

## **Other Food Aid Provisions**

The 1985 Act reduces the minimum share of P.L. 480 title I funds allocated for P.L. 480 title III (Food for Development) from 15 to 10 percent. Child immunizations are specified both as a self-help measure under title I and as a title II activity. At least 0.1 percent of P.L. 480 funds will support a "farmer-to-farmer program," a technical assistance program, in fiscal years 1986 and 1987. A maximum of 25 percent of these funds may be channeled through such institutions as land-grant universities. The 1985 Act reauthorizes P.L. 480 through 1990.

## **Maintenance and Development of Export Markets**

The export market development subtitle outlines U.S. agricultural trade policy and authorizes several export promotion programs and measures to stimulate lagging overseas sales. Contract sanctity is upheld. The 1985 Act mandates collection of information on certain trade practices of other countries.

## **Agricultural Trade Policy**

The 1985 Act defines the goals of U.S. agricultural trade policy as follows:

- o To provide through all means possible agricultural commodities and products for export at competitive prices, with full assurance of quality and reliability of supply;
- o To support the principle of free trade and the promotion of fairer agricultural trade;
- o To cooperate fully in all efforts to negotiate reductions in barriers to fair trade;
- o To aggressively counter unfair trade practices;
- o To remove foreign policy constraints to maximize U.S. economic interests through agricultural trade; and
- o To provide for consideration of U.S. agricultural trade interests in the design of national fiscal and monetary policy that may foster continued strength of the dollar.

## **Trade Negotiations and Consultations**

Through the 1985 Act, Congress urges the President to negotiate with other parties to the General Agreement on Tariffs and Trade (GATT) to revise its rules and codes with the goal of reducing agricultural export subsidies, tariffs, and nontariff trade barriers. The Secretary must, in coordination with the U.S. Trade Representative, confer with representatives of other major agricultural producing countries to initiate and pursue agricultural trade consultations. Annual reports on progress of the consultations are due to Congress starting July 1, 1986.

## **Export Credit and Credit Guarantee Programs**

The 1985 Act establishes a new intermediate credit guarantee program to supplement existing CCC credit and credit guarantee programs. The existing short-term credit guarantee program (on credit of up to 3 years) is authorized at \$5 billion annually through fiscal year 1990, the same level as in fiscal year 1985. The fee charged

users of the program may not exceed 1 percent of the credit extended under the transaction. The 1985 Act amends the intermediate credit programs to allow intermediate credit guarantees (on credit of 3-10 years). To guarantee export sales, the CCC must make available not less than \$500 million through fiscal year 1988, and not more than \$1 billion in fiscal year 1989. The agricultural export credit revolving fund is reauthorized through fiscal year 1990, although no funding level is specified.

#### **Targeted Assistance**

Under a targeted assistance program, the Secretary must provide annually \$325 million or an equal value of CCC commodities specifically to counter or offset the adverse effect of subsidies, import quotas, or other unfair trade practices. The term "subsidy" includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method of furnishing or ensuring the availability of raw materials at artificially low prices. The 1985 Act authorizes priority assistance to producers of those agricultural commodities which have been found to have suffered from unfair trade practices under section 301 of the Trade Act of 1974 or which have suffered from retaliatory actions related to such a finding.

#### **Market Development and Expansion**

Under another program, at least \$2 billion in CCC commodities must be provided through fiscal year 1988 to U.S. exporters, users, processors, or foreign purchasers at no cost to encourage the development, maintenance, and expansion of U.S. agricultural export markets. The goal of this program is to help make U.S. commodities more competitive by offsetting subsidies or other unfair trade practices, the adverse effects of price support levels temporarily above competitors' export prices, or fluctuations in exchange rates. These commodities will, as necessary, be used in conjunction with intermediate export credit programs for the export sale of breeding animals and for the establishment in developing countries of facilities to assist agricultural imports. Also, under this program, the Secretary may make available to commercial exporters transferable "green dollar export certificates" to be redeemed within 6 months of issuance for CCC commodities.

The 1985 Act requires equal treatment of domestic and foreign purchasers and users in cases where U.S. imports of manufactured products made with these commodities would place domestic users at a competitive disadvantage. Among foreign purchasers, priority shall be given to those who are traditional purchasers of U.S. agricultural commodities and products and who continue to purchase a greater amount of them than in a previous representative period. The 1985 Act requires that reasonable precautions be taken to prevent resale of the commodities and to avoid displacement of usual U.S. marketings.

If a country fails to meet the financial qualifications for the CCC export credit and credit guarantee programs, the Secretary may provide agricultural commodities and products to them to the extent necessary, at reduced cost, so they may meet the qualifications.

In those export promotion programs which include a bonus or incentive payment, the Secretary must try to use 15 percent of the program funds (or value of the commodities involved) annually to promote exports of poultry, beef, or pork meat and meat products.

### **Pilot Barter Program**

Under section 416, a pilot barter program for strategic materials is authorized for at least two countries in fiscal years 1986-87. Private trade channels are to be used to the extent practicable. The Secretary must submit a report on the operation of the program to Congress after the end of each fiscal year.

### **Cooperator Market Development Program**

In the 1985 Act, Congress urges the continuation of the cooperator market development program of the Foreign Agricultural Service (FAS). That program helps develop new markets and expand and maintain existing markets for U.S. agricultural commodities. FAS should work with nonprofit agricultural trade organizations as much as possible. Congress also encourages greater funding for promotion of value-added and processed products.

### **Agricultural Attache Reports**

The Secretary must require USDA officers and employees, including those stationed abroad, to annually submit reports documenting other countries' programs that provide direct or indirect support for agricultural exports and that impede the entry of U.S. agricultural exports. Such reports should also identify U.S. agricultural export opportunities. The Secretary must report this information to Congress and others.

The U.S. Trade Representative, after reviewing these reports and other information, must identify export subsidies or export promotion techniques and identify markets (in order of priority) in which U.S. export subsidies can be used most efficiently in offsetting benefits of foreign export subsidies. The Trade Representative must report these findings to the Secretary and Congress.

The Secretary and the Trade Representative must convene a meeting, at least once a year, of the Agricultural Policy Advisory Committee and the agricultural technical advisory committees to develop specific recommendations for actions to be taken by the Federal Government and private industry to reduce or eliminate trade barriers and to expand U.S. agricultural export opportunities.

### **Contract Sanctity and Producer Embargo Protection**

The 1985 Act further defines the goals of U.S. trade policy as follows:

- o To foster and encourage agricultural exports;
- o To not restrict or limit the export of such commodities and products except under the most compelling circumstances;
- o To prohibit or limit the export of such commodities or products only in time of a national emergency declared by the President under the Export Administration Act; and
- o To honor contracts entered into before the imposition of any prohibition or limitation on the export of such commodities or products.

The 1985 Act also adjusts compensation to producers of commodities for which export controls are imposed.

## **Study to Reduce Foreign Exchange Risk**

The Secretary must study the feasibility, practicability, and cost of implementing a program to reduce the risk of foreign exchange fluctuations encountered by buyers of U.S. agricultural exports under export credit programs. The study is to determine whether agricultural exports, under export credit programs, would be enhanced if the United States assumes the exchange risk of the buyer should the value of the dollar rise compared with the trade-weighted index of the dollar. The report is due to Congress by June 21, 1986.

## **Cargo Preference**

The 1985 Act substantially changes cargo preference laws which required that 50 percent of U.S. Government-sponsored exports be shipped on U.S. flag vessels. The 1985 Act clarifies that requirement and mandates a gradual increase in the share of particular exports, mostly food aid, that must be carried on U.S. flag vessels. The cargo preference requirements do not apply to specific commercial agricultural export programs such as the export credit, credit guarantee, blended credit, and export enhancement programs. However, in 1986 and 1987, 60 percent and 70 percent, respectively, of food aid exports must be shipped on U.S. flag vessels. In 1988 and thereafter, at least 75 percent must be shipped on U.S. flag vessels. The calendar years for complying with these requirements are the 12-month periods beginning April 1, 1986. Through 1989, the Secretary of Transportation must ensure that a specified amount of P.L. 480 title II commodities is shipped from Great Lakes ports. The minimum tonnage of agricultural commodities to be exported under programs subject to the cargo preference requirements is set by a formula but may be waived by the President.

The Secretary of Transportation must finance any increased ocean freight charges which result from specified changes to cargo preference laws. If ocean freight and ocean freight differential costs on commodities subject to cargo preference requirements exceed 20 percent of the value of such commodities and such ocean freight and differential costs, then the U.S. Department of Transportation (DOT) must pay the excess. If the DOT lacks funds for the increased costs, then cargo preference requirements will revert to previous law.

The 1985 Act establishes a National Advisory Commission on Agricultural Export Transportation Policy to study ocean transportation of agricultural exports subject to cargo preference laws and to make recommendations for improving the efficiency of such transportation. The commission must submit an interim report to the President and Congress by December 23, 1986, and a final report by December 23, 1987.

## **Agricultural Imports**

The 1985 Act mandates several other actions and studies, most related to the effects of agricultural imports on domestic industries.

### **Trade Consultations**

The 1985 Act requires consultations between FAS and other agencies, including the Animal and Plant Health Inspection Service, before relaxing or removing any restriction on agricultural imports. Similarly, consultations are mandated between the Secretary and the U.S. Trade Representative before such actions are taken.

### **Apricot Study**

In conjunction with the U.S. Trade Representative, the Secretary must submit a report to Congress on the effect of apricot imports on the domestic apricot industry. The report must also measure the extent and nature of apricot subsidies in countries that export apricots. The report is due by April 22, 1986.

### **Brazilian Ethanol Imports**

The 1985 Act requires the Secretary to study the effect of imported Brazilian ethanol on the domestic prices of corn and other grains and on the domestic ethanol refining industry. In consultation with the U.S. Trade Representative and the International Trade Commission, the Secretary must determine what relief should be granted because of the interference of subsidized Brazilian ethanol with the domestic ethanol industry. The Secretary must report to Congress by February 21, 1986.

### **Oat Imports**

The Secretary must study the effect on domestic farm programs of increased oat imports and report to Congress no later than December 23, 1986.

### **Trade Practices**

The 1985 Act requires or calls for several actions including those relating to tobacco imports and unfair agricultural trade practices. The act also requires export sales of CCC dairy products and amends the CCC Charter Act to require barter agreements to the maximum extent practicable.

### **Tobacco Pesticide Residues**

All flue-cured or burley tobacco offered for import must be certified to be free of any pesticide residue that is prohibited by the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). Lacking certification, such tobacco must be inspected at the point of entry to determine compliance. Tobacco failing inspection is barred from entry. Periodic sampling, as determined by the Secretary, is required of flue-cured and burley tobacco offered for import to determine whether it conforms to pesticide residue requirements.

### **Export Displacement**

The Secretary must assess each activity administered by the Secretary or USDA that assists the production, marketing, or use of any agricultural commodity in a foreign country and that the Secretary determines is likely to have a detrimental effect on the promotion of U.S. agricultural exports. The study must determine if the assistance activity has such adverse effects. The Secretary must report the results to Congress by December 23, 1986, for current programs and on a regular basis for subsequent programs.

### **Export Sales of Dairy Products**

Through fiscal year 1988, at least 150,000 tons of CCC dairy products must be sold annually for export at prices set by the Secretary, if such sales will not interfere with usual U.S. marketings nor disrupt world prices of agricultural commodities and normal patterns of commercial trade. Sales are to involve at least 100,000 tons of butter and 20,000 tons of cheese annually.

## **Unfair Trade Practices**

The President must take appropriate action to ensure a prompt and satisfactory resolution of specified complaints regarding subsidies and discriminatory tariffs of the European Communities (EC). The President must also act to balance the level of concessions in trade between the United States and the EC.

## **Thai Rice**

Congress urges the Secretary of Commerce to immediately consider implementing countervailing duties upon imports of rice from Thailand.

## **End Users of Imported Tobacco**

Any flue-cured or burley tobacco imports must be accompanied by a written identification of all end users. If the importer does not know the identity of an end user, the importer must identify all purchasers to whom the importer expects to transfer such imported tobacco. The Secretary must submit a report to Congress by April 1, 1986, on the identification of end users and amounts purchased. Additional reports on the implementation of this authority are due by November 15, 1986, and annually thereafter.

## **Barter of Agricultural Commodities for Strategic Materials**

The 1985 Act amends the CCC Charter Act to require, to the maximum extent practicable, barter of CCC commodities for strategic and critical material produced abroad. Normal commercial trade channels must be used and commercial marketings must not be disrupted. If the Strategic Petroleum Reserve falls below prescribed levels, and upon request from the Secretary of Energy, the CCC must, to the maximum extent practicable and with approval from the Secretary, make available CCC commodities worth at least \$300 million to barter for petroleum products. The Secretary must provide technical assistance relating to bartering of agricultural commodities and products to U.S. exporters who request such assistance.

## **TITLE XII: CONSERVATION**

The conservation title implements "sodbuster," "swampbuster," and conservation reserve programs that are designed to remove highly erodible land and wetlands from crop production. The 1985 Act also extends several other conservation programs.

### **Highly Erodible Land Conservation**

Provisions protecting highly erodible land include "sodbuster" and conservation compliance. These provisions prohibit USDA program benefits to any person who produces an agricultural commodity on highly erodible land without the use of conservation practices appropriate for that land. Failure to comply with either provision results in the loss of eligibility for any price-support loans, purchases, and payments; farm storage facility loans; Federal crop insurance; disaster payments; new loans made, insured, or guaranteed by the Farmers Home Administration (FmHA) if the loan would be used for a purpose that contributed to excessive erosion of highly erodible land; and payments for the storage of CCC-owned commodities. Local conservation districts will determine the appropriateness of the conservation practices; the Secretary will make the determination if the land is not located within a conservation district.

The sodbuster provision became effective December 23, 1985, except for land cultivated to produce agricultural commodities during crop years 1981-85, including land set aside, diverted, or otherwise not cultivated under a program administered by the Secretary, and land that has not yet been mapped for classification purposes. After January 1, 1990, or 2 years after land has been mapped and classified by the Soil Conservation Service (SCS), all persons producing agricultural commodities on highly erodible land must have begun implementing a conservation plan to be eligible for Government program benefits. Those persons actively implementing a conservation plan have until January 1, 1995, to fully complete it.

SCS must complete soil survey mapping as soon as possible for use in determining land capability classifications.

### Wetlands Conservation

Also referred to as "swampbuster," this provision prohibits USDA program benefits to producers who convert wetlands to cropland after December 23, 1985. Failure to comply with this provision will render persons ineligible for any price-support loans, purchases, and payments; farm storage facility loans; Federal crop insurance; disaster payments; new loans made, insured, or guaranteed by FmHA if the loan would contribute to wetlands conversion; or payments for the storage of CCC-owned commodities.

Exempt from this provision are persons with wetlands for which conversion began before December 23, 1985, artificial wetlands, or wetlands that can be used in the production of agricultural commodities as a result of natural conditions (such as drought) without the destruction of natural wetlands characteristics. Artificial wetlands are those created from nonwetlands as a result of activities such as fish farming, irrigation, and flood control. The prairie pothole region provides an example of a natural condition. There, during dry years, production of an agricultural commodity in the potholes is feasible without destroying the wetlands' natural characteristics. The Secretary may exempt a person from ineligibility where the environmental effects of the conversion activity are deemed minimal.

In carrying out this provision, the Secretary must consult with the Secretary of the Interior in identifying wetlands areas, determining exemptions, and issuing regulations.

### Conservation Reserve

The conservation reserve provision proposes to assist, through contract, owners and operators of highly erodible cropland in conserving and improving the soil and water resources of their farms and ranches. This purpose will be met by establishing a conservation reserve of 40 to 45 million acres by 1990. Highly erodible cropland acreage will be placed into the reserve at the rates shown in table 7. The

Table 7—Conservation reserve acreage, crop years 1986-90

Range	1986	1987	1988	1989	1990
	<u>Million acres</u>				
Minimum <sup>1/</sup>	5	15	25	35	40
Maximum	45	45	45	45	45

<sup>1/</sup> The Secretary may reduce the number of acres placed in the reserve by up to 25 percent if rental payments will probably be significantly lower in the following year.

Secretary may also include lands not highly erodible, but which pose a serious environmental threat or suffer continued degradation of productivity due to salinity. No more than 25 percent of the cropland in any one county may be placed in the reserve except where it is determined that to do so would have no adverse effect on the local economy. Where practicable, at least one-eighth of the total conservation reserve acreage should be devoted to trees.

Landowners or operators desiring to participate in the conservation reserve must agree to implement a plan approved by the local conservation district to place highly erodible cropland into grasses, trees, and other acceptable vegetative covers for 10 to 15 years. They must further agree not to harvest, graze, or make other commercial use of the forage for the duration of the contract, except where the Secretary permits, as in a drought or similar emergency. The conservation plan must describe the measures and practices required; the commercial use, if any, to be permitted; and the amount of cropland base and allotment history, if any, to be permanently retired. The amount of the reduction in cropland base acreage and allotment history, during the life of the contract, will be based on the ratio between acreage placed in the reserve and total cropland acreage on the farm for those crops which have production adjustment programs in place. The Secretary, however, may preserve the cropland base and allotment history on the acreage placed in the reserve for the purpose of any Federal program unless the owner and operator agree under the contract to retire that cropland base and allotment history permanently.

The Secretary must pay an annual fee sufficient to compensate for the conversion of highly erodible land to grass and trees and the retirement of any cropland base and allotment history. The compensation, in the form of annual rental payments, may be determined through the submission of bids. The acceptability of each bid may be based on the extent of erosion and the productivity of the acreage diverted. Different eriteria may be established in various States and regions to determine the extent to which erosion may be abated. Priority may be given to owners and operators with the highest level of economic stress, and where appropriate, for the establishment of shelterbelts, windbreaks, stream borders, filter strips of permanent grass, or trees that significantly reduce erosion.

The annual rental payments may be made in cash or in-kind and may be made prior to the implementation of the contract by owners or operators. The total payment may not exceed \$50,000 per year, and will not affect the total amount of payments that are available under other programs. USDA must make the payments as soon as possible after October 1 of each year. The Secretary must also provide technical assistance and 50 percent of the cost of establishing conservation practices. These payments must be made as soon after the expenses occur as is feasible.

Land on which ownership has changed in the 3-year period preceding the first year of the contract will be ineligible for the conservation reserve unless the land was acquired by will or succession as a result of death, or prior to January 1, 1985, or where the Secretary determines that the land was acquired under circumstances that provide adequate assurance that it was not purchased for the purpose of being placed in the reserve. Ownership is not a requirement for eligibility provided the person has operated the land for the 3-year period preceding the first year of the contract and will continue to control the land for the duration of the contract.

The Secretary may modify or terminate an individual contract if the owner or operator agrees to the change and if the action is in the public interest. If the contract is violated, the owner or operator forfeits all rights to past, present, and future rental and cost-share payments or must accept adjustments to payments

that the Secretary determines appropriate. On transfer of ownership or lease, the new owner or operator has the option to continue the current contract, enter into a new contract, or refuse to participate.

Title XII authorizes the Secretary to carry out the conservation reserve program through the CCC in fiscal years 1986-87. In fiscal year 1988 and subsequent years, the Secretary may use CCC facilities, services, and funds only if the CCC has received funds targeted for the conservation reserve.

#### **Other Provisions**

The conservation title also includes the following provisions.

##### **Appeal Procedure and Tenant Protection**

The Secretary must establish an appeal procedure to allow any person adversely affected by any of the sodbuster, swampbuster, and conservation reserve provisions to have their case reviewed. The ineligibility of a tenant or sharecropper because of violations of the sodbuster or swampbuster provisions will not cause the landlord to be ineligible for commodity programs except on those lands operated by the tenant or sharecropper. The Secretary will also provide adequate protection for tenants and sharecroppers, including a provision to share payments received under the conservation reserve.

##### **Technical Assistance for Subsurface Water**

The Secretary may provide plans and technical assistance to aid State and local governments and their river basin commissions in protecting ground water and surface waters, in reducing flood hazards which might adversely affect the quality or quantity of their water, and in controlling salinity. The Secretary must provide Congress with a detailed evaluation of the plans and assistance by February 15, 1987.

##### **Soil and Water Conservation**

The 1985 Act extends the Soil and Water Resources Conservation Act of 1977, requiring USDA to assess soil and water resources in 1995 and again in 2005.

##### **Softwood Timber**

FmHA may reschedule repayment of delinquent loans using future revenue produced from the planting of softwood timber crops on marginal lands that were previously used as cropland or pasture. The accrued interest on a reamortized loan may be included in the new principal and subject to interest charges. FmHA may defer repayment of the reamortized loan until the timber produces revenues or 45 years, whichever is sooner. The borrower must complete repayment within 50 years of the date of reamortization. To be eligible, no fewer than 50 acres must be placed in the production of softwood timber, no liens on the land must exist other than the lien being reamortized, and the loan amount may not exceed \$1,000 per acre. No more than 50,000 acres may be entered in the program.

##### **Dryland Farming**

Dryland farming is included as an objective of energy and water conservation.

## **Farmland Protection**

The 1985 Act amends the Farmland Protection Policy Act to include an annual report of the program and to enable Governors, where a State policy or program exists, to bring suit against Federal agencies to enforce the protection of farmland.

### **1986 Reserve Program**

On January 13, 1986, the Secretary announced that highly erodible land placed in the conservation reserve will be ineligible for farming for 10 years and must be planted with a permanent vegetative cover. The amount of the annual rental payments will depend on the bids per acre and the number of acres under the 10-year contracts. Participants also will receive 50 percent of eligible costs of establishing trees or grass on the acreage placed in the reserve.

The Secretary announced further details on January 29. All land in classification levels VI, VII, and VIII, and land in capability classes II through V that was planted to a crop and tilled during 2 of the 1981-85 crop years and is eroding at three times the tolerance level (generally 4 to 5 tons per acre per year for deep soils) will be eligible for 1986 contracts. Table 8 lists the amount of acreage eligible for 1986 contracts by State and region, approximately 69.5 million acres; figure 6 illustrates the distribution of the eligible acreage across the United States. Producers wishing to participate applied at their local Agricultural Stabilization and Conservation Service (ASCS) office March 3-14. The application must include bids for the annual rental payments. Rental and cost sharing payments will either be made in cash or in negotiable PIK certificates.

### **TITLE XIII: CREDIT**

Title XIII contains a number of provisions related to the Consolidated Farm and Rural Development Act. Some provisions are designed to help farmers repay their loans (such as interest rate reductions and conservation easements); others are to assist them after foreclosure (such as disposition of farmland and homestead protection). The major changes in the credit title, however, are the shift from direct to guaranteed loans as specified by the funding levels, and the protection for buyers of farm products, the "clear title" provisions.

#### **Eligibility for Real Estate and Operating Loans**

The 1985 Act adds joint farming operations to the eligibility list (farmers, ranchers, farm cooperatives, private domestic corporations, and partnerships) for FmHA farm ownership, soil and water conservation, recreation, and farm operating loans. A joint operation exists when two or more farmers work together sharing equally or unequally one or more of the following: land, labor, equipment, expenses, and income.

Owners of a larger than family-sized farm are also now eligible for farm ownership and farm operating loans provided they are related by blood or marriage, all are or will be the actual farm operators, and each holds an interest which when taken separately is no larger than a family-sized farm.

The Secretary may not restrict eligibility for farm ownership, soil and water conservation, recreation, and farm operating loans only to farmers who had FmHA loans outstanding on December 23, 1985.

## Water and Waste Disposal Facilities

The 1985 Act changes the water and waste facility loan and grant program. Grant rates (the proportion of the project covered by the grant) will be based on a graduated scale with higher rates given to communities with lower income and population levels. The rates for projects serving more than one community will be based on median population and income levels of all the communities involved. The grant limit remains at 75 percent of the development cost of the project. Grants may be used to pay local share requirements of other Federal grant-in-aid programs when permitted by law. In making water or waste facility loans, the Secretary must consider recommendations made by the applicant or borrower concerning design and materials used and must justify any required changes.

The Secretary may make grants to private nonprofit organizations that provide technical assistance and training to associations wanting to build or improve water or waste facilities, or both. Organizations experienced in providing assistance to

**Table 8—Acreage eligible for 1986 conservation reserve contracts, by State and region**

Region and State	Acres	Region and State	Acres
<b>Northeast:</b>		<b>Delta States:</b>	
Connecticut	47,800	Arkansas	465,600
Delaware	13,900	Louisiana	178,300
Maine	82,100	Mississippi	1,092,900
Maryland	241,800	Total	1,736,800
Massachusetts	44,400		
New Hampshire	23,000	<b>Northern Plains:</b>	
New Jersey	151,400	Kansas	2,525,300
New York	536,300	Nebraska	3,142,200
Pennsylvania	1,142,900	North Dakota	2,053,900
Rhode Island	2,500	South Dakota	1,655,600
Vermont	49,500	Total	9,377,000
Total	2,335,600		
		<b>Southern Plains:</b>	
<b>Appalachia:</b>		Oklahoma	1,459,700
Kentucky	1,431,400	Texas	11,465,300
North Carolina	1,142,000	Total	12,925,000
Tennessee	1,589,600		
Virginia	606,300	<b>Mountain:</b>	
West Virginia	203,700	Arizona	54,400
Total	4,973,000	Colorado	3,677,600
		Idaho	1,697,700
<b>Southeast:</b>		Montana	4,995,600
Alabama	842,200	Nevada	192,100
Florida	388,800	New Mexico	54,3200
Georgia	766,200	Utah	329,300
Puerto Rico	226,500	Wyoming	350,100
South Carolina	214,300	Total	11,840,000
Total	2,438,000		
		<b>Pacific:</b>	
<b>Lake States:</b>		Alaska	NA
Michigan	779,300	California	634,000
Minnesota	1,904,200	Hawaii	53,700
Wisconsin	1,830,300	Oregon	1,009,800
Total	4,413,800	Washington	1,582,400
		Total	3,279,900
<b>Corn Belt:</b>		<b>United States</b>	<b>69,489,600</b>
Illinois	3,053,200		
Indiana	1,529,400		
Iowa	6,624,200		
Missouri	4,072,600		
Ohio	891,100		
Total	16,170,500		

NA = Not available.



associations serving rural areas, where residents have low income and water supply systems or waste facilities are unhealthy, will receive priority. Between 1 and 2 percent of the funding for water and waste facility grants must be available for technical assistance and training grants.

The Secretary must study the practicality and cost effectiveness of making loans and grants for rural water and waste disposal facilities at individual locations, instead of central or community locations. The study must specifically examine the feasibility of small multiuser drinking water facilities, the cost of connecting rural homes into community water systems, improvements to small community water systems, and alternative rural drinking water systems. The report was due to Congress by April 22, 1986.

#### **Oil, Gas, and Mineral Rights as Collateral**

Mineral rights are not to serve as security for farm ownership loans made after December 23, 1985, unless specifically included in the appraised value of the collateral. Any compensation the borrower receives for surface damage to the land resulting from mineral exploration or recovery may be counted as part of the collateral securing the loan.

Proceeds from mineral sales or leases may be used to make payments on farm ownership, operating, disaster, or economic emergency loans provided the value of the mineral rights was not used to secure the loan. This provision does not apply to loans for which liquidation or foreclosure proceedings were pending on December 23, 1985.

#### **Nonsupervised Accounts**

The Secretary must place a portion (10 percent or \$5,000, whichever is less) of any farm operating loan in a nonsupervised bank account. The account may be used by the borrower for necessary family living expenses or other needs consistent with a previously agreed upon farming or ranching plan. If the reserve is exhausted, the Secretary may adjust the farm plan with the borrower and may consider rescheduling the loan or extending additional credit.

#### **Eligibility for Emergency Loans**

The 1985 Act changes some of the eligibility requirements for FmHA emergency loans. Individual applicants must operate farms not larger than family size to be eligible for operating loans and must own and operate farms not larger than family size to be eligible for real estate loans. Farm cooperatives, private domestic corporations, partnerships, and joint operations are eligible for emergency loans when the majority interest in these businesses is held by citizens who meet the criteria of individual applicants. When the holders of a majority interest in the business are related by blood or marriage, they must own or operate family-sized farms, and at least one holder must operate such a farm.

No emergency loans will be made for production losses that could have been covered under the Federal Crop Insurance Act, beginning with crops planted and harvested in 1987. Producers, however, are still eligible for emergency loans when prevented from planting a crop because of flood, drought, or other natural disaster. The Secretary may no longer make emergency loans to applicants able to obtain credit elsewhere. No emergency loan may exceed the amount of the actual loss or \$500,000, whichever is less, for each disaster. Also, the 1985 Act repeals the authority to make subsequent annual production emergency loans.

## Prompt Approval of Loans and Loan Guarantees

The Secretary must approve or disapprove an application for a loan or loan guarantee and notify the applicant of the decision within 60 days of receiving the application. The notice must specify the reasons for disapproval, if that is the action taken. Applicants must be notified within 20 days if their application is incomplete. Funds for approved loans must be disbursed within 15 days, unless a longer period is agreed to by the applicant or funds are not yet available. USDA must act on disapproved applications which have been reversed upon administrative or judicial appeal within 15 days. Requests from lending institutions for FmHA "approved lender" status (thus expediting the guaranteed loan application process) should be reviewed and acted upon within 15 days of receipt. These provisions apply only to those applications received after December 23, 1985.

The FmHA guaranteed farm loan program must be responsive to the needs of borrowers and lenders and must provide, under reasonable conditions, for payment of guaranteed proceeds of a defaulted loan prior to completion of the liquidation process.

## Appeals

FmHA borrowers, loan guarantee recipients, and applicants for loans and guarantees who have been directly and adversely affected by a decision of the Secretary must receive written notice of the decision and must be provided the opportunity for an informal meeting and a hearing. The appeal procedure must be included in the notice. Applicants have the right to examine their loan files and to be represented during any informal meeting or hearing.

The Secretary must study the administrative appeal procedure used in FmHA farm loan programs and report the findings to Congress by September 1, 1986. The study must examine the number and types of appeals initiated; the extent to which initial administrative actions are reversed, modified, or sustained on appeal; the reasons for the reversals, modifications, or sustainments; the number and disposition of appeals where lawyers are present; the amount of time required to complete an appeal and the reasons for delays; the feasibility of using administrative law judges in the appeal process; and the desirability of electing FmHA county committee members.

## Disposition and Leasing of Farmland

Farmland acquired by the Secretary must be sold or leased (in that order of priority) to operators of not larger than family-sized farms provided the sale price reflects the average annual income expected from farming the land; the sale will not adversely affect local farmland values; and the sale or lease will not adversely affect acreage allotments, marketing quotas, or assigned acreage bases. The Secretary may also use leases with options to buy, installment sales, or other similar devices. When leasing the land, USDA must give special consideration to the previous owner or operator if the person has sufficient financial resources, management skills, and experience as determined by the Secretary to assure a reasonable chance of success.

If two or more qualified applicants want to buy or lease the same piece of land, the local FmHA county committee will select the operator by majority vote. Large parcels must be subdivided into family-sized tracts, and specific conservation practices may be required on highly erodible land as a condition of sale or lease. If the Secretary decides to administer farmland through management contracts, the contracts must be offered on a competitive bid basis with preference given to small businesses in the area. The Secretary must have implemented these provisions by March 23, 1986.

## Release of Normal Income Security

The Secretary must release from normal income security (that is, remove the lien on proceeds from the normal sale of farm commodities and livestock) an amount sufficient to meet essential household and operating expenses. The release need not be made if the loan has been accelerated.

### Financial Statements and Plans

FmHA must provide a loan summary statement to a borrower, upon request, describing the status of the borrower's loans during the summary period. The statement must include the amount of principal outstanding at the beginning of the summary period, the interest rate, the amount of payments made, the amount of principal and interest due at the end of the period, any delinquencies, a schedule of payment dates and amounts, and the procedure for obtaining additional information.

The Secretary must study the appropriateness of FmHA's farm and home plan. If the plan is inappropriate, the Secretary should evaluate alternative forms, the need for a new plan, and the steps to be taken to improve or replace the current form. The report is due to Congress by April 22, 1986. The Secretary cannot use or require the FmHA coordinated financial statement in connection with loan applications submitted after December 23, 1985.

### Authorized Loan Amounts

Table 9 outlines the loan levels authorized by the 1985 Act for fiscal years 1986-88. No more than 25 percent of the amounts authorized for guaranteed ownership and operating loans may be transferred to the authorizations for direct loans in each of the fiscal years. Twenty-five percent of direct ownership and operating loans made in any fiscal year must be to low-income, limited resource borrowers; the minimum level had been 20 percent under previous legislation.

### Debt Restructuring and Conservation Easements

The Secretary may acquire and hold an easement on real estate for conservation, recreational, and wildlife purposes provided the term of the easement is at least 50

Table 9—FmHA loan authorization levels, fiscal years 1986-88

Type of loan	1986	1987	1988
	<u>Million dollars</u>		
Farm ownership and operating loans	4,000	4,000	4,000
Direct ownership, not less than	260	195	130
Direct operating	1,740	1,305	870
Total direct loans	2,000	1,500	1,000
Guaranteed ownership, not less than	260	325	390
Guaranteed operating	1,740	2,175	2,610
Total guaranteed loans	2,000	2,500	3,000
Emergency loans, direct or guaranteed	1,300	700	600
Water and waste disposal loans, direct	340	340	340
Business and industrial loans, guaranteed	250	250	250
Community facility loans, direct	115	115	115

years; the property is wetlands, upland, or highly erodible land, and deemed suitable by the Secretary; the property secures any loan made and held by FmHA where the borrower is unable to repay the loan in a timely manner or the land is already part of FmHA inventory; and the upland or highly erodible land was planted in row crops each year during 1983-85. The terms of the easement will specify the purposes for which the land may be used, the conservation measures to be taken, and the recreational and wildlife uses to be allowed. Payment for the easement on land secured by a loan will be made by canceling the part of the outstanding principal corresponding to the proportion of the total acreage subject to the easement. The amount of canceled principal may not exceed the value of the land on which the easement is acquired. Loans made after December 23, 1985, are not eligible for these easements.

#### **Interest Rate Reduction Program**

Effective December 23, 1985, through September 30, 1988, the Secretary must provide a program to reduce interest rates on FmHA guaranteed loans. The Secretary will contract with lenders to reduce the interest rate on a loan by a specified minimum amount for a period not to exceed the remaining loan term, or 3 years, whichever is shorter. The Secretary will pay up to half the cost of reduction to a maximum payment equal to the cost of a 2-percent rate reduction. To be eligible for the interest reduction, a borrower must be unable to obtain sufficient credit elsewhere, be otherwise unable to make payments on the loan in a timely manner, and have an estimated cash income that will equal or exceed the estimated expenses for the upcoming 12 months. The total cost of the program may not exceed \$490 million.

#### **Homestead Protection**

In the event of foreclosure by the Secretary or the Administrator of the Small Business Administration, bankruptcy, or voluntary liquidation to avoid foreclosure or bankruptcy, a farm borrower may, on request, be allowed to retain the principal residence and a reasonable amount of adjoining land for a period of 3 to 5 years for family sustenance. The borrower must apply for occupancy by December 23, 1988, pay reasonable rent, and maintain the property during the period. To be eligible, the borrower must have exhausted all other remedies for loan extension or restructuring; sold at least \$40,000 of farm products annually in at least 2 years during 1981-85; received at least 60 percent of gross annual income from farming during at least 2 of the 5 years; and occupied the residence and engaged in farming or ranching during the 5-year period. At the end of the rental period, the borrower is given the first opportunity to reacquire the property.

#### **Rural Utilities**

Eligibility for borrowing at a Farm Credit System Bank for Cooperatives is expanded to include cooperatives or other entities (as well as their subsidiaries) that have received a loan, loan commitment, or loan guarantee from the Rural Electrification Administration (REA); have received a loan or commitment from the Rural Telephone Bank; or have been certified as eligible for a loan by the REA administrator. Only rural utility cooperatives that had 60 percent of their voting control held by farmers, aquaculture producers, or other eligible cooperatives were previously eligible to borrow from a Bank for Cooperatives.

#### **Rural Development and Finance Corporations**

During fiscal year 1986, the Secretary will guarantee loans made by public agencies or private organizations to nonprofit national rural development and finance corporations that establish affiliated statewide programs to provide financial

assistance to rural businesses. These corporations must demonstrate the ability and financial commitment necessary to carry out the objectives. Twenty million dollars from the Rural Development Insurance Fund will be used for the loan guarantees until exhausted. Grants will also be available to the corporations during fiscal year 1986 for establishing rural development programs that complement the loan guarantees.

#### **Protection for Purchasers of Farm Products**

Certain State laws permit lenders to enforce liens against a purchaser of farm products even if the purchaser does not know the sale violates the lender's security interest and the purchaser lacks any practical method of discovering the existence of such interests. Congress determined that these laws subject purchasers to double payments and that these double payments inhibit competition and obstruct interstate commerce of farm products. Therefore, the 1985 Act includes new "clear title" provisions to remove such obstructions.

Each State may create a statewide central filing system which would be operated by the State's Secretary of State. USDA would certify such a system if it met the following requirements: lenders would file financial statements, signed by both the lender and debtor, with the Secretary of State's office; all statements would be compiled into a master list organized by type of commodity; buyers, commission merchants, and selling agents would register with the office; and the Secretary of State would then regularly distribute to the buyers, merchants, and agents the sections of the master list that cover the farm products in which they indicated an interest. Buyers could also request information on a specific producer.

Effective December 23, 1986, a buyer who buys farm products in the ordinary course of business from producers will receive the commodity free of security interests even though the lien could be enforced and the buyer knows of its existence, with the following exceptions. Buyers would be subject to the liens if they received written notice of the security interest from lenders or producers within 1 year of the purchase, failed to pay for the commodities, failed to register with the Secretary of State (in States that have a central filing system) when the lender had a financial statement on file, or received the sections of the master list in which they expressed an interest from the Secretary of State and did not secure a waiver or release from the lender. These provisions will also apply to commission merchants and selling agents who sell farm products for others.

A lender, as part of loan agreement, may require a list of buyers, commission agents, and selling agents to or through whom the producer may sell the farm products securing the loan. A producer will be fined \$5,000 or 15 percent of the value of the products sold, whichever is greater, if the products are sold to a person not on the list, unless the producer notifies the lender in writing of the buyer's identity at least 7 days prior to the sale or accounts for the sales proceeds to the lender not later than 10 days after the sale.

#### **Other Provisions**

The credit title also includes the following provisions.

#### **Recordkeeping for Limited Resource Borrowers**

FmHA may now make operating loans to limited resource borrowers who have real estate loans to pay for training in farm and ranch recordkeeping.

## **County Committees**

Two of the three FmHA county committee members must now be elected by local farm operators, while the third member is appointed by the Secretary. The Secretary had previously appointed all three. Committee members will continue to serve 3-year terms. FmHA county committees meet monthly to review loan applications and determine applicant eligibility.

## **Study of Federal Farm Credit System**

The Farm Credit Administration must study the need for an insurance fund to protect against losses and stabilize the financial condition of the Farm Credit System. The findings are due to Congress by June 21, 1986.

## **Small Farmer Training and Technical Assistance**

The Secretary must maintain the FmHA Small Farmer Training and Technical Assistance Program at current levels for fiscal years 1986-88.

## **TITLE XIV: AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING**

Title XIV amends the National Agricultural Research, Extension and Teaching Policy Act of 1977, as amended, and other statutes relating to research, extension, and teaching programs. Most of the provisions are permanent legislation, except for funding authorizations, and need no continuing authority. However, some changes in existing programs have been made, most expiring provisions are continued, and some new programs are added.

### **Responsibilities of the Secretary**

The Secretary must coordinate efforts of State cooperative institutions and Extension Services, the Joint Council on Food and Agricultural Science, the National Agricultural Research and Extension Users Advisory Board, and other appropriate institutions in assessing the status of, and developing a plan for, the transfer of new technologies, particularly biotechnology, to the farming community. Small- and medium-sized farms are to be given special emphasis. The Secretary must also establish appropriate controls over the development and applied uses of biotechnology in agriculture.

### **Councils and Boards**

The 1985 Act continues authorization of the Joint Council on Food and Agricultural Sciences, the National Agricultural Research and Extension Users Advisory Board, and the Animal Health Science Research Advisory Board. A new provision would require the Secretary to appoint one food technologist to the Joint Council.

### **Grant Authority and Funding**

The amount available for "high priority" competitive research grants is increased from \$50 million to \$70 million per year for fiscal years 1986-90. Grants awarded under the Research Facilities Act are on a matching fund basis, with the Secretary determining the matching requirement. Authorized funding for grants to eligible institutions is \$20 million annually for fiscal years 1986-90. The Secretary must report to Congress annually concerning institutions ineligible to participate because of failure to repay. The annual funding authority for grants and

fellowships for food and agricultural science education continues at \$50 million through fiscal year 1990. Annual authorization for funding animal health and disease research programs remains constant at \$60 million. Panels that review applications for grants are exempt from provisions of the Federal Advisory Committee Act.

#### **Grants for Research and Extension at 1890 Land-Grant Colleges**

The 1985 Act extends indefinitely the requirement that at least 6 percent of the total funding each year under the Smith-Lever Act be used for extension work at 1890 land-grant colleges as well as the Tuskegee Institute. The authorized funding levels for grants to upgrade 1890 land-grant college extension facilities, including the Tuskegee Institute, is \$10 million annually through fiscal year 1990 for assisting in the purchase of equipment and land; construction, alteration, or renovation of buildings; and providing facilities to conduct extension work in their respective States. Federal funds cannot be used to pay overhead costs of the eligible institution. The Secretary must deduct from the next succeeding annual allotment any carryover of funds in excess of 5 percent of the preceding annual allotment made to that institution.

#### **Federal and State Partnerships**

The Secretary should designate at least one State cooperative institution to conduct policy research on emerging technological, economic, sociological, and environmental effects on the structure of agriculture. This research must specifically examine the role of food production, processing, and distribution systems on the use of diversified farm plans; energy, water, and soil conservation technologies; cooperatives; and rural community resource management by small- and medium-sized family farms. The Secretary should also designate one State agricultural experiment station and one Agricultural Research Service (ARS) facility to examine the issues of reducing farm input costs; improving soil, water, and energy conservation on farms and in rural areas; using sustainable agricultural methods; adopting alternative processing and marketing systems; and encouraging rural resource management.

#### **Grants for International Trade Development Centers**

The Secretary must operate a program that makes grants to States for creating or expanding international agricultural trade development centers in the United States. Grants will be on a matching formula of 50 percent Federal funds and 50 percent State funds. The State share may include funds from local governments and private sources. The Secretary must give preference to existing international trade development centers and to land-grant colleges and universities that have continuing agricultural programs, that use an interdisciplinary approach, that State and Federal agencies operate jointly, and that have an effective communication system to conduct international conferences and trade negotiations. Activities of these centers may include establishing permanent data bases that contain information on international marketing and problems facing exporters within foreign countries (such as language barriers, identification of government representatives, transportation, insurance, and financing), and housing exhibits that can be used for trade seminars and trade negotiations.

#### **Agricultural Information and Personnel Exchange with Ireland**

The Secretary must undertake discussions with representatives of the Government of Ireland to provide for a greater exchange of agricultural, scientific, and educational information, techniques, and data; and to promote joint investment

ventures, cooperative research, and expansion of trade. Agricultural producers, students, teachers, and agribusiness personnel must be included in the exchange.

#### **Extended Contractual Powers**

Cooperative agreements may serve as legal instruments between USDA and State cooperative institutions, State departments of agriculture, colleges, universities, other research or educational institutions, Federal or private agencies or organizations, or individuals. USDA may establish cost-reimbursable agreements with State cooperative institutions, without competition, to acquire goods or services, including personal services, or to carry out agricultural research, extension, or teaching activities. Reimbursable costs may include direct costs of performance and indirect costs not to exceed 10 percent of the direct cost.

#### **Technology Development Research Program**

The Secretary may enter into cooperative agreements on a shared cost basis-- 50-percent matching funds--or allow the use of a Federal facility or service on a cost-sharing or cost-reimbursable basis to develop new agricultural technologies that can be used on small- and medium-sized farms. Funding to support the special technology development research program will not exceed \$3 million annually (fiscal years 1986-90) from funds appropriated for ARS. A project may not receive more than \$50,000 per fiscal year or more than \$150,000 in total.

#### **Supplemental and Alternative Crops**

The Secretary must initiate development and implementation of a research and pilot project program for supplemental and alternative crops, beginning October 1, 1986. This program will examine the adaptability of supplemental and alternative crops, establish pilot projects in areas of declining demand for traditional crops, establish processes for transferring research to onfarm practices, and establish processing, storage, and transportation facilities for pilot projects as determined by the Secretary. The pilot program may also conduct comprehensive resource and infrastructure assessments, develop and expand domestic and export markets for the crops, and provide technical assistance to farm owners, operators, and marketing cooperatives.

#### **Aquaculture**

The 1985 Act makes nonprofit private research institutions eligible to participate in aquaculture assistance programs. Funding for the assistance programs is authorized at \$7.5 million annually for fiscal years 1986-90. No more than 50 percent of a State's matching grant may be made as an in-kind contribution. The act expands eligibility for aquaculture research, development, and demonstration centers to include nonprofit private research institutes, State agricultural experiment stations, colleges, and universities with aquaculture research capacity. The Secretary must, to the extent practicable, locate aquaculture centers so that they represent regional aquaculture opportunities in the United States.

#### **Funding for Agricultural Research Programs, Extension Education, and Federal Agricultural Research Facilities**

The 1985 Act authorizes general funding for agricultural research through fiscal year 1990. The amount of funding increases from \$600 million for fiscal year 1986 to \$640 million for fiscal year 1990. Funding authorizations for research at State agricultural experiment stations are also continued through fiscal year 1990. The