

TITLE ONE OUTLINE

SUBTITLE A – DIRECT PAYMENTS AND COUNTER CYCLICAL PAYMENTS

SEC. 1001. DEFINITIONS

- Amends definition of “Agricultural Act of 1949” to incorporate suspensions of Act made under Farm Security and Rural Investment Act of 2002 and the current bill.
- Amends definition of “base acres” to mean the number of acres established by 2002 farm bill as in effect on day before enactment of this bill.
- Adds definition of “Comparable United States Quality” which states a classification standard for upland cotton which contains a slight premium for uniformity and falls within an acceptable range – to avoid a discount – for fiber wall thickness.
- Divides the definition of “payment acres” into “counter-cyclical payment acres” and “direct payment acres.
- “Counter-cyclical payment acres” means 85 percent of the base acres for a covered commodity on which counter-cyclical payments are made.
- **“Direct payment acres means XX percent of the base acres for a covered commodity on which direct payments are made. (Waiting for CBO which will determine how much to lower percentage from 85 to pay for changes in target prices and marketing loan rates)**
- Adds definition of “Far East Price”, which means the three lowest price quotes on the sale of upland cotton in Far East markets based on delivered cost and freight. The term Far East comes from a Cotlook – and independent firm that reports cotton market information – publication.
- Amends definition of “loan commodity” by replacing rice with long grain, short grain, and medium grain rice.
- Amends definition of “loan commodity” by replacing barley with feed barley and malt barley.
- Amends definition of “payment yield” to mean the yield established for direct and counter-cyclical payments under the 2002 farm bill as in effect one day before enactment of this bill.
- Adds definition for “United States Premium Factor,” which means the difference between the premiums offered by the U.S. loan schedule for certain grades of cotton in excess of the premiums for comparable international grades delivered cost and freight to the Far East market.

SEC. 1101. ADJUSTMENTS TO BASE ACRES

- Provisions allowing for producer choice of updating base acres removed
- Continues’ 2002 farm bill’s provisions regarding Treatment of Conservation Reserve Contract Acreage, with peanut references deleted. This allows Secretary to provide base acre adjustments when a conservation reserve contract ends.

- Continues 2002 farm bill's provisions allowing the Secretary to reduce base acres when the sum of acreage, in certain circumstances, exceeds the actual cropland acreage of a farm
- Continues 2002 farm bill's provisions allowing a farmer to permanently reduce his/her base acres on farm

NOTE: No payment yield updates in this bill as was allowed under Section 1102 of 2002 Farm Bill.

SEC. 1102. AVAILABILITY OF DIRECT PAYMENTS

- Authorizes direct payments for 2008-2012 crop years in same manner as in 2002 Farm Bill
- Maintains direct payment rates as in 2002 Farm Bill
- Allows advanced direct payments of up to 22 percent for 2008-2012 crop years
- Requires repayment of direct payments under same conditions as 2002 Farm Bill
- In the calculation of the payment amount for direct payments, changes payment acres to direct payment acres to reflect the new percentages of base acres (as described in Sec. 1001) upon which direct payments will be made.

SEC. 1103. AVAILABILITY OF COUNTER-CYCLICAL PAYMENTS

- Authorizes counter-cyclical payments for 2008-2012 crop years in same manner as in 2002 Farm Bill
- Establishes target prices as follows:
 - Wheat, \$4.15 (**23 cents above 2002 Farm Bill price**)
 - Corn, \$2.63 (Same as 2002 Farm Bill price)
 - Grain Sorghum, \$2.57 (Same as 2002 Farm Bill price)
 - Barley, \$2.32 (**8 cents above 2002 Farm Bill price**)
 - Oats, \$1.50 (**6 cents above 2002 Farm Bill price**)
 - Upland Cotton, \$0.70 (**2 cents below 2002 Farm Bill price**)
 - Rice, \$10.50 (Same as 2002 Farm Bill all rice price)
 - Soybeans, \$6.00 (**20 cents above 2002 Farm Bill price**)
 - Other oilseeds, \$.0.1010 (Same as 2002 Farm Bill price)
- Allows for partial counter-cyclical payments of up to 40 percent for 2008-2012 crop years
- Requires repayments of such under same conditions as 2002 Farm Bill
- In the calculation of the payment amount for counter-cyclical payments, changes payment acres to counter-cyclical acres to reflect percentage of base acres (as described in Sec. 1001) upon which counter-cyclical payments will be made. Also ensures calculation with payment yields as term is defined in Sec. 1001.

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

- Same as Sec. 1105 of 2002 Farm Bill with one exception
- A producer receiving these payments is required to effectively control noxious weeds and otherwise maintain the land in accordance with sound agricultural practices, as determined by the Secretary. This is only a requirement if the agricultural or conserving

use involves the noncultivation of any portion of the farm's base acres. That limitation was removed at request of USDA.

SEC. 1105. PLANTING FLEXIBILITY

- Same as Sec. 1106 of 2002 Farm Bill with one exception
- Establishes pilot Farm Flex project in Indiana

SEC. 1106. PERIOD OF EFFECTIVENESS

- Authorizes the previous sections for 2008 through 2012 crop years

NOTE: Original Sec. 1107 from 2002 Farm Bill dealt with remaining payment authority under production flexibility contracts so not carried over into this bill.

SUBTITLE B—MARKETING ASSISTANCE LOANS AND LOAN DEFICIENCY PAYMENTS

SEC. 1201. AVAILABILITY OF NONRECOURSE MARKETING ASSISTANCE LOANS FOR LOAN COMMODITIES

- Authorizes nonrecourse loans for loan commodities for 2008-2012 crop years in same manner as 2002 Farm Bill
- Original subsection (e) regarding Termination of FAIR Act loan authority not necessary for this bill.

SEC. 1202. LOAN RATES FOR NONRECOURSE MARKETING ASSISTANCE LOANS

- Loan rates set as follows:
 - Wheat, \$2.94 (**19 cents above 2002 Farm Bill rate**)
 - Corn, \$1.93 (**2 cents below 2002 Farm Bill rate**)
 - Grain Sorghum, \$1.93 (**2 cents below 2002 Farm Bill rate**)
 - **(NEW) Feed Barley, \$1.93 (8 cents above 2002 Farm Bill all barley rate)**
 - **(NEW) Malt Barley, \$2.50 (65 cents above 2002 Farm Bill all barley rate)**
 - Oats, \$1.39 (**6 cents above 2002 Farm Bill rate**)
 - Upland Cotton, \$0.50 (**2 cents below 2002 Farm Bill rate**)
 - Extra long staple cotton, \$0.7977 (Same as 2002 Farm Bill rate)
 - **(NEW) Long grain rice, \$6.53 (3 cents above 2002 Farm Bill all rice rate)**
 - **(NEW) Medium and short grain rice, \$6.53 (3 cents above 2002 Farm Bill all rice rate)**
 - Soybeans, \$5.02 (**2 cents above 2002 Farm Bill rate**)
 - Other oilseeds, \$0.1070 (**1.4 cents above 2002 Farm Bill rate**)
 - Dry Peas, \$5.40 (**82 cents below 2002 Farm Bill rate**)
 - Lentils, \$11.28 (**44 cents below 2002 Farm Bill rate**)
 - Small Chickpeas, \$8.54 (**\$1.11 above 2002 Farm Bill rate**)
- Under current law, there is a separate loan rate for each class of rice, the average of which equals the \$6.50 rate set in current law. The bill establishes two loan rates for rice, a long grain rice loan rate and a combined medium and short grain rice loan rate.
- Under current law, there is one all barley loan rate. The bill establishes two loan rates for barley: a feed barley rate and a malt barley rate.

- 2002 Farm Bill provisions requiring loan rates for dry peas, lentils and small chickpeas shall be based on feed peas, number 3 lentils, and number 3 small chickpeas was deleted.

SEC. 1203. TERMS OF LOANS

- Same as under 2002 Farm Bill

SEC. 1204. REPAYMENT OF LOANS

- Included references to long grain, medium grain, and short grain rice
- No changes to how loan commodities repay their loans with the exception of upland cotton, dry peas, lentils, and small chickpeas.
- Under current law, USDA has the ability to lower the adjusted world price (AWP) for upland cotton used to calculate marketing loan benefits when the price of U.S. upland cotton sold in Northern Europe is higher than the price of competing cotton. The bill instead would specify that USDA use price quotes from Far East market to determine the AWP for upland cotton.
- Under current law, USDA has the ability to lower the AWP for upland cotton to account for transportation costs determined by USDA surveys. The bill specifies that USDA adjusts the AWP to account for 100% of the surveyed costs instead of 85% of surveyed costs, as it does now.
- In adjusting the AWP to reflect U.S. quality, the adjustments would include the premiums associated with Comparable United States Quality and reflect any United States Premium Factor
- The bill lists a new set of criteria on which USDA may further adjust the AWP for upland cotton, if the Secretary determines such an adjustment is necessary, based on
 - Minimizing loan forfeitures
 - Minimizing the accumulation of cotton stocks
 - Improving the marketing of upland cotton at home and overseas
 - Ensuring that U.S. upland cotton is competitive in world markets
 - Ensuring a seamless transition of the calculation of AWP from current crop prices to forward-crop prices, with some limitations
 - The negative impact of trade barriers
- The bill allows farmers who put their upland cotton in the loan to assign to a marketer of loan cotton the ability to ship the cotton prior to redeeming it from the CCC. The marketer becomes responsible for the loan and must repay the loan no later than 10 months after the date of the loan was issued. The marketer must also provide financial security against the loan. The producer has no further responsibility for the loan. The bill also grants Cooperative Marketing Association this assignment ability.
- The bill changes the 2002 Farm Bill provisions requiring repayment rates for dry peas, lentils and small chickpeas to be based on feed peas, number 3 lentils, and number 3 small chickpeas. Now they would be based on quality grades for those commodities.

SEC. 1205. LOAN DEFICIENCY PAYMENTS

- Authorizes loan deficiency payments for 2008-2012 crop years under same conditions as 2002 Farm Bill
- Original Sec. 1205(f) from 2002 Farm Bill re: special loan deficiency payment rules for first time loan commodities not included in this bill.

SEC. 1206. PAYMENTS IN LIEU OF LOAN DEFICIENCY PAYMENTS FOR GRAZED ACREAGE

- Authorizes payments in lieu of LDPs for producers who have grazed acreage for the 2008-2012 crop years under same conditions as 2002 Farm Bill

SEC. 1207. SPECIAL MARKETING LOAN PROVISIONS FOR UPLAND COTTON

- Authorizes ability of President to issue special import quota for upland cotton if for a consecutive 4-week period the price of American cotton exceeds the price of cotton in the Far East markets. This is a change from current law, which is based on Northern Europe markets
- Another trigger for this special import quota was a decline in the U.S. stock-to-use-ratio to below 16%. That trigger is removed by this bill
- The amount of cotton that can come into the U.S. under the special import quota during any marketing year is limited to the equivalent of 10 weeks consumption of upland cotton by domestic mills. This is a change from 5 weeks in current law.
- A limited global import quota for upland cotton continues as existed under the 2002 Farm Bill
- The authorizes the Secretary to issue marketing certificates or cash payments to domestic users of upland cotton for uses of all cotton regardless of origin. The payments/certificates will equal 4-cents per pound, and these payments can be used for acquisition, construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery.

SEC. 1208. SPECIAL COMPETITIVE PROVISIONS FOR EXTRA LONG STAPLE COTTON

- This section is authorized till July 31, 2013 and operates as existed under the 2002 Farm Bill

SEC. 1209. AVAILABILITY OF RECOURSE LOANS FOR HIGH MOISTURE FEED GRAINS AND SEED COTTON

- Authorizes recourse loans for these crops for the 2008-2012 crop years in same manner as under 2002 Farm Bill
- Original Sec. 1209(d) from 2002 Farm Bill re: superseding loan authority from FAIR Act not included in this bill.

SUBTITLE F – ADMINISTRATION

SEC. 1601 ADMINISTRATION GENERALLY

- Same as 2002 Farm Bill with one exception
- Original subsection (d) providing for the treatment of advanced payments for producers with production flexibility contracts not included in this bill

SEC. 1602 SUSPENSION OF PERMANENT PRICE SUPPORT AUTHORITY

- Blocks applicability of Agricultural Adjustment Act of 1938 and Agricultural Act of 1949 for the 2008-2012 crops

SEC. 1603. PAYMENT LIMITS

- Direct attribution of benefits
- No limits on marketing loan benefits
- All other provisions remain the same as under 2002 Farm Bill

SEC. 1604. ADJUSTED GROSS INCOME LIMITATION

- Same as in 2002 Farm Bill with one exception
- Two year or extended denial of program benefits if Secretary determines person or entity is trying to avoid AGI limits.

SEC. 1605. ADJUSTMENTS ON LOANS

- Same as in 2002 Farm Bill with exception of upland cotton
- The bill calls for mandatory revisions in the way USDA makes adjustments to loan rates to account for differences in grade, type, quality, location and other factors for upland cotton.
 - Warehouse location differentials would be eliminated or revised to reflect market conditions
 - Changing the way premiums and discounts are calculated by using a 3-year weighted moving average of spot market data weighted by each region's share of production. The current simple average of spot market data averaged 1-to-1 with the previous loan schedule inflates premiums out of alignment with market conditions.
 - Further caps on premiums based on leaf and color considerations
 - Eliminating gaps between premium and discount differentials based on certain fiber lengths
- The bill also calls for discretionary revisions in how USDA adjusts the loan rates schedule
 - Using non-spot market price data in addition to spot market data for cotton
 - Eliminating gaps between premium and discount differentials based on certain longer fiber lengths
- Encourages USDA consultation with the private cotton industry when making the mandatory and discretionary adjustments
- Allows USDA to revisit mandatory revisions

SEC. 1606. PERSONAL LIABILITY OF PRODUCERS FOR DEFICIENCIES

- Updated with language referencing this bill

SEC. 1607. EXTENSION OF EXISTING ADMINISTRATIVE AUTHORITY REGARDING LOANS

- Updated with language referencing this bill

SEC. 1608. ASSIGNMENT OF PAYMENTS

- Same as under 2002 Farm Bill

SEC. 1609. TRACKING OF BENEFITS

- Same as under 2002 Farm Bill

SEC. 1610. COTTON STORAGE PAYMENTS

- Ends the practice of paying for upland cotton storage, handling and other costs associated with cotton going into the loan starting with the 2012 crop.

SEC. 1611. GOVERNMENT PUBLICATION OF COTTON PRICE FORECASTS

- Ends the current prohibition on the publication of cotton price forecasts

SEC. 1612. TREATMENT OF FARMS WITH TOTAL BASE ACRES OF 10 OR LESS

- Farms with total base acres of 10 acres or less are ineligible for the direct and counter-cyclical payments.