The Food, Conservation and Energy Act of 2008

Title I – Commodities

- **TARGET PRICES AND LOAN RATES:** The bill adjusts the cotton target price for the 2008 through 2012 crop years; provides counter-cyclical support and adjusts loan rates for pulse crops beginning with the 2009 crop year; and rebalances target prices and/or loan rates for wheat, grain sorghum, barley, oats, soybeans, and other oilseeds beginning with the 2010 crop year.

Loan Rates, Direct Payments, and Target Prices for the Covered Commodities

	Loan Rate			Direct	Target Price		
	2008	2009	2010-2012	2008-2012	2008	2009	2010-2012
Wheat (bu)	$2.75	$2.75	$2.94	$0.52	$3.92	$3.92	$4.17
Corn (bu)	$1.95	$1.95	$1.95	$0.28	$2.63	$2.63	$2.63
Grain sorghum (bu)	$1.95	$1.95	$1.95	$0.35	$2.57	$2.57	$2.63
Barley (bu)	$1.85	$1.85	$1.95	$0.24	$2.24	$2.24	$2.63
Oats (bu)	$1.33	$1.33	$1.39	$0.024	$1.44	$1.44	$1.79
Upland cotton (lb)	$.5200	$.5200	$.5200	$0.0667	$0.7125	$0.7125	$0.7125
Long grain rice (cwt)	$6.50	$6.50	$6.50	$2.35	$10.50	$10.50	$10.50
Med. grain rice (cwt)	$6.50	$6.50	$6.50	$2.35	$10.50	$10.50	$10.50
Soybeans (bu)	$5.00	$5.00	$5.00	$0.44	$5.80	$5.80	$6.00
Other oilseeds (cwt)	$9.30	$9.30	$10.09	$0.80	$10.10	$10.10	$12.68
Dry peas (cwt)	$6.22	$5.40	$5.40	n/a	n/a	$8.32	$8.32
Lentils (cwt)	$11.72	$11.28	$11.28	n/a	n/a	$12.81	$12.81
Small Chickpeas (cwt)	$7.43	$7.43	$7.43	n/a	n/a	$10.36	$10.36
Large Chickpeas (cwt)	n/a	$11.28	$11.28	n/a	n/a	$12.81	$12.81

- **BASE ACRES**: Generally, base acres established under the Food, Security, and Rural Investment Act of 2002 (FSRIA) are retained with adjustments for cropland released from the Conservation Reserve Program, for new pulse crop base acres, or if the total base acres on a farm exceed the number of acres of cropland. A producer with 10 base acres or fewer is not eligible for direct, counter-cyclical, or average crop revenue election payments.

- **PLANTING FLEXIBILITY**: The bill establishes a pilot program to provide greater flexibility to produce fruits and vegetables for processing on 75,000 base acres in 7 Midwestern states.

- **PAYMENT ACRES:** Payment acres are 85 percent of base acres for direct and counter-cyclical payments with the exception of 2009, 2010, and 2011, when direct payments will be made on 83.3 percent of base acres.

- **COVERED COMMODITIES:** Dry peas, lentils, small chickpeas, and large chickpeas (pulse crops) are added to the list of covered commodities which currently includes wheat, corn, grain sorghum, barley, oats, long grain rice, medium grain rice, and upland cotton. The pulse crops will not be eligible for direct payments, but beginning with the 2009 crop, counter-cyclical payments will be made on pulse crop base.

- **PAYMENT YIELDS:** Producers will retain current payment yields for direct and counter-cyclical payments, with provisions in the bill to establish counter-cyclical payment yields for pulse crops.

- **TIMING OF PAYMENTS:** A producer can elect to receive an advance direct payment equal to 22 percent of the **direct payment** following signup for the 2008 crop year, and as early as December 1 of the year prior to the year the crop is harvested for the 2009 through 2011 crop years. The balance of the direct payment will be made in October of the year the crop is harvested. Beginning with the 2012 crop year, advance direct payments will not be available. For **counter-cyclical payments**, a producer can receive a partial payment of up to 40 percent of the projected counter-cyclical payment for the covered commodity after the first 180 days of the marketing year. The balance of the counter-cyclical payment, if any, will be paid beginning October 1, after the end of the marketing year for the crop. Beginning with the 2011 crop year, partial counter-cyclical payments will not be available.

- **AVERAGE CROP REVENUE ELECTION (ACRE) PROGRAM:** Producers will have the option, beginning with the 2009 crop year, to participate in a state-level revenue protection program instead of the counter-cyclical program. To participate, producers must agree to a 20 percent reduction in direct payments and a 30 percent reduction in loan rates on enrolled farms. In return, they are eligible for a state-based revenue guarantee by commodity equal to 90 percent of the product of a state average yield per acre for the previous five years (after dropping the highest and lowest years) times the national average price for the previous two years for the commodity. If actual state per-acre revenue is less than the guarantee and if a producer suffers an actual revenue loss for the crop on the farm, then the producer will receive an ACRE payment equal to the difference between the state per-acre revenue guarantee and the state actual revenue calculation paid on 83.3 percent (85 percent for 2012) of the acres planted to the covered commodity on the farm.

- **DAIRY SUPPORT**: The current milk price support of $9.90 per hundredweight is replaced with separate support prices for cheddar cheese, butter, and nonfat dry milk. If the price for one of these dairy commodities is lower than the support price, then USDA will purchase the product at the support level. The Milk Income Loss Contract (MILC) program is restored to cover 45 percent of the shortfall between $16.94 per hundredweight and the Boston Class I milk price. In addition, the $16.94 price will be adjusted for any month when the national average monthly cost of dairy rations exceeds $7.35 per hundredweight. The quantity of milk production that is eligible for a MILC payment to a dairy producer is limited to 2,985,000 pounds for each fiscal year. The increases outlined above are generally effective until August 31, 2012.

- **DAIRY PROMOTION AND RESEARCH PROGRAM:** The program is extended to include producers in Alaska, Hawaii, and Puerto Rico, who will pay an assessment of $0.15 per hundredweight of milk production. Imported dairy products will be assessed at $0.075 per hundredweight of fluid milk equivalent.

- **DAIRY FORWARD CONTRACTING:** The bill authorizes milk producers voluntarily to enter into forward price contracts with milk handlers for sale of milk that is used for manufactured dairy products. Under such forward price contracts, prices received by milk producers and cooperatives will be deemed to satisfy all federally regulated minimum milk price requirements. Milk handlers will be prohibited from requiring participation in a forward price contract.

- **PEANUTS:** The peanut program is continued under a separate subtitle with program features similar to those for covered commodities. The direct payment rate is $36 per ton; the target price is set at $495 per ton, and the marketing loan rate is $355 per ton. The bill requires USDA to cover storage, handling, and associated costs for forfeited peanuts.

- **SUGAR:** The cane sugar loan rate is set at 18 cents per pound for the 2008 crop year, 18.25 cents for 2009, 18.50 cents for 2010, and 18.75 cents for 2011 and 2012. The beet sugar loan rate is set at 22.9 cents per pound for the 2008 crop year and a rate than is equal to 128.5 percent of the applicable loan rate per pound of raw cane sugar for the 2009 – 2012 crop years. The sugar marketing allotments are amended and extended through the 2012 crop. The overall allotment quantity for a crop year is not less than 85 percent of the estimated quantity of sugar needed for domestic human consumption for the crop year.

- **WOOL AND MOHAIR:** Marketing loans or loan deficiency payments are continued based on a loan rate of $1.00 per pound for graded wool in 2008-2009 and of $1.15 in 2010-2012. Loan rates of $.40 per pound for non-graded wool, $4.20 per pound for mohair, and $.40 per pound for unshorn pelts are retained for years 2008 -2012.

- **HONEY:** Marketing loans or loan deficiency payments are provided based on a loan rate of $.60 per pound in 2008-2009 and of $0.69 in 2010-2012.

- **PAYMENT LIMITATIONS:** The bill continues the current limit on direct payments of $40,000 and on counter-cyclical payments of $65,000. These limits are adjusted for participants in the Average Crop Revenue Election program to reflect the cut in direct payments and with the amount cut added to the limit for ACRE payments. Separate, identical limits apply to the peanut program. Loan deficiency payments and marketing loan gains are not limited, but are subject to income eligibility requirements.

- **DIRECT ATTRIBUTION OF PAYMENTS**: Beginning with the 2009 crop year, all payments will be directly attributed to the living person who directly or indirectly is eligible for the farm program payments. Spouses are eligible to participate in farm programs in their own right. The rules provide special consideration for spouses with regard to the determination of active engagement in a farming operation. The rules to enforce compliance and the penalties for evading the payment limitations are tightened and strengthened

- **ADJUSTED GROSS INCOME ELIGIBILITY TEST:** The bill replaces the current limit of $2.5 million average adjusted gross income for eligibility to receive commodity, disaster, or conservation benefits. Persons or entities with average adjusted gross nonfarm income exceeding $500,000 will be ineligible for direct payments, counter-cyclical payments, ACRE payments, marketing loan gains, loan deficiency payments, MILC payments, and the noninsured assistance program. Persons or entities with average adjusted gross farm income exceeding $750,000 will not be eligible to receive direct payments.