in a commingled
3 manner by feedlots.”; and

4 (3) by striking subsection (f).

5 (e) Section 1206 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7936) is
6 amended-

7 (1) in subsection (a) by striking everything from “Effective for the 2002 through 2007
8 “crop years, in” in each place it appears, and inserting “In”; and

9 (2) in subsection (d) by striking “A 2002 through 2007 crop of” and inserting “A crop
10 of”.

11 (f) Section 1207 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7937) is
12 amended-

13 (1) by striking subsection (b) and redesignating subsection (c) as (a); and

14 (2) in subsection (a) (as redesignated)-

15 (A) by striking paragraph (2); and

16 (B) by redesignating paragraph (1)(E) as paragraph (2).

17 (g) Section 1208 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7938) is
18 amended-

19 (1) by striking the section;

20 (2) by redesignating section 1209 as section 1208;

21 (3) in section 1208 (as redesignated in paragraph (2))-

1 (A) in subsection (a)(1) by striking “For each of the 2002 through 2007 crops of” and
2 inserting “For each crop of”; and

3 (B) in subsection (b) by striking “For each of the 2002 through 2007 crops of” and
4 inserting “For each crop of”; and

5 (C) by striking subsection (d).

6 (h) Section 1209 is amended to read as follows:

7 **“SEC. 1209. PERIOD OF EFFECTIVENESS.**

8 “This subtitle shall be effective for the 2008 through 2012 crop years.”.

9 **Subtitle C-Sugar**

10 **Chapter I Price Support**

11 **SEC. 1301. SUGAR PRICE SUPPORT PROGRAM.**

12 (a) Subtitle C title I, of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7951 et
13 seq.) is amended-

14 (1) by repealing sections 1301-1307, 1308(a)-(b) and (d)-(h), and 1309-1310;

15 (2) by redesignating section 1308(c) (7 U.S.C. 7958(c)) as section 1509 of that Act, and
16 moving the section so as to appear after section 1508 of that Act; and

17 (3) by amending the subtitle heading to read as follows:

18 **“SUBTITLE C—SUGAR**

19 **Chapter 1 Price Support”.**

1 (b) Section 156 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C.
2 7272) is-

3 (1) redesignated as section 1301 of the Farm Security and Rural Investment Act of 2002 (7
4 U.S.C. 7951); and

5 (2) moved so as to appear after section 1209 of that Act.

6 (c) Section 1301 (as redesignated and moved in subsection (b)) is amended in subsection (j) by
7 striking "1996 through 2007" and inserting "2008 through 2012".

8 (d) Chapter 1, subtitle C of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.
9 7951 et seq.) is amended by adding at the end:

10 **"SEC. 1302. PERIOD OF EFFECTIVENESS.**

11 "This chapter shall be effective for the 2008 through 2012 fiscal years."

12 **Chapter 2 Marketing Allotments**

13 **SEC. 1302. TRANSFERRING FLEXIBLE MARKETING ALLOTMENTS**

14 **AUTHORITIES.**

15 (a) Subtitle C of the Farm Security And Rural Investment Act of 2002 (7 U.S.C. 7951 et seq.)
16 is amended by adding after section 1302-

17 **"Chapter 2 Marketing Allotments";**

18 (b) Part VII, subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C.
19 1359aa-1359kk) is-

1 (1) redesignated as sections 1303-1313 of chapter 2, Subtitle C, title I of the Farm Security
2 and Rural Investment Act of 2002 (*as amended by Farm Bill 2007*); and

3 (2) moved so as to appear after chapter 1, subtitle C, title I of that Act.

4 (c) Sections 1303-1313 of subtitle C, title I of the Farm Security and Rural Investment Act of
5 2002 (7 U.S.C. 7951 et seq.) (as redesignated in subsection (a)) are amended-

6 (1) except in sections 1306(b)(1)(F), 1307(a), and 1311(b)(1) (formerly sections 359d
7 (b)(1)(F), 359e(a), and 359i(b)(1), respectively), by striking “part” every place it occurs and
8 inserting “chapter”;

9 (2) in section 1303(3) (formerly section 359a(3)) by striking “301” and inserting “1001”;

10 (3) in section 1304 (formerly section 359bb)-

11 (A) in subsection (a)(1) by striking “2002 through 2007” and inserting “2008 through
12 2012”; and

13 (B) in subsection (b)-

14 (i) in paragraph (1)-

15 (I) by striking “359c” and inserting “1305”; and

16 (II) by striking “section 156 of the Federal Agriculture; and

17 (ii) in paragraph (3) by striking “section 156 of the Federal Agriculture Improvement
18 and Reform Act of 1996 (7 U.S.C. 7272)” and inserting “section 1301”;

19 (4) in section 1305 (formerly section 359c)-

20 (A) in subsection (a) by striking “359b(b)” and inserting “1304(b)”;

21 (B) in subsection (b)(1) by striking “359b(a)” and inserting “1304(a)”;

1 (C) in subsection (b)(1)(A) by striking “1,532,000 short tons, raw value” and inserting
2 “estimated imports of sugar”;

3 (D) in subsection (g)(1) by striking “359b(a)(3)” and inserting “1304(a)(3)”;

4 (E) in subsection (g)(2)-

5 (i) by striking “359d” and inserting “1306”; and

6 (ii) by striking “359f(c)” and inserting “1308(c)”;

7 (F) by striking subsection (h);

8 (5) in section 1306 (formerly section 359d)-

9 (A) in subsection (a) by striking “359c” and inserting “1305”;

10 (B) in subsection (b)(1)(A) by striking “359c(g)” and inserting “1305(g)”;

11 (C) in subsection (b)(1)(D), in the stem, by striking “359f(c)” and inserting
12 “1308(c)”;

13 (D) in subsection (b)(1)(E)(iv)(I), by striking “359c(e)(3)” and inserting
14 “1305(e)(3)”;

15 (E) in subsection (b)(1)(E)(iv)(II), by striking “359c(e)(3)” and inserting
16 “1305(e)(3)”;

17 (F) in subsection (b)(1)(F), by striking “359f(c)(8)” and inserting “1308(c)(8)”;

18 (G) in subsection (b)(2)(A), by striking “359c(g), 359e(b), and 359f(b)” and inserting
19 “1305(g), 1307(b), and 1308(b)”;

20 (6) in section 1307(a) (formerly section 359e(a)) by striking “part” and inserting
21 “chapter”;

1 (7) in section 1308 (formerly section 359f)-

2 (A) in subsection (a) by striking “359d” and inserting “1306”;

3 (B) in subsection (c)(1)(A) by striking “359c(f)” and inserting “1305(f)”;

4 (C) in subsection (c)(2) by striking “359c(g)” and inserting “1305(g)”;

5 (D) in subsection (c)(5)(A) by striking “359h(a)” and inserting “1310(a)”;

6 (8) in section 1309 (formerly section 359g)-

7 (A) in subsection (a) by striking “359f(c)” and inserting “1308(c)”;

8 (B) in subsection (b) by striking “359f(c)” and inserting “1308(c)”

9 (C) in subsection (c) by striking “359d” and “359f(c)” and inserting “1306” and
10 “1308(c)”, respectively; and

11 (D) in subsection (d)(2)(B) by striking “359f(c)(3)” and inserting “1308(c)(3)”;

12 (9) in section 1310 (formerly section 359h), in subsection (d)(1) by striking
13 “specifically”;

14 (10) in section 1311 (formerly section 359i)-

15 (A) in subsection (a) by striking “359d” and “359f” and inserting “1306” and “1308”,
16 respectively; and

17 (B) in subsection (c)(3)(A)(i) by striking “the Farm Security and Rural Investment
18 Act of 2002” and inserting “this Act”; and

19 (11) in section 1312 (formerly section 359j)-

20 (A) by striking “(A) USE OF CERTAIN AGENCIES.-”; and

21 (B) by striking subsection (b); and

1 (12) in section 1313 (formerly section 359k), by striking "2002 through 2007" and
2 inserting "2008 through 2012".

3 **Subtitle D-Dairy**

4 **SEC. 1401. DAIRY PRICE SUPPORT; NATIONAL DAIRY MARKET LOSS** 5 **PAYMENTS; DAIRY EXPORT INCENTIVE PROGRAM.**

6 (a) Sections 1401-1403 of the Farm Security and Rural Investment Act of 2002-

7 (1) are repealed; and

8 (2) the subtitle heading is amended to read as follows:

9 **"SUBTITLE D-DAIRY";**

10 (b) Sections 1501 and 1502 of Farm Security and Rural Investment Act of 2002 (7 U.S.C.
11 7981, 7982) are-

12 (1) redesignated as sections 1401 and 1402, respectively, of the Farm Security and
13 Rural Investment Act of 2002 (7 U.S.C. 7970, 7971); and

14 (2) moved so as to appear after section 1313 (as redesignated in section 1302(b)) of that
15 Act.

16 (c) Section 1401(a) of the Farm Security and Rural Investment Act of 2002 (as
17 redesignated by subsection (b)) is amended by striking "June 1, 2002" and "2007" and
18 inserting "January 1, 2008" and "2012", respectively.

1 (d) NATIONAL DAIRY MARKET LOSS PAYMENTS.-Section 1402 of the Farm
2 Security and Rural Investment Act of 2002 (7 U.S.C. 7982) (as redesignated in subsection (b))
3 is amended-

4 (1) in subsection (a)-

5 (A) in paragraph (2) by striking “by a producer” and inserting “on a farm for an
6 applicable month during the 2004, 2005, and 2006 fiscal years”;

7 (B) in paragraph (5)-

8 (i) by striking “means an individual or entity” and inserting “means one or more
9 individuals or entities”;

10 (ii) in subparagraph (A) by striking “milk” and inserting “an agricultural
11 commodity”; and

12 (iii) in subparagraph (B)-

13 (I) by striking “dairy”; and

14 (II) by striking “share of the individual or entity” and inserting “shares of the
15 one or more individuals or entities”;

16 (2) in subsection (b)-

17 (A) by striking “dairy”; and

18 (B) by inserting “on a monthly basis” after “production”;

19 (3) in subsection (c) by amending paragraph (3) to read as follows:

20 “(3) in Fiscal Year-

21 “(A) 2008, 34 percent;

1 “(B) 2009, 31 percent;

2 “(C) 2010, 28 percent;

3 “(D) 2011, 25 percent;

4 “(E) 2012, 22 percent; and

5 “(F) 2013 and subsequent years, 20 percent.”;

6 (4) in subsection (d)-

7 (A) by amending paragraph (1) to read as follows:

8 “(1) IN GENERAL.- Subject to paragraph (2), the payment quantity for a producer on a
9 farm shall be 85 percent of the 3-year average of the eligible production of milk marketed
10 from the farm during the 2004, 2005, and 2006 fiscal years.”; and

11 (B) by striking the second sentence of paragraph (2);

12 (5) in subsection (f) by striking “2007” and inserting “2012”; and

13 (6) in subsection (g) by striking “2007” and inserting “2012”.

14 (e) Sections 1503-1508 of the Farm Security and Rural Investment Act of 2002 are
15 repealed.

16 (f) The dairy export incentive program, section 153(a) of the Food Security Act of 1985
17 (15 U.S.C. 713a–14(a)) is amended by striking “2007” and inserting “2012”.

18 (g) Subtitle D of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7901 et
19 seq.) is amended by adding at the end:

20 **“SEC. 1403. PERIOD OF EFFECTIVENESS.**

21 “This subtitle shall be effective for the 2008 through 2012 fiscal years.”.

1 **Subtitle E-Administration**

2 **SEC.1501.ADMINISTRATION, GENERALLY.**

3 (a) The heading for subtitle E, title I of the Farm Security and Rural Investment Act of
4 2002 (7 U.S.C. 1501 et seq.) is amended to read as follows:

5 **“SUBTITLE E-ADMINISTRATION”.**

6 (b) Subtitle F of title I of this Act is further amended by redesignating sections 1601-1618
7 as sections 1501-1518, respectively.

8 (c) Section 1501(e) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.
9 7991(e)) (as redesignated in subsection (b)) is amended to read as follows:

10 “(e) ADJUSTMENT AUTHORITY RELATED TO WORLD TRADE ORGANIZATION
11 AGREEMENTS COMPLIANCE.-

12 “(1) REQUIRED DETERMINATION; ADJUSTMENT.- If the Secretary determines that
13 expenditures subject to the total allowable domestic support levels under the Uruguay
14 Round Agreements, or any successor agreements, will exceed such allowable levels for any
15 applicable reporting period, the Secretary shall, to the maximum extent practicable, make
16 adjustments in the amount of such expenditures to ensure that such expenditures do not
17 exceed allowable levels.

18 “(2) SUCCESSOR AGREEMENTS.-For purposes of this subsection, the term “Uruguay
19 Round Agreements” shall have the meaning prescribed by Section 2 of the Uruguay
20 Rounds Agreements Act, (19 U.S.C. 3501), and the term “successor agreements” shall

1 refer to any future agreements concluded under the auspices of the World Trade
2 Organization, duly approved by the Congress and determined by the President to be a
3 successor agreement entered into force.

4 (d) Section 1513(e)(3) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.
5 7996(e)(3)) (as redesignated in subsection (b)) is amended-

6 (1) by amending subparagraph (A) to read as follows:

7 “(A) payment limitations under a commodity program or a conservation program
8 administered by the Secretary.”; and

9 (2) in subparagraph (B) by striking everything from “highly” through “or C” and
10 inserting “ highly erodible land and grassland, and wetland conservation requirements
11 under subtitles B and C, respectively,”.

12 (e) CONFORMING AMENDMENTS.-

13 (1) Section 1502 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.
14 7992) (as redesignated in subsection (b)) is amended-

15 (A) by striking “2002” and “2007” every time they appear and inserting “2008” and
16 “2012”, respectively; and

17 (B) by striking “,peanuts,” each place it appears.

18 (2) Title I of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7901 et
19 seq.) is amended-

20 (A) by deleting section 1507 and 1508 (as redesignated by subsection (b));

1 (B) by moving sections 164 and 166 of the Federal Agriculture Improvement and
 2 Reform Act of 1996 (7 U.S.C. 7284, 7286) to be sections 1507 and 1508 of the Farm
 3 Security and Rural Investment Act of 2002, respectively;

4 (C) in section 1507 (as amended by subparagraph (B)) by striking “this title and title
 5 I of the Farm Security and Rural Investment Act of 2002” and inserting “this title” each
 6 place it occurs; and

7 (D) in section 1508 (as amended by subparagraph (B)) by striking “subtitle C of this
 8 title and subtitle B and C of title I of the Farm Security and Rural Investment Act of 2002”
 9 and inserting “this title” each place it occurs.

10 **Subtitle F-Payment Limitation and Adjusted Gross Income**

11 **Limitation**

12 **SEC.1601. PAYMENT LIMITATION AND ADJUSTED GROSS INCOME**

13 **LIMITATION.**

14 (a) (1) Title I of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7901 et
 15 seq.)

16 is amended by adding at the end:

17 **“Subtitle F-Payment Limitation and Adjusted Gross**

18 **Income**

19 **“SEC.1601.GENERAL PAYMENT ELIGIBILITY AND LIMITATION PROVISIONS.**

1 “(a) DEFINITIONS.-In this subtitle-

2 “(1) Average Adjusted Gross Income.-The term ‘average adjusted gross income’, with
3 respect to a person or legal entity means the 3-year average of the adjusted gross income or
4 comparable measure of the income of the person or legal entity over the 3 preceding tax years,
5 as determined by the Secretary.

6 “(2) Family Member.-The term ‘family member’ means a person to whom another family
7 member in a farming operation is related as a lineal ancestor, a lineal descendant, or a sibling
8 (including the spouses of family members who do not provide a significant contribution of
9 active personal management or active personal labor as determined by the Secretary).

10 “(3) Legal Entity.-The term ‘legal entity’ means an entity that is created under Federal or
11 State law and that-

12 “(A) owns land or an agricultural commodity; or

13 “(B) produces an agricultural commodity.

14 “(4) Marketing Loan Gain.-The term ‘marketing loan gain’ means any gain realized by a
15 producer from repaying a marketing assistance loan made available under subtitle B at a
16 lower level than the original loan rate established for the commodity.

17 “(5) Payment.-The term ‘payment’ means a payment, including a marketing loan gain,
18 provided under a program-

19 “(A) under this title; and

20 “(B) under subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3830-
21 3839bb-3).

22 “(6) Person.-The term ‘person’ means a natural person, and does not include a legal entity.

1 “(7) Crop Year.-The term ‘crop year’ includes the corresponding period, as determined
2 by the Secretary, with respect to payments made available to dairy producers under sections
3 1402.

4 “(b) LIMITATION ON PAYMENTS-COMMODITIES.-

5 “(1) COMMODITIES.-The total amount of payments received directly or indirectly by a
6 person or any legal entity (except a joint venture or a general partnership) in any crop year
7 shall not exceed:

8 “(A) \$110,000 for direct payments made under section 1102, unless the person or legal
9 entity receives a conservation enhanced payment made under section 1102(e);

10 “(B) \$121,000 for direct payments made under section 1102 if the person or legal entity
11 receives a conservation enhanced payment made under section 1102(e);

12 “(C) \$110,000 for counter-cyclical payments made under section 1103 and payments
13 made to the person or legal entity under section 1402; and

14 “(D) \$140,000 for marketing loan gains and loan deficiency payments made under
15 subtitle B.

16 “(2) OVERALL LIMITATIONS FOR COMMODITY PAYMENTS.-The total amount of payments
17 specified in paragraph (1) made to a person or legal entity (except a joint venture or a general
18 partnership) during any year shall not exceed \$360,000.

19 “(c) PAYMENTS FOR CONSERVATION PRACTICES.-The total amount of payments that a person
20 or a legal entity (except a joint venture or a general partnership) may receive directly or
21 indirectly in any fiscal year shall not exceed-

1 “(1) in the case of the conservation reserve program under subchapter B, chapter 1,
2 subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3831-3835a), \$100,000 for
3 annual rental payments ; and

4 “(2) in the case of other programs under subtitle D, title XII of the Food Security Act of
5 1985 (16 U.S.C. 3837-3839bb-3)-

6 “(A) in the case of the wetlands reserve program under subchapter C, chapter 1, (16
7 U.S.C. 3837-3837e), \$50,000 for easement payments, except with respect to payments for
8 30 year or perpetual easements;

9 “(B) in the case of the conservation security program under subchapter A, chapter 2,
10 subtitle D, title XII of the Food Security Act of 1985 (16 U.S.C. 3838-3838c)-

11 “(i) \$35,000 for progressive tier practices; and

12 “(ii) \$45,000 for master tier practices; and

13 “(C) in the case of the environmental quality incentives program under chapter 4;
14 \$450,000 for all contracts entered into during any 6 year period (excluding funding
15 arrangements with federally recognized Native American Indian Tribes or Alaska Native
16 Corporations under section 1240B(h)), regardless of the number of contracts entered into
17 under the chapter.

18 “(d) DIRECT CONTRIBUTION.-

19 “(1) IN GENERAL.-In implementing the provisions of subsections (b) and (c), the
20 Secretary shall issue regulations as are necessary to ensure that the total amount of payments
21 are attributed to a person by taking into account the direct and indirect ownership interests of
22 the person in a legal entity that is eligible to receive such payments.

1 “(2) PAYMENTS TO A PERSON.-Every payment made directly to a person shall be
2 combined with the person’s pro rata interest in payments received by a legal entity in which
3 the person has a direct or indirect ownership interest.

4 “(3) PAYMENTS TO A LEGAL ENTITY.-

5 “(A) IN GENERAL.-Every payment made to a legal entity shall be attributed to those
6 persons who have a direct or indirect ownership interest in the legal entity.

7 “(B) ATTRIBUTION OF PAYMENTS.-

8 “(i) PAYMENT LIMITS.-Except as provided in clause (ii), payments made to a legal
9 entity shall not exceed the amounts specified in subsections (b) and (c).

10 “(ii) EXCEPTION.-Payments made to a joint venture or a general partnership shall not
11 exceed, for each payment specified in subsections (b) and (c), the amount determined
12 by multiplying the maximum payment amount specified in subsections (b) and (c) by
13 the number of persons and legal entities (other than joint ventures and general
14 partnerships) that comprise the ownership of the joint venture or general partnership.

15 “(4) FOUR LEVELS OF ATTRIBUTION FOR EMBEDDED ENTITIES.

16 “(A) IN GENERAL.-Attribution of payments made to legal entities shall be traced through
17 four levels of ownership in entities.

18 “(B) FIRST LEVEL.-Any payments made to a legal entity (a first-tier entity) that is owned
19 in whole or in part by a person shall be attributed to the person in an amount the Secretary
20 determines to represent the direct ownership in the first-tier entity by the person.

21 “(C) SECOND LEVEL.-Any payments made to a first-tier entity that is owned in whole or
22 in part by another legal entity (a second-tier entity) shall be attributed to the second-tier

1 entity in proportion to the second-tier entity's ownership in the first-tier entity. If the
2 second-tier entity is owned in whole or in part by a person, the amount of the payment
3 made to the first-tier entity shall be attributed to the person in the amount the Secretary
4 determines to represent the indirect ownership in the first-tier entity by the person.

5 “(D) THIRD AND FOURTH LEVELS.-The Secretary shall attribute payments at the third and
6 fourth tiers of ownership in the same manner as specified in subparagraph (C) unless the
7 fourth-tier of ownership is that of a fourth-tier entity and not that of a person, in which case
8 the Secretary shall reduce the amount of the payment to be made to the first-tier entity in
9 the amount that the Secretary determines to represent the indirect ownership in the first-tier
10 entity by the fourth-tier entity.

11 “(e) SPECIAL RULES.-

12 “(1) MARRIED COUPLE.-For purposes of this subtitle, with respect to any
13 married couple-

14 “(A) The husband and wife shall be considered to be one person except as provided in
15 subparagraph (B); and

16 “(B) A husband and wife shall be considered to be separate persons if, prior to their
17 marriage, each spouse was separately engaged in unrelated farming operations and, after
18 their marriage, such farming operations remain as separate farming operations.

19 “(2) MINOR CHILDREN.-A child under the age of 18 shall be considered to be one person
20 with the child's parents, except that the Secretary shall issue regulations which provide the
21 conditions under which a married child under the age of 18 may be considered to be a
22 separate person from the child's parents.

1 “(3) MARKETING COOPERATIVES.-The provisions of subsection (b)(1) and (2) shall not
2 apply to a cooperative association of producers with respect to commodities produced by its
3 members which are marketed by such association on behalf of its members but shall apply to
4 such producers as persons.

5 “(4) TRUSTS AND ESTATES.-

6 “(A) IN GENERAL.-With respect to irrevocable trusts and estates, the Secretary shall
7 administer the provisions of this subtitle in such manner as the Secretary determines will
8 ensure that fair and equitable treatment of the beneficiaries of such trusts and estates.

9 “(B) IRREVOCABLE TRUST.-In order for a trust to be considered an irrevocable trust, the
10 terms of the trust agreement must not allow for modification or termination of the trust by
11 the grantor, allow for the grantor to have any future, contingent, or remainder interest in
12 the corpus of the trust, or provide for the transfer of the corpus of the trust to the remainder
13 beneficiary in less than 20 years from the date the trust is established except in cases where
14 the transfer is contingent on the remainder beneficiary achieving at least the age of
15 majority or is contingent on the death of the grantor or income beneficiary.

16 “(C) REVOCABLE TRUST.-A revocable trust shall be considered to be the same person as
17 the grantor of the trust.

18 “(5) CASH RENT TENANTS.-

19 “(A) DEFINITION.- A cash rent tenant is a person or legal entity that rents land:

20 “(i) for cash; or

21 “(ii) for a crop share guaranteed as to the amount of the commodity to be paid in
22 rent.

1 “(B) RESTRICTION.-A cash rent tenant who makes a significant contribution of
2 active personal management, but not of personal labor, with respect to a farming
3 operation is eligible to receive a payment described in subsection (b) only if the tenant
4 makes a significant contribution of equipment used in the farming operation.

5 “(6) FEDERAL AGENCIES.-

6 “(A) IN GENERAL.-Federal agencies shall not be eligible to receive any payment
7 described in subsections (b) and (c).

8 “(B) RENTS LAND.-A person or legal entity that rents land owned by a Federal agency
9 may receive such payments.

10 “(7) STATE AND LOCAL GOVERNMENTS.-

11 “(A) GOVERNMENTS INELIGIBLE.-

12 “(i) IN GENERAL.-Except as provided in subparagraphs (B) and (C), State and local
13 governments and political subdivisions and agencies of such governments, shall not
14 be eligible to receive payments covered under subsections (b) and (c).

15 “(ii) TENANTS.-A person or legal entity that rents land owned by a State or local
16 government or a political subdivision or agency of such government, may receive
17 payments covered under subsections (b) and (c) if they otherwise meet all applicable
18 criteria.

19 “(B) EXCEPTION.-

20 “(i) Within the limitation described in clause (ii), a State and the political
21 subdivisions and agencies of such governments, may receive payments covered

1 under subsections (b) and (c), if the State or a political subdivision or agency of such
2 government-

3 “(I) is the producer of all crops produced on a farm; and

4 “(II) the proceeds from the crop production are used to maintain a public
5 school.

6 “(ii) For each State, the total amount of payments covered under subsections (b)
7 and (c) that are received collectively by the State and all political subdivisions or
8 agencies of such governments shall not exceed the amounts that one legal entity may
9 receive in one year as specified in subsections (b) and (c).

10 “(C) SHARE LEASES.-A State and the political subdivisions and agencies of such
11 governments may, without regard to the provisions of subparagraph (B), receive
12 payments covered under subsections (b) and (c) if-

13 “(i) the payments are received with respect to land that is share leased to a private
14 party;

15 “(ii) the lease was in effect on the date of enactment of *farm bill 2007*; and

16 “(iii) the land is used to maintain a public school.

17 “(8) CHANGES IN FARMING OPERATIONS.-In the administration of this subtitle, the
18 Secretary may not approve any change in a farming operation that otherwise will increase
19 the number of persons to which the limitations under this section are applied unless the
20 Secretary determines that the change is bona fide and substantive. The addition of a family

1 member to a farming operation under the criteria set out in section 1602 shall be
2 considered a bona fide and substantive change in the farming operation.

3 “(9) DENIAL OF PROGRAM BENEFITS.-

4 “(A) TWO YEAR DENIAL OF PAYMENT.-A person or legal entity shall be ineligible to
5 receive payments specified in subsections (b) and (c) for that year, and the succeeding
6 crop year, in which the Secretary determines that the person or entity engaged in an
7 activity in which the primary purpose of the activity was to avoid the application of the
8 provisions of this subtitle to the person, legal entity or any other person or legal entity.

9 “(B) EXTENDED INELIGIBILITY.-If the Secretary determines that a person or legal
10 entity, for their benefit or the benefit of any other person or legal entity, has knowingly
11 engaged in, or aided in the creation of fraudulent documents, the failure to disclose
12 material information relevant to the administration of this subtitle, or the commission of
13 other similar actions as identified in regulations issued by the Secretary, the Secretary
14 may for a period not to exceed five crop years deny the issuance of payments to the
15 person or legal entity.

16 “(C) PRO RATA DENIAL.-Payments otherwise owed to a person or legal entity covered
17 by subparagraphs (A) or (B) shall be denied in a pro rata manner based upon the
18 ownership interest of the person or legal entity in a farm, and payments otherwise
19 payable to the person or legal entity who is a cash rent tenant on a farm owned or under
20 the control of such person or legal entity shall be denied.

1 “(10) DEATH OF OWNER.-In the event of a transfer of any ownership interest in land or a
2 commodity as the result of the death of a program participant, the new owner of such land
3 or commodity may, if such person is otherwise eligible to participate in the applicable
4 program, succeed to the prior owner’s contract and receive payments subject to this section
5 without regard to the amount of payments received by the new owner. Payments made
6 pursuant to this subsection shall not exceed the amount to which the previous owner was
7 entitled to receive under the terms of the contract at the time of the death of the prior
8 owner.

9 “(f) APPLICABILITY OF OTHER STATUTES.-The provisions of this subtitle are in addition to
10 and not in lieu of any other provision of law.”.

11 **“SEC. 1602. ACTIVELY ENGAGED IN FARMING.**

12 “(a) APPLICABILITY TO CONSERVATION.-

13 “(1) IN GENERAL.-This section shall not apply to persons and legal entities participating
14 in conservation programs described in section 1601(c).

15 “(2) ELIGIBILITY.-A person or legal entity shall be eligible for a payment under a
16 program described in section 1601(c) if the person or legal entity-

17 “(A) satisfies the eligibility criteria of the program, as determined by the Secretary;
18 and

19 “(B) has not received payments under the program in any fiscal year that exceed the
20 maximum payment amounts described in section 1601(c).

1 “(b) ACTIVELY ENGAGED.-

2 “(1) IN GENERAL.-To be eligible to receive a payment under section 1601(b), a person
3 or legal entity must be actively engaged in farming as provided in this subsection or
4 subsection (c).

5 “(2) CLASSES ACTIVELY ENGAGED.-Except as provided in subsections (c) and (d)-

6 “(A) a person, including a person participating in a farming operation as a partner
7 in a general partnership, a participant in a joint venture, a grantor of a revocable trust,
8 or a participant in a similar entity as determined by the Secretary, shall be considered
9 to be actively engaged in farming with respect to a farm operation if-

10 “(i) the person makes a significant contribution (based on the total value of the
11 farming operation) to the farming operation of-

12 “(I) capital, equipment, or land; and

13 “(II) personal labor or active personal management;

14 “(ii) the person’s share of the profits or losses from the farming operation is
15 commensurate with the contributions of the person to the farming operation; and

16 “(iii) the contributions of the person are at risk;

17 “(B) a legal entity that is a corporation, joint stock company, association, limited
18 partnership, charitable organization, or other similar entity determined by the
19 Secretary, including any such entity participating in the farming operation as a

1 partner in a general partnership, a participant in a joint venture, a grantor of a
2 revocable trust, or as a participant in a similar entity as determined by the Secretary
3 shall be considered as actively engaged in farming with respect to a farming
4 operation if-

5 “(i) the entity separately makes a significant contribution (based on the total
6 value of the farming operation) of capital, equipment, or land;

7 “(ii) the stockholders or members collectively make a significant contribution
8 of personal labor or active personal management to the operation; and

9 “(iii) the standards provided in clauses (ii) and (iii) of paragraph (A), as
10 applied to the entity, are met by the entity;

11 “(C) if a legal entity that is a general partnership, joint venture, or similar entity,
12 as determined by the Secretary, separately makes a significant contribution (based on
13 the total value of the farming operation involved) of capital, equipment, or land, and
14 the standards provided in clauses (ii) and (iii) of paragraph (A), as applied to the
15 entity, are met by the entity, the partners or members making a significant
16 contribution of personal labor or active personal management shall be considered to
17 be actively engaged in farming with respect to the farming operation involved.

18 “(D) in making determinations under this subsection regarding equipment and
19 personal labor, the Secretary shall take into consideration the equipment and personal

1 labor normally and customarily provided by farm operators in the area involved to
2 produce program crops.

3 “(c) SPECIAL CLASSES ACTIVELY ENGAGED.-

4 “(1) LANDOWNER.-A person or legal entity that is a landowner contributing the owned
5 land to a farming operation shall be considered to be actively engaged in farming with respect
6 to the farming operation if the landowner receives rent or income for such use of the land
7 based on the land's production or the operation's operating results, and the person or legal
8 entity meets the standard provided in clauses (ii) and (iii) of subsection(b)(2)(A).

9 “(2) ADULT FAMILY MEMBER.-With respect to a farming operation when a majority of
10 the participants are family members, an adult family member shall be considered to be
11 actively engaged in farming with respect to the farming operation if the person-

12 “(A) makes a significant contribution, based on the total value of the farming
13 operation, of active personal management or personal labor; and

14 “(B) such contribution meets the standards provided in clauses (ii) and (iii) of
15 subsection (b)(2)(A).

16 “(3) SHARECROPPER.-A sharecropper who makes a significant contribution of personal
17 labor to a farming operation shall be considered to be actively engaged in farming with
18 respect to the farming operation if such contribution meets the standards provided in
19 clauses (ii) and (iii) of subsection(b)(2)(A).

1 “(4) GROWERS OF HYBRID SEED.-In determining whether a person or legal entity
2 growing hybrid seed under contract shall be considered to be actively engaged in farming,
3 the Secretary shall not take into consideration the existence of a hybrid seed contract.

4 “(5) CUSTOM FARMING SERVICES. A person or legal entity receiving custom farming
5 services will be considered separately eligible for payment limitation purposes if such
6 person or legal entity is actively engaged in farming based on subsection (b)(2) or
7 paragraphs (1)-(5). No other rules with respect to custom farming shall apply in making a
8 determination under this section.

9 “(d) CLASSES NOT ACTIVELY ENGAGED.-

10 “(1) CASH RENT LANDLORD.-A landlord contributing land to a farming operation shall
11 not be considered to be actively engaged in farming with respect to the farming
12 operation if the landlord receives cash rent, or a crop share guaranteed as to the amount
13 of the commodity to be paid in rent, for such use of the land.

14 “(2) OTHER PERSONS.-Any other person determined by the Secretary as failing to
15 meet the standards set out in subsections (b)(2) and (c) shall not be considered to be
16 actively engaged in farming with respect to a farming operation.”.

17 **“SEC. 1603 ADJUSTED GROSS INCOME LIMITATION.**

18 “(a) ADJUSTED GROSS INCOME LIMITATIONS.-

19 “(1) COMMODITIES.- A person or legal entity shall not be eligible to receive a payment
20 described in section 1601(b) during a year if the average adjusted gross income of the

1 person or legal entity for the preceding 3 years exceeds \$200,000, as determined by the
2 Secretary.

3 “(2) CONSERVATION.-A person or legal entity shall not be eligible to receive any
4 payment provided under subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C.
5 3801 et seq.) (except the Emergency Landscape Restoration Program in section 1240R of
6 that Act) during a year if the average adjusted gross income of the person or legal entity for
7 the preceding 3 years exceeds \$2,500,000, unless not less than 75 percent of the average
8 adjusted gross income of the person or legal entity is derived from farming, ranching, or
9 forestry operations, as determined by the Secretary.

10 “(b) SPECIAL RULES.-

11 “(1) REGULATIONS.-The Secretary shall issue regulations that provide a method to
12 determine average adjusted gross income in the case of a-

13 “(A) legal entity that is not required to file a Federal income tax return; or

14 “(B) person or legal entity that did not have taxable income in one or more of the tax
15 years used to determine the average adjusted gross income as provided in section
16 1601(a)(1).

17 “(2) CERTIFICATION.-A person or legal entity shall provide to the Secretary-

18 “(A) certification by a certified public accountant or another third party that the
19 average adjusted gross income of the person or legal entity does not exceed the
20 limitation specified in paragraphs (1) and (2) of subsection (a); or

1 “(B) other information and documentation regarding the adjusted gross income of the
2 person or legal entity.

3 “(3) COMMENSURATE REDUCTION-In the case of a benefit described in section 1601(b)
4 or (c) that is made in a year to a legal entity, the amount of the benefit shall be reduced by
5 an amount that is commensurate with the direct and indirect ownership interest in the legal
6 entity of each person who has an average adjusted gross income in excess of the limitation
7 specified in paragraph (1) or (2) of subsection (a).

8 “(4) HUSBAND AND WIFE.-The adjusted gross income of a husband shall be considered
9 separate from the adjusted gross income of the wife of the husband if, prior to the marriage
10 of the husband and wife, each spouse was separately engaged in unrelated farming
11 operations and, after their marriage, the farming operations remain as separate farming
12 operations.

13 “(c) DENIAL OF PROGRAM BENEFITS.-

14 “(1) TWO YEAR DENIAL OF PAYMENT.-A person or legal entity shall be ineligible to
15 receive payments covered under in subsections (b) and (c) for that year, and the succeeding
16 crop year, in which the Secretary determines that the person or entity engaged in an
17 activity in which the primary purpose of the activity was to avoid the application of the
18 provisions of this section to the person, legal entity or any other person or legal entity.

19 “(2) EXTENDED INELIGIBILITY.-If the Secretary determines that a person or legal entity,
20 for their benefit or the benefit of any other person or legal entity, has knowingly engaged

1 in, or aided in the creation of fraudulent documents, the failure to disclose material
2 information relevant to the administration of this section, or the commission of other
3 similar actions as identified in regulations issued by the Secretary, the Secretary may for a
4 period not to exceed five crop years deny the issuance of payments to the person or legal
5 entity.

6 “(3) PRO RATA DENIAL.-Payments otherwise owed to a person or legal entity covered by
7 paragraphs (1) or (2) shall be denied in a pro rata manner based upon the ownership
8 interest of the person or legal entity in a farm, and payments otherwise payable to the
9 person or legal entity who is a cash rent tenant on a farm owned or under the control of
10 such person or legal entity shall be denied.”; and

11 (2) PROGRAM BENEFITS.

12 (A) Section 1001C of the Food Security Act of 1985 (7 U.S.C. 1308-3) is
13 redesignated as section 1604 of the Farm Security and Rural Investment Act of 2002 (as
14 amended by *farm bill 2007*);

15 (B) moved so as to appear after section 1603 of the Farm Security and Rural
16 Investment Act of 2002 (as amended by *farm bill 2007*); and

17 (C) Section 1604 (as redesignated by subparagraph (A)) is further amended-

18 (i) by striking the section heading and inserting “ELIGIBILITY”; and

19 (ii) in subsection (b)-

1 (I) by striking the subsection heading and inserting “LEGAL ENTITIES”;

2 (II) in the first sentence by striking “corporation or other entity” and inserting
3 “legal entity”; and

4 (III) in the second sentence by striking “entity” each time it appears and
5 inserting “legal entity”.

6 (b) Subtitle F of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7991 et
7 seq.) is amended by adding at the end:

8 **“SEC. 1605. TRANSITION PERIOD.**

9 “(a) IN GENERAL.-The Secretary shall issue regulations-

10 “(1) to implement the provisions of this subtitle in a manner that the Secretary
11 determines to provide a fair and equitable transition from the rules in effect upon date of
12 enactment of this Act to those rules necessary for the administration of this subtitle;

13 “(2) to strengthen rules concerning the active management contribution, which enables
14 persons or legal entities to qualify for commodity program benefits without contributing
15 labor to a farm; and

16 “(3) to implement new procedures for validating the adjusted gross income of a person
17 or legal entity to help ensure that no erroneous payments are made.”.

18 (c) CONFORMING AMENDMENT.-

- 1 (1) Sections 1001-1001F of the Food Security Act of 1985 (7 U.S.C.1308-1308-5)
- 2 are repealed.