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COMMODITY PROGRAM PROVISIONS UNDER THE FOOD AND AGRICULTURE ACT OF 1977

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COMMODITY PROGRAM PROVISIONS UNDER THE FOOD AND AGRICULTURE ACT OF 1977. By James Johnson and Milton H. Ericksen, Agricultural Policy Analysis Program Area, Commodity Economics Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 389.

ABSTRACT

Commodity program provisions of the Food and Agriculture Act of 1977 are summarized. Price support, loan level, disaster payment, program acreage, and other provisions of the legislation are discussed for wheat and feed grains, cotton, rice, peanuts, soybeans, sugar, dairy products, and wool and mohair. Miscellaneous provisions and those applying to grain reserves and to the beekeeper indemnity program are also summarized.

Keywords: Farm legislation, price supports, loan levels, program acreage, disaster payments, the Food and Agriculture Act of 1977, set-aside, wheat, feed grains, cotton, rice, peanuts, soybeans, sugar, dairy products, wool and mohair, grain reserves, beekeeper indemnity program.

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SUMMARY OF LEGISLATION

The Food and Agriculture Act of 1977 is a 4-year bill that becomes effective in 1978. Although directed toward the 1978-81 crops, the 1977 Act also makes some changes in the support and low-yield disaster programs for 1977 wheat and feed grain crops.

Target Price and Loan Program Continues

The 1977 Act continues the dual target price and loan rate system, providing price and income support protection to farmers. Target prices are used to establish a basis for providing deficiency payments to producers who participate in the wheat, feed grain, cotton, and rice programs. Deficiency, or target price payments vary inversely with market prices. No payments are made if the market price is at or above the target price; if the market price is below the target, payments are based on the difference, but in no case can the payment rate exceed the price support loan-target price differential. Payments will be made on the farm program acreage, a new concept which is explained later.

Nonrecourse loans continue to be a basic part of the farm program. With these loans, a producer complying with farm programs can commit any quantity of his crop as collateral for a loan from the Commodity Credit Corporation (CCC). The total amount that can be borrowed from CCC is equal to the quantity of the crop placed under loan times the loan rate. Nonrecourse loan contracts are written with an expiration date. Upon or anytime prior to expiration, producers may retain possession of their crop by repaying the loan amount plus any interest that has been incurred. If producers choose not to redeem their loan, the CCC takes title to the commodity as full payment for the loan, including interest payments.

The 1977 Act specifies target prices and loan minimums for wheat and corn from the 1977 crop (1977 crops were originally included under the 1973 Act); target prices for wheat and corn for 1978 and a target price adjustment formula for 1979-81 wheat and corn crops; a minimum target price for cotton for 1978 through 1981; the formula for setting the 1978-81 target price for rice; loan minimums for wheat, corn, and rice in 1978-81; and a formula for determining cotton loan prices.

A target price adjustment provision will apply to the 1979-81 wheat and corn crops. The adjustment provision will begin in 1978 for cotton and rice, with a minimum target price of $0.52 a pound specified for upland cotton in 1978. The 1979 target prices for wheat and feed grains will be the respective 1978 target prices adjusted to reflect changes in a moving 2-year average adjusted cost of production estimate, with the cost components being considered limited to variable, machinery ownership, and general farm overhead costs.

Downward Adjustment in Loans

Loan levels for wheat and feed grains may be adjusted downward in any marketing year if the average market price in the previous year falls to within 105 percent of the loan level. The adjustment is limited to 10 percent per year, or a lower limit of $2.00 a bushel for wheat and $1.75 a bushel for corn. This variable loan concept is included to maintain domestic and export markets for grain.

Program Acreages Instead of Allotments

National program acreages for wheat, feed grains, and upland cotton will be determined by the Secretary and will represent the estimated acreage needed to meet domestic and export needs (less imports) plus any desired adjustments in stocks. The national program acreage for each crop will be determined by dividing the estimate of projected utilization by a national average program yield to give the needed harvested acreage. Farm program acreages for deficiency payment purposes will be based on current plantings. This represents a significant departure from prior law, which based farm allotments and bases on historical planting patterns. The allotment system for the above crops is terminated beginning with the 1978 crop.

The Secretary is required to announce a tentative national program acreage by a specified date before the crop is planted. Before deficiency payments are made, a program acreage allocation factor will be calculated as the ratio of the final national program acreage to the Secretary's estimate of harvested acreage. Under terms of the Act, this allocation factor cannot be less than 80 nor greater than 100 percent, except for cotton, which has no lower limit for the allocation factor. Instead, for cotton there is a lower limit on the national program acreage of 10 million acres. A farmer's acreage eligible for deficiency payments will be determined by multiplying his acreage planted for harvest by the allocation factor. Under previous legislation, the national allotment was apportioned to the States, then to counties within the State, then to individual farms on the basis of a historical pattern. The historical farm allotment was the basis for production adjustment and payment programs.

Payment Limits

For wheat, feed grain, and upland cotton, the 1977 Act revised the payment limit upward. In the 1973 legislation, the limit on payments to wheat, feed grain, and upland cotton producers was $20,000. The limit is now $40,000 for the 1978 crop and $45,000 for the 1979 crop. For rice producers, the payment limit was decreased from the present $55,000 to $52,250 in 1978 and $50,000 in 1979. For 1980 crops, the payment limit for wheat, feed grain, upland cotton, and rice combined will be $50,000. Payments for disaster loss will be excluded from the payment limitation beginning in 1978.

Set-Aside

Paralleling changes in the allotment system are changes in the provisions for set-aside programs. As in previous legislation, the new law extends to the Secretary of Agriculture the authority to implement set-aside if he determines supplies are likely to be excessive. However, instead of being based on a percentage of historical allotments, set-aside in any year will be based on a farmer's acreage planted for harvest in that year.

The 1977 Act authorizes the concept of a normal crop acreage for an entire farm. Agricultural Stabilization and Conservation Service county committees will designate normal crop acreages for farms within a county within guidelines specified by the Secretary. When set-aside requirements for a crop planted on the farm are in effect, a farm's acreage planted to designated crops plus any set-aside cannot exceed the established normal crop acreage in order for the farm to be eligible for program benefits.

The concept of the normal crop acreage is the inverse of the conserving-base requirement that had been a part of the voluntary land diversion and set-aside programs during the 1961-73 period. Under these programs, diverted or set-aside acreage was an addition to the farm's soil conserving base. The producer was required to maintain this total acreage of soil conserving uses.

Disaster Program Extended 2 Years

The disaster payment program was extended with revisions for 2 additional years to allow more time to develop an alternative which may be an expanded and effective Federal crop insurance program. Prevented planting and low-yield provisions were extended through the 1979 crop year and revised to be more equitable among crops and among producers.

Other Provisions

Other legislative provisions in the 1977 Act also affect commercial agriculture. Food stamp and P.L. 480 program provisions will influence farm prices and incomes to the extent that changes in these programs change the demand for farm commodities. Providing food stamps with no purchase requirement is a significant change in the food stamp program. There is no consensus agreement on the impact that this change may have on food consumption and, thus, the demand for agricultural products. Changes in income levels for recipient countries under P.L. 480 programs may alter the number of countries receiving aid as well as the quantity of farm products shipped. On the supply side, the emphasis placed on agricultural research, extension, and education, as well as required small farm research, will indirectly affect agricultural production and rural communities through changes in technology and education.

COMMODITY PROGRAM PROVISIONS UNDER THE FOOD AND AGRICULTURE ACT OF 1977

by

James Johnson and Milton H. Ericksen
Agricultural Policy Analysis, Commodity Economics Division,
Economic Research Service*

INTRODUCTION

The Food and Agriculture Act of 1977 (1977 Act hereafter) was signed into law by the President on September 29, 1977. The 1977 Act, more popularly known as the "farm bill," is an omnibus bill containing the following 19 titles:

Title I--Payment Limitations for Wheat, Feed Grains, Upland Cotton, and Rice

Title II--Dairy and Beekeeper Programs

Title III--Wool and Mohair

Title IV--Wheat

Title V--Feed Grains

Title VI--Upland Cotton

Title VII--Rice

Title VIII--Peanuts

Title IX--Soybeans and Sugar

Title X--Miscellaneous

Title XI--Grain Reserves

Title XII--Public Law 480

Title XIII--Food Stamps and Commodity Distribution Programs

Title XIV--National Agricultural Research, Extension, and Teaching Policy Act of 1977

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Title XV--Rural Development

Title XVI--Federal Grain Inspection

Title XVII--Wheat and Wheat Foods Research and Nutrition Education Act

Title XVIII--Department of Agriculture Advisory Committees

Title XIX--Effective Date

This report presents a nontechnical summary of provisions of the Act that relate to farm commodity programs. These provisions are contained in Titles I through XI and in sections of Title XV. For more technical analysis, the reader is referred to the Committee reports and, of course, to the language of the Act itself for details. 1/

Provisions in the Act provide a framework within which the Secretary of Agriculture will administer the food and agriculture programs. As with most previous food and agriculture legislation, the new Act gives the Secretary substantial discretionary authority to issue regulations and implement various provisions as he sees fit.

DETAILS OF SPECIFIC COMMODITY PROVISIONS

Payment Limitations

1977 Crop Payments

Payment limits per person for 1977 crops will remain at $20,000 for combined wheat, feed grain, and cotton payments. Excluded from the payment limits are payments for resource adjustment, public access for recreation, and loans and purchases. However, disaster payments are subject to 1977 payment limits.

1978-81 Crop Payment Limits

Total deficiency payments to wheat, feed grain, and upland cotton producers will be limited to $40,000 in 1978 and $45,000 in 1979. Maximum payment limits for rice producers will be reduced from $55,000 in 1977 to $52,250 in 1978 and to $50,000 in 1979. For both 1980 and 1981, the per-person payment limitation is set at $50,000 for wheat, feed grain, upland cotton, and rice programs. 2/

1/ U.S. Senate, 95th Congress, 1st Session, Food and Agriculture Act of 1977, Conference Report Number 95-418, Sept. 9, 1977.

2/ These limits will apply to producers who are "persons" as defined by the Secretary of Agriculture in regulations to be issued later. The rules for determining whether corporations and their stockholders may be considered as separate persons shall be in accordance with the regulations issued by the Secretary of Agriculture, Dec. 18, 1970.

Exclusions

Beginning in 1978, payments for either prevented planting or low yield disaster loss are excluded from payment limits. Disaster programs expire with the 1979 crops. Payments for resource adjustment (which does not include land diversion payments), public access for recreation, and loans and purchases will continue to be exempt from the payment limit. Also, the 1977 Act excludes from payment limits any increase in payments that might result from use of the 105-percent clause. 3/ Neither extra-long staple cotton nor wool payments are subject to limits.

Payment limits will not apply to lands owned by States, political subdivisions, or agencies thereof, so long as these lands are farmed primarily in direct furtherance of a public function as determined by the Secretary of Agriculture.

Study of Large Nonfarm Corporations

The Secretary is required by the 1977 Act to conduct a study and report to the Congress by January 1, 1979, on how prohibiting payments to large nonfarm corporations might affect (1) participation in the wheat, feed grain, cotton, and rice programs and (2) production of these commodities. The study will also assess the impact of extending the payments prohibition to tenants on land owned by corporations and other entities which would be excluded from payments.

Report on Family Farms

A family farms provision requires the Secretary of Agriculture to provide Congress a written report on family farming operations by July 1 of each year. This report is to provide current information on trends in family farm operations and national and State-by-State data on nonfamily farm operations. In addition, the report is to provide information on how current programs are being administered to strengthen the family farm agricultural system as well as an assessment of how Federal law may promote the growth of nonfamily farms.

This section indicates the intent of the Congress to ensure that while agricultural programs are not to "... be administered exclusively for family farm operations, ... no such program be administered in a manner that will place the family farm at an unfair economic disadvantage."

Wheat and Feed Grains

The 1977 Act amends and extends voluntary wheat and feed grain programs through the 1981 crops.

3/ "The 105 percent clause" is discussed later on p. 6 .

Continuation of Price and Income Support

The dual commodity price support system established in the 1973 Act is continued through the 1981 crop year. Income support is provided through the target price concept, which guarantees eligible producers a direct payment if farm prices received fall below established target prices. Price supports continue to be provided via the nonrecourse loan program.

Target Prices and Price Support Loans for 1977 Crop

Target prices and loan rates for wheat and feed grains from the 1977 crop were originally announced by the Secretary under provisions of the 1973 Act. However, the 1977 Act adjusts the target price for the 1977 wheat crop and revises both the target price and minimum loan level for the 1977 corn crop. Announced and revised price and income supports are given in table 1.

Support for Other 1977 Feed Grain Crops

A comparable target price will be set for the 1977 sorghum crop, and if designated, for barley and oats. The Conference Committee did not anticipate that the Secretary would make use of this authority for the 1977 crop of oats. 4/ The targets are to be at a rate that is "fair and reasonable" in relation to the rate established for corn. Loan levels for sorghum, barley, oats, and rye will also be established at a fair and reasonable level in relation to corn, with feed value and other factors to be taken into consideration. 5/ Average transportation costs to market must also be considered for sorghum.

Target Prices and Loans for 1978 Crops

The target price for wheat from the 1978 crop will depend on the actual production level. If production is 1.8 billion bushels or less, the target price will be $3.05 per bushel; however, if the 1978 wheat crop exceeds 1.8 billion bushels, the target price will be $3.00 per bushel. For 1978, the corn target price is $2.10 per bushel.

Target prices for sorghum and, if designated by the Secretary, barley and oats will be established at a level which is "fair and reasonable" in relation to the target established for corn. The Conference Committee

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4/ U.S. Senate, 95th Congress, 1st Session, Food And Agricultural Act of 1977, Conference Report Number 95-418, Sept. 9, 1977, p. 159.

5/ A detailed listing of the factors that the Secretary is to consider in establishing the level of price support for feed grains other than corn, as well as other agricultural commodities, can be found in Section 401(b) of the Agricultural Act of 1949.

Table 1--Target prices and loan levels for wheat and feed grains from the 1977 and 1978 crops

Item	1977 Announced	1977 Revised 1/	1977 1977 Act	1978
	Dollars per bushel			
Loan levels:				
Wheat	2.25	2.25	2.25	2/ 2.35
Corn	1.75	2.00	2.00	2/ 2.00
Grain sorghum	1.70	1.90	3/ ---	3/ ---
Barley	1.50	1.63	3/ ---	3/ ---
Oats	1.00	1.03	3/ ---	3/ ---
Rye	1.50	---	---	3/ ---
Target prices:				
Wheat	2.47		2.90	4/ 3.00 or 3.05
Corn	1.70		2.00	2.10
Grain sorghum	1.62		5/ ---	5/ ---
Barley	1.39		5/ ---	5/ ---
Oats	---		5/ ---	5/ ---

1/ As revised by the Administration on Aug. 31, 1977.

2/ The price support loan level may be adjusted downward by a maximum of 10 percent for the next crop year if the national average price received by producers is not more than 105 percent of the current year's loan.

3/ Set in fair and reasonable relation to corn, taking into account feeding value and other considerations.

4/ If 1978 wheat production is above 1.8 billion bushels, the target will be $3.00 per bushel; if production is 1.8 billion bushels or below, the target will be $3.05 per bushel.

5/ The target price for sorghum and, if designated, barley and oats, will be set in a fair and reasonable relation to corn.

added a consideration that "if target prices for the other feed grains are established using the same components of the cost of production, such target prices would be fair and reasonable in relation to the rate at which payments are made available for corn." 6/ The 1977 Act makes oats eligible for target price and disaster program protection for the first time (at the discretion of the Secretary).

Nonrecourse loans will continue to be available to wheat and feed grain producers. The minimum loan level for the 1978-81 wheat crops was set at $2.35 per bushel. Corn's price support loan minimum for 1978-81 was established at $2.00 per bushel. The maximum loan level for wheat cannot exceed 100 percent of parity.

Variable Loan Minimum

When necessary to maintain domestic and export markets, the Secretary is permitted to lower loan levels for wheat and feed grains. A maximum adjustment of 10 percent can be made for the next marketing year if the national average price received by producers for the commodity in the current marketing year is not more than 105 percent of the current year's loan level. While the maximum annual adjustment is 10 percent, the loan rate for wheat cannot in any event be less than $2.00 per bushel and for corn, not less than $1.75 per bushel.

If the Secretary invokes this variable loan provision, he is required to provide producers with emergency compensation by increasing deficiency payments by the amount necessary to provide the same total return to producers as they would have received if the loan adjustment had not been made. Any increase in deficiency payments resulting from the variable loan level provision will not be subject to payment limitations.

The Conference Committee also expressed its intent that if a reduction is made in the wheat or feed grain loan level for any year, the level would "snap back" to the stated minimum levels in the next year (to $2.35 for wheat and $2.00 for corn), unless the average price received by producers in the preceeding year was less than 105 percent of the reduced loan. 7/

Target Price Adjustment, 1979-81

Under an adjustment provision in effect for 1979-81 crops, the target price for the previous year's wheat and feed grain crops will be adjusted to reflect any change in the moving 2-year average of variable, machinery ownership, and general farm overhead costs (table 2). 8/ Overhead costs

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6/ U.S. Senate, 95th Congress, 1st Session, Food and Agriculture Act of 1977, Conference Report Number 95-418, Sept. 9, 1977, p. 158.

7/ U.S. Senate, 95th Congress, 1st Session, Food and Agriculture Act of 1977, Conference Report Number 95-418, Sept. 9, 1977, p. 151 and p. 158.

8/ In establishing the target prices for 1978 crop wheat and corn, a return to land and management was included.

Table 2--Target price adjustment procedure

1. Cost I(t) = Variable costs I(t) + Machinery ownership costs I(t) + General farm overhead costs I(t)

   Where:

   I = Commodity
   t = Crop year

2. Target price I(t + 1) = Target price I(t) +

$$\left[\frac{\text{cost } I(t) + \text{cost } I(t-1)}{2} - \frac{\text{cost } I(t-1) + \text{cost } I(t-2)}{2}\right]$$

   Where:

   Target price I(t) = target price for the current year (t)
   Target price I(t + 1) = target price for the following year (t + 1)
   Cost I(t) = unit costs of commodity I in the current year (t)
   Cost I(t - 1) = unit costs of commodity I in year (t - 1)
   Cost I(t - 2) = unit costs of commodity I in year (t - 2).

3. Using assumed cost data in table 3 and the 1978 target price for corn from table 1, the adjustment calculations would be made as follows:

   Cost I(t) = \$1.58
   Cost I(t - 1) = \$1.52
   Cost I(t - 2) = \$1.55

$$\text{Target price } (t+1) = \$2.10 + \left[\frac{\$1.58 + \$1.52}{2} - \frac{\$1.52 + \$1.55}{2}\right]$$

$$= \$2.10 + \left[\$1.55 - \$1.53\right]$$

$$\text{Target price } (t+1) = \$2.12$$

are allocated to individual crops on the basis of their proportion of the total value of production.

Variable costs include the cost of production items such as seed, fertilizer, chemicals, custom operations, labor, fuel and lubrication, repairs, drying, and interest charges. Machinery ownership costs include expenditures for interest, taxes, insurance, and replacement. Farm overhead includes costs of recordkeeping, utilities, maintenance, telephone, and other costs that are difficult to allocate to specific farm enterprises. 9/

Table 3--Assumed production costs per bushel of corn, by cost item

Cost item	T	T-1	T-2
	Dollars		
Variable	1.08	1.05	1.10
Machinery ownership	.36	.35	.32
General farm overhead	.14	.12	.13
Total	1.58	1.52	1.55

National Program Acreage

The national program acreage for wheat and feed grains is the number of harvested acres (based on the weighted national average farm program payment yields) required to meet estimated domestic and export needs (less imports) plus any desired increase or decrease in carryout stocks. The national program acreage for wheat for a particular crop year is to be announced by the Secretary no later than August 15 of the preceding calendar year. National program acreages for feed grains must be announced by November 15 of the preceding year. The national program acreages may be adjusted at a later time, with the adjustment based on the most recent information, for purposes of calculating the program allocation factor.

Program Allocation Factor

The program allocation factor may range between 80 and 100 percent. The exact percentage will be determined by dividing the national program

9/ Detailed cost estimates for major crops are available in Costs of Producing Selected Crops in the United States--1975, 1976, and Projections for 1977, Print 80-606, Senate Committee on Agriculture and Forestry, U.S. Congress, U.S. Government Printing Office, Washington, D.C., Jan. 21, 1977.

acreage by the number of acres that the Secretary estimates will be harvested in the current year. The allocation factor is used for determining the farm program acreage. In practice, the program acreage allocation factor will not need to be determined until the sixth month of the current marketing year.

Farm Program Acreage

The individual farm program acreage for deficiency payment purposes will be determined by multiplying the allocation factor by the number of acres planted for harvest on the individual farm. The Secretary is required, however, to make deficiency payments, when price conditions mandate them, on no less than 80 percent of the wheat and feed grain acreage planted for harvest on the farm during the current year. This provision of the 1977 Act replaces historical farm acreage allotments authorized in prior law.

Deficiency Payments

Deficiency payments will be made to producers of each wheat and feed grain crop if the national weighted average market price received by farmers during the first 5 months of the marketing year is below the established target price for that crop year. The payment rate is determined by the difference between the target price and the higher of the national weighted average market price or the loan level. Under this concept, deficiency payments would not be made if the average market price during the first 5 months is at or above the target price.

Payments for the 1977 wheat and feed grain crops will be determined by multiplying the payment rate times the farm allotment for the crop times the program yield established for the farm. For acreage planted to wheat within the wheat acreage allotment, the 1977 payment rate will be based on $2.90 per bushel. For any part of the allotment not planted to wheat, the payment rate will be based on $2.47 per bushel. A comparable adjustment will be made for sorghum and barley from the 1977 crop. Deficiency payments will not be made for corn from the 1977 crop, since the loan rate and target price are set at the same level.

Table 4 illustrates deficiency payment calculations for the 1977 wheat crop. In example A, the producer is assumed to have a wheat allotment of 100 acres and to have planted 100 acres of wheat. Given an average market price for wheat during the first 5 months of the marketing year of $2.20 a bushel, a producer would receive a payment of $1,950. This amount was calculated by multiplying the payment rate, $0.65 ($2.90-$2.25=$0.65), times the program yield, 30 bushels per acre, times the number of acres planted for harvest within the allotment. The producer would receive the same total payment ($1,950) had he planted in excess of the allotment.

Table 4--Examples of deficiency payment calculation for 1977 crop wheat

Example A:

Situation: Full allotment planted

Wheat allotment	:	100 acres
Planted	:	100 acres
Target price	:	$2.90 per bushel
Loan level	:	$2.25 per bushel
Assumed market price	:	$2.20 per bushel
Deficiency payment rate	:	$0.65 per bushel
Assumed farm program yield	:	30 bushels per acre

Total deficiency payment with no adjustment for disaster payment:

$0.65 X 30 bu./acre X 100 acres = $1,950.00

Example B:

Situation: Full allotment not planted

Wheat allotment	:	100 acres
Planted	:	60 acres
Target price	:	$2.90 per bushel for acres planted within allotment
	:	$2.47 per bushel on acres not planted within allotment
Loan level	:	$2.25 per bushel
Assumed market price	:	$2.20 per bushel
Deficiency payment rate	:	$0.65 per bushel on acres planted within allotment
	:	$0.22 per bushel on acres not planted within allotment
Assumed program yield	:	30 bushels per acre

Total deficiency payment with no adjustment for disaster payment:

(1) Payment on acres planted within allotment:
$0.65 X 30 bu./acre X 60 acres = $1,170.00

(2) Payment on acres not planted within allotment:
$0.22 X 30 bu./acre X 40 acres = $264.00

(3) Total deficiency payment: $1,434.00

Example B in table 4 illustrates the deficiency payment calculation for a producer who underplanted his 1977 wheat allotment. In this case, the producer receives deficiency payments based on $2.90 for wheat acreage planted within his allotment and $2.47 for any acreage not planted within the allotment. The deficiency payment rate would be $0.65 per bushel on acres planted within the allotment and $0.22 ($2.47-$2.25=$0.22) per bushel on allotment acres not planted to wheat. Thus, the producer receives target price protection on his entire wheat allotment for 1977.

For the 1978-81 wheat and feed grain crops, the total amount of deficiency payments will be determined by multiplying the payment rate in each year times the farm program acreage times the farm program payment yield established for the farm. During these crop years, deficiency payments will be paid on a factored percentage of a producer's acreage planted for harvest, with the allocation factor ranging between 80 and 100 percent.

The total quantity of any crop on which payments will be made to a producer on a farm will be reduced by the quantity on which a disaster payment is made. This means that a producer cannot be paid twice on the same bushel of production.

The first example in table 5 shows the calculation of total deficiency payments for corn when there is no adjustment for disaster loss. The second example illustrates the adjustment procedure in the event of disaster loss. For wheat and feed grains, the disaster payment is equal to the deficit in production below 60 percent of the farm's program yield times the acreage planted for harvest times one-half of the target price for the crop. This example results in a disaster payment of $2,100.

In the second example, the producer is still eligible for a deficiency payment, but the number of bushels of grain for which he is eligible for deficiency payments must be adjusted to reflect the quantity of grain on which he received a disaster payment. This prevents the producer from receiving both deficiency and disaster payments on the same bushel of production. To make this correction, 20 bushels per acre are subtracted from the program payment yield. This is the amount by which his actual farm yield, 40 bushels per acre, fell below the 60 percent factor, which in this example is 60 bushels per acre. Deficiency payments were adjusted down from $1,000 to $800, but total disaster plus deficiency payments equaled $2,900.

Recommended Voluntary Reduction

Producers who voluntarily reduce their acreage planted for harvest from the previous year in line with the percentage recommended by the Secretary when he announces the national wheat and feed grain program acreages will receive any required deficiency payments on 100 percent of their harvested wheat and feed grain acreage. Producers who voluntarily reduce planted acreage from the previous year would also have to meet set-aside requirements to qualify for program benefits. The 1977 Act requires the Secretary to provide equitable treatment to producers who do reduce their current year's wheat or feed grain acreage from the preceding year, but by an amount less than recommended.

Table 5--Deficiency payment adjustment when disaster payments are made

Example 1: No Disaster Adjustment:

Situation:

Acres of corn planted for harvest	:	100 acres
Target price for corn, 1978	:	$2.10 per bushel
Loan rate	:	$2.00 per bushel
Assumed market price	:	$1.95 per bushel
Deficiency payment rate	:	$0.10 per bushel
Assumed farm program yield	:	100 bushels per acre
Assumed allocation factor	:	100 percent

Total deficiency payment with no disaster payment adjustment:

$0.10 per bushel X 100 bu./acre X 100 acres = $1,000.00

Example 2: With Disaster Adjustment, Low Yield (Drought):

Situation:

Same as Example 1 except for an actual corn yield of 40 bushels per acre

Disaster payment: Deficit in production below 60 percent of farm program yield times acreage planted for harvest times 50 percent of the target price

(.60 X 100 bu./acre) - (40 bu./ac.) X 100 acres
X (.5 X $2.10 per bu.) = $2,100

Deficiency payment adjusted for disaster payment[1/]

$0.10 per bu. X (100 bu./ac. - 20 bu./ac. disaster adjustment) X 100 ac. = $800

Total disaster plus deficiency payment : $2,900

1/ The total quantity on which payments would otherwise be payable shall be reduced by the quantity on which any disaster payment is made to the producer.

Proven Yields

Proven wheat yields are continued and feed grain proven yields are now a part of the legislation. This ensures that no reduction in yield can be forced on a farmer who can prove a yield higher than his farm program yield.

Cropland Set-Aside

Authority for the Secretary to require set-aside of cropland is continued. Set-aside acreage will be based on a percentage of the current year's planted acreage (the percentage is to be announced by August 15 and November 15 for the next year's wheat and feed grain crops, respectively). In previous law, set-aside requirements were based on a percentage of the farm's allotment.

The Secretary may also limit the acreage planted to wheat and feed grains. This limitation would be applied uniformly on all farms which produce wheat and feed grains and could be used as a condition of a wheat or feed grain set-aside program.

Generally, the set-aside acreage must be devoted to conservation practices in accordance with USDA regulations to assure weed control and protection from erosion. However, the Secretary may, at his option, permit haying, grazing, and the planting of certain designated crops for harvest if he determines that such production (1) is needed to provide adequate supplies, (2) is not likely to increase the cost of the price support programs, and (3) will not adversely affect farm income.

Another provision of the Act authorizes the Secretary to require producers, as a condition of eligibility for loans, purchases, and payments, to reduce acreage normally planted to crops designated by the Secretary, by the acreage of set-aside or diversion. 10/

The Secretary may make land diversion payments, whether or not a set-aside is in effect, to producers who devote to approved conservation practices cropland in addition to any required set-aside acreage. Amounts payable to producers under this program may be determined by bids submitted by producers for diversion contracts.

Example Farm Organizations Under 1977 Act Provisions

Five hypothetical farm organizations are summarized in table 6 which illustrate set-aside, normal cropping acreage, and recommended voluntary adjustment concepts. The farm in table 6 is shown to have a "normal crop acreage" of 400 acres based on the 1977 corn, soybean, and oat acreage. Alfalfa acreage was not considered in developing the normal crop acreage for the example.

10/ This provision is contained in Section 1001, Title X.

Disaster Program Provisions

The 1977 Act changes the prevented planting and low-yield disaster provisions which were initiated with the 1973 Act and extends the disaster program through the 1979 wheat and feed grain crops (table 7).

For 1978 and 1979, prevented planting payments will be made to producers who are prevented from planting wheat or feed grains or other nonconserving crops on the basis of the smaller of (1) the acreage intended to be planted to wheat or feed grains, or (2) the acreage planted for harvest of wheat or feed grains (including any acreage which the producer was prevented from planting to wheat, feed grains, or other nonconserving crops) in the immediately preceding year. The payment calculation is 75 percent of the projected yield for the farm times 33-1/3 percent of the target price for wheat or feed grains. Prevented planting provisions for the 1977 wheat and feed grain crops were not changed from current law and will be based on allotted acreage.

Low-yield disaster payment provisions are effective for the 1977 wheat and feed grain crops as well as for the 1978 and 1979 crops. For the 1977 crop, however, producers may elect to receive disaster payments for low yields with the payments computed on the basis of disaster provisions of the 1973 Act. Low-yield payments for the 1978, 1979, and, if elected, the 1977 crop will be made to producers if the total quantity of wheat or feed grains harvested on any farm is less than the potential production obtained by multiplying 60 percent of the farm program yield times the acreage planted for harvest. The payment calculation is 50 percent of the target price for the deficit in production below the 60-percent level.

Producers must comply with any set-aside program, if in effect, to be eligible for any prevented planting or low yield disaster payments.

Grain Reserves

Farmer-Held Reserve

The legislation requires the Secretary to administer a producer-held storage program for wheat and, at his discretion, a similar program for feed grains. This is to be accomplished through an extended price support loan program of 3 to 5 years duration. Producers will receive storage payments and the Secretary may adjust or waive interest charges on farmer-held reserves.

The quantity of wheat held is not to be less than 300 million bushels or more than 700 million bushels. The maximum amount may be adjusted upward, however, to meet any commitments assumed by the United States to an international agreement on grain reserves. For feed grains, reserve quantities were not specified.

When the market price is between 140 and 160 percent of the current price support level for wheat or a level determined by the Secretary for

Table 7--Disaster protection by commodity for 1978 and 1979 crops

	Acreage base	Production deficiency	Payment calculation
		Wheat and feed grains	
Prevented planting	Smaller of (1) acreage intended to be planted to wheat or feed grains or (2) acreage planted (or prevented from planting) to wheat or feed grains or other nonconserving crops in the previous year.	---	75 percent of farm's projected yield times 33 1/3 percent of the target price
Low yield[1/]	Acreage planted for harvest	Deficit in production below 60 percent of the farm program yield times the acreage planted for harvest	50 percent of target price times production deficit below the 60 percent level
		Cotton	
Prevented planting	Smaller of (1) acreage intended to be planted to cotton or (2) acreage planted (or prevented from planting) to cotton or other nonconserving crops in the previous year	---	75 percent of farm's normal yield times 33 1/3 percent of cotton's target price
Low yield	Acreage planted for harvest	Loss in production below 75 percent of farm's program payment yield on acreage planted to cotton	33 1/3 percent of the target price on the production deficit below 75 percent
		Rice	
Prevented planting	Acreage affected within farm allotment	---	33 1/3 percent of the rice target times the farm program yield on the number of acres affected within the farm's allotment
Low yield	Acreage planted to rice within the allotment	Production loss below 75 percent of farm's normal yield on acres harvested within the farm's allotment	33 1/3 percent of the target price times the production deficit below 75 percent

1/ Producers of the 1977 wheat and feed grain crops may elect to receive low yield disaster payments as calculated under the disaster provisions of either the 1977 Act or the 1973 Act. To be eligible for low yield disaster payments under the 1973 Act, a farm's production must be below that obtained by multiplying the farm's acreage allotment (adjusted for substitution or underplanting) times two-thirds of the farm's established yield. Payment would be calculated by multiplying the farm's established yield times its allotment and subtracting total production for the farm. The result is multiplied by the disaster payment rate, 33 1/3 percent of the target price.

feed grains, storage payments may be discontinued to encourage producers to redeem loans and market their grain. But if a producer redeems his loan before the market price for wheat reaches 140 percent of the current loan, he will be subject to penalty: the Secretary is required to recover storage payments and to assess penalty interest or other charges.

The loan may be called when the wheat market price reaches 175 percent of the current loan level. Again, the Secretary determines the level at which the feed grain loan will be called.

Whenever a 3- to 5-year extended loan program is authorized, the Commodity Credit Corporation (CCC) resale price for Government-owned stocks must be set at not less than 150 percent of the current loan level. Otherwise, the CCC resale price will be not less than 115 percent of the then current price support loan level.

Disaster Reserves

The authority for the Secretary to maintain and dispose of disaster reserves was amended by the Act. If neither wheat, feed grains, nor soybeans are available through the price support program at a location where they may be economically used to lessen the impact of natural disasters, the Secretary may purchase these commodities and other livestock forages through CCC. Disaster reserves were initially authorized by the 1973 Act.

Emergency Feed Program

An emergency feed program is authorized by the legislation. This program is designed to preserve and maintain livestock in any area of the United States in case of natural disaster.

To be eligible for assistance under this program, the person (1) must have suffered a substantial loss of feed normally produced on his farm; (2) must not have sufficient feed for his livestock for the projected period of the emergency; and (3) is required to purchase larger quantities of feed than he normally would.

Producers eligible for this program may be reimbursed for up to 50 percent of the cost of purchased feed during the period of the emergency.

Farm Storage Facility Loans

The Secretary is required to make storage facility loans available to producers of dry or high-moisture grain, soybeans, rice, and high-moisture forage and silage. Loans would be in amounts of not less than 75 percent of total construction costs, including, but not limited to, the cost of structural and equipment foundations, electrical systems, grain handling systems, drying equipment, and site preparation. The maximum loan level is

limited to $50,000. Loans will have a maximum repayment period of 10 years and an interest rate based upon the rate of interest charged the CCC by the U.S. Treasury.

The size of any storage facility for which a loan can be obtained will be based upon the amount of space required to store the quantity of the commodity produced by the borrower during a 2-year period.

Storage facility loans shall be deducted from the proceeds of price support loan or purchase agreements made between the farmer and the Commodity Credit Corporation.

International Reserves

The Act encourages the President to enter into negotiations with other nations to develop and maintain an international system of food reserves. These reserves would be used to provide humanitarian food relief.

Cotton

Title VI extends and amends cotton program provisions through the 1981 crop. No changes were made for the 1977 crop, which was covered by the 1973 Act. The 1977 Act also suspends marketing quotas, penalties, and acreage restrictions provided by permanent legislation.

Target Prices for 1978-81 Crops

For 1978 and subsequent crop years, target prices for upland cotton will be adjusted by a cost of production formula to be calculated in the same manner as explained for wheat and feed grains. The target price for 1978 crop upland cotton cannot be less than 52.0 cents per pound, and the minimum target price for 1979 and subsequent crops of upland cotton cannot be less than 51.0 cents per pound.

The target price adjustment formula and a numerical example of its use can be found on page 7.

Price Support Loans for 1978-81 Crops

Nonrecourse price support loan levels for cotton, beginning with the 1978 crop, will be set at the lower of (1) 85 percent of the preceding 4 marketing years' moving average spot market price for Strict Low Middling 1-1/16" (SLM 1-1/16") upland cotton at average U.S. locations or (2) 90 percent of the average adjusted price for the first 2 weeks of October of the "five lowest priced growths" of the growths quoted for Strict Middling 1-1/16" (SM 1-1/16") cotton, c.i.f. (cost, insurance, freight) Northern Europe. The Secretary must announce the loan level for any crop of cotton by November 1 of the year preceding the marketing year for which the loan is to be effective and cannot thereafter reduce it.

Loan Maturity, Extension, and Rate of Interest

As under the 1973 Act, price support loans mature 10 months from the first day of the month when the loan is made. The rate of interest on loans is to be established quarterly by the Commodity Credit Corporation on the basis of the lowest current interest rate on ordinary obligations of the United States. In addition, this title provides for loan extensions, effective upon enactment. Producers may, during the tenth month of the loan period for cotton, extend their loan period for an additional 8 months. However, requests to extend the loan period will not be approved in a month when the average spot market price of SML 1-1/16" cotton in the preceding month exceeds 130 percent of such average price for the preceding 36-month period.

National Program Acreage

The national program acreage for cotton represents the number of harvested acres needed (based on the weighted national average of the farm program payment yields) to meet domestic and export needs (less imports). The acreage may be adjusted for any desired increase or decrease in carryover stocks. Announcement of the national program acreage for cotton is to be made by the Secretary no later than December 15 of the year preceding the program year. While the Secretary may later adjust the national program acreage for purposes of computing the program allocation factor, such national program acreage cannot be reduced below 10 million acres. Previous legislation had fixed the base acreage allotment at a minimum of 11 million acres.

Program Allocation Factor and Farm Program Acreage

A program allocation factor is determined by dividing the national cotton program acreage by the number of harvested acres as determined by the Secretary. The allocation factor may not exceed 100 percent. No minimum allocation factor was specified. A farm's program acreage for cotton is the product of the allocation factor and the acreage planted to cotton on the farm. This provision replaces the historical cotton allotment system and makes the cotton program comparable to that for wheat and feed grains.

Farm Program Yields

Individual farm program payment yields for any year are to be determined on the basis of the actual yield per harvested acre on the farm for the preceding 3 years. Adjustments may be made in yields that are reduced by drought, flood, or other natural disaster. As with wheat and feed grains, producers may prove their actual yield.

Deficiency Payments

Deficiency payments will be made to producers of each cotton crop if the national average price received by farmers for upland cotton during the calendar year which includes the first 5 months of the marketing year is below the target price.

The payment rate is determined by the difference between the target price and the higher of the national average price received for cotton or the loan level. Deficiency payments will not be made if the market price is at or above the target price. The total amount of deficiency payment is determined by multiplying the payment rate times the farm program acreage for cotton times the farm program payment yield established for the farm. Under the 1973 Act, the maximum acreage on which deficiency payments could be made was the farm cotton acreage allotment. The 1977 Act will allow payment to be made on the cotton acreage planted as adjusted by the farm allocation factor.

The total quantity of cotton on which deficiency payments will be made to a producer in any crop year will be reduced by the quantity of cotton on which any disaster payment is made. As with wheat and feed grains, this means that a producer can not be paid twice for the same unit of production.

Recommended Voluntary Reduction

Producers voluntarily reducing their acreage planted for harvest from the previous year in line with the percentage recommended by the Secretary when he announces the national cotton program acreage will receive any deficiency payment on 100 percent of their cotton acreage. The 1977 Act requires the Secretary to provide equitable treatment to producers who do reduce their current year's cotton acreage from the preceding year but by an amount less than recommended.

Payments to Small Farmers

There are no special provisions for small cotton farmers in the 1977 Act. Under the 1973 Act, the payment rate to any cotton producer on a small farm was increased 30 percent. This provision was not extended.

Set-Aside Program

Authority for the Secretary to proclaim a set-aside of cropland was continued. Set-aside acreage will be based on a percentage of the current year's planted acreage, but the required set-aside cannot exceed 28 percent of the acreage planted to cotton. The Secretary may, at his option, permit haying, grazing, and certain other crop production, as under the wheat and feed grain set-aside programs. But, unless other use is authorized, cropland set-aside must be devoted to approved conservation practices.

The Secretary can establish a procedure under which acreage permitted to be planted to cotton on farms may be limited. Penalty for knowingly exceeding this limit would be loss of loans and payments.

Land diversion payments are authorized to producers who devote to approved conservation practices an acreage of cropland in addition to any required set-aside acreage. The Secretary may also have a land diversion program without set-aside. Amounts payable to producers under this program could be determined by bids submitted by producers for diversion contracts.

Producers may be required, as a condition of eligibility for loans, purchases, and payments, to reduce acreage normally planted to crops designated by the Secretary by the amount of the set-aside. 11/

Disaster Program Provisions

Both prevented planting and low-yield disaster programs are amended and extended through the 1979 crop year (table 7). Producers who are prevented from planting cotton or other nonconserving crops will receive a payment equal to 33-1/3 percent of the target price on 75 percent of their farm program payment yield. Payments will be made on the smaller of (1) acreage intended to be planted in the current year, or (2) acreage planted to cotton (including any acreage the producer was prevented from planting to cotton or other nonconserving crops) in the immediately preceding year.

For low yields, producers of the 1978 and 1979 cotton crops will receive 33-1/3 percent of the target price on any loss of production below 75 percent of a production level for the farm established by multiplying the farm's program payment yield by the acreage planted to cotton. The 1977 cotton crop is covered under disaster provisions of the 1973 Act.

Special World Import Quota

The 1977 Act provides for a special limited global import quota, to be proclaimed under certain conditions. This authority is effective immediately. The amount of the quota is to equal a 21-day domestic mill supply of cotton and will be opened up for any month in which the average spot market price of SLM 1-1/16" cotton exceeds 130 percent of such average spot market price for the preceding 36-month period. A 90-day period from the effective beginning date of the quota will be allowed for cotton entering the United States under the quota.

If a quota has been established under this provision during the previous 12-month period, the amount of the next quota will be limited to the smaller of 21 days of domestic mill consumption or the amount of cotton required to increase the cotton supply to 130 percent of demand.

11/ This provision is contained in Section 1001 of Title X.

Price Support for Cottonseed and Soybeans

The Act extends through 1981 Section 608 of the Agricultural Act of 1970, which makes inapplicable Section 203 of the Agricultural Act of 1949. Section 203 requires that whenever the price of either cottonseed or soybeans is supported, the price of the other is to be supported at a level that will cause them to compete on equal terms in the market.

Skiprow Planting

Skiprow rules for classifying acreage to cotton and the area skipped in effect under the 1973 Act are continued by the 1977 Act.

CCC Sales Price Restriction

The Commodity Credit Corporation minimum sales price cannot be less than 115 percent of the loan rate in effect for SLM 1-1/16" upland cotton, with adjustments for grade, quality, location, and other value factors as determined by the Secretary, plus carrying charges.

Extra-Long Staple Cotton

The loan level for extra-long staple (ELS) cotton is now set at not less than 150 percent nor more than 200 percent of the loan level established for SLM 1-1/16" upland cotton. Prior law had established the loan level for ELS cotton at not less than 150 percent nor more than 200 percent of the loan level for Middling 1" upland cotton. This was the only change made for ELS cotton.

Rice

Generally, the 1977 Act amends and extends through 1981 the Rice Production Act of 1975. Historical acreage allotments continue to apply.

Target Prices for 1978-81

Target prices for the 1978-81 rice crops will be adjusted on the basis of the 2-year moving average of variable, machinery ownership, and general farm overhead costs of rice production. This adjustment procedure is identical to the procedure adopted for wheat, feed grains, and upland cotton. However, the adjustment process is initiated with the 1978 rice crop, whereas the adjustment begins with the 1979 crops for wheat and feed grains. An illustration of the adjustment formula and a numerical example can be found on page 7 . In the Rice Production Act of 1975, target prices were adjusted for the change in the index of prices paid by farmers and were further adjusted for changes in the 3-year national average rice yield (moving average).

Price Support Loan Level

The loan level for each of the 1978-81 crops is to be established at a level which bears the same ratio to the prior year loan level that the current year's target price bears to the prior year target price. For instance, if the target price increased by 5 percent from one year to the next, then the loan rate would also increase by 5 percent. This adjustment procedure for rice loans is identical to that established in the 1975 Act. However, the legislation provides that the rice loan can be adjusted downward if the Secretary determines that the loan established by formula would discourage exports and result in excessive domestic rice stocks. The rice loan may not be reduced below $6.31 per hundredweight through the use of this provision.

National and Farm Allotments

The 1977 Act provides for a minimum national acreage allotment for rice of 1.8 million acres, which will be allocated to farms and producers in the same proportion as the 1975 farm allotments. These provisions are an extension of prior law.

Deficiency Payments and Loans and Purchases

Deficiency payments will be made to "cooperators" if the national average market price received by farmers during the first 5 months of the marketing year for rice is below the target price. 12/ The deficiency payment rate is determined in the same manner as under the wheat, feed grain, and upland cotton programs.

The total amount of deficiency payments to program cooperators is determined by multiplying the payment rate times that portion of the allotment planted to rice times the yield established for the farm. 13/

The total quantity of rice on which payments, if necessary, would be paid to a cooperator for any rice crop will be reduced by the quantity on which any disaster payment is made.

Loans and target prices are available to rice produced under allotment only. Producers may plant as much rice acreage as they wish; however, program benefits will be available only on rice acreage up to the level of the farm allotment.

12/ A cooperator is a producer who has set-aside any acreage required by a set-aside program.

13/ The farm payment yield in any one year will be based on the farm's actual yield per harvested acre for the 3 previous years and may be adjusted by the Secretary for abnormal conditions.

Set-Aside

The Secretary shall announce a set-aside if he determines that total rice supplies will be excessive. The acreage of set-aside cannot exceed 30 percent of the farm acreage allotment. Any cropland set-aside must be devoted to approved conservation uses. In addition, if a rice set-aside is in effect, the acreage normally planted to designated crops must also be reduced by the amount of the set-aside.

The legislation also authorizes the Secretary to make land diversion payments to rice producers who devote to approved conservation practices an acreage of cropland, whether or not a set-aside is in effect.

Disaster Aid Programs

Disaster aid programs are amended and extended through the 1979 rice crop. Both prevented planting and low-yield payments are provided for in the legislation (table 7).

If because of a natural disaster, all or a portion of a producer's acreage allotment cannot be planted to rice or other nonconserving crop, prevented planting payments will be made to program "cooperators" on the number of acres affected. The payment calculation will be 33-1/3 percent of the target price times the farm program yield.

With respect to low yields, beginning in 1978, rice producers will receive 33-1/3 percent of the target price on any loss of production below 75 percent of the yield established for the farm on their acreage planted for harvest within their alloted acreage.

Peanuts

The legislation establishes a two-priced peanut program with poundage quotas for the 1978-81 crop years.

National Acreage Allotment

Beginning in 1978, the minimum national acreage allotment for the production of quota and additional peanuts is 1,614,000 acres if a producer referendum is passed. The Secretary must announce a national acreage allotment no later than December 1 for the following year. In determining the national allotment, he is to consider export and domestic use plus a reasonable level of carryover stocks.

National Poundage Quota

The Secretary must also announce, by December 1, a minimum national poundage quota for peanuts for the following year. Minimum national poundage quotas eligible for quota support were established as follows:

1978, 1,680,000 tons; 1979, 1,596,000 tons; 1980, 1,516,000 tons; and 1981, 1,440,000 tons. Poundage quotas may be increased if the Secretary determines that the poundage quota for any year is insufficient to meet domestic edible use and carryover requirements.

Farm Yield

For each farm having a farm peanut acreage allotment, a farm yield will be determined. The farm yield will be equal to the average of the actual yield per acre for the farmer's best 3 years during 1973-77. If peanuts were not produced on the farm during these crop years, or if there was a substantial change in the operation of the farm, an appraisal will be made and a yield will be established based on similar farms in the area.

Base Production Poundage

A farm base production poundage will be established for each farm by multiplying the farm peanut acreage allotment by the farm yield.

Farm Poundage Quota

For each farm, a farm poundage quota will be established by the Secretary for each marketing year. A farm's poundage quota will equal its base production poundage multiplied by a factor, determined by the Secretary, such that the total of all farm poundage quotas will equal the national poundage quota. Beginning in 1979, a farm's poundage quota will generally be increased by the number of pounds by which its marketings of quota peanuts from the farm in the previous year were less than the farm's poundage quota.

Quota Peanuts

For any marketing year, quota peanuts are those which are eligible for domestic edible use, as determined by the Secretary, marketed or considered marketed from a farm, and which do not exceed the farm poundage quota. Domestic edible use includes peanuts used as domestic food peanuts, seed, and on-farm use.

Additional Peanuts

Additional peanuts in any marketing year are peanuts, sold from a farm, which are in excess of the amount of quota peanuts but grown within the farm's acreage allotment.

Lease and Transfer of Allotments

Lease and transfer of peanut allotments within counties will be permitted under the new program and are no longer subject to the discretion of the Secretary as under previous law. Transfers will be on the basis of the farm base production poundage.

Peanut Price Support

This legislation establishes a two-tier support system for quota and additional peanuts. The minimum support rate for peanuts produced within the poundage quota is not to be less than $420 per ton for each of the 1978-81 crops. The Secretary is given discretionary authority to increase the minimum support price on the basis of changes in the index of prices paid for production items, interest, taxes, and wage rates and on the basis of primarily eight economic factors, as specified in previous legislation.

The Secretary may use loans, purchases, or other operations to provide price support on "additional" peanuts for each of the 1978-81 crops. To determine the price support level for "additional" peanuts, consideration will be given to the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the export demand for peanuts. The Secretary must announce the lower support price by February 15 preceding the marketing year.

Uses of "additional" peanut production are limited by law. "Additional" peanuts may be offered for loan at the lower loan rate, or the Secretary may channel "additional" peanuts into the domestic edible channels if needed at a price equal to costs to the Government for handling, plus 100 to 107 percent of the quota loan, depending on when they are purchased. Title VIII further provides that handlers may, under reulations developed by the Secretary, contract with producers for the purchase of "additional" peanuts for export, crushing, or both. They cannot be retained for use as seed or for other farm uses.

Marketing Penalties

The penalty for marketing peanuts grown in excess of the amount grown within the farm allotment or from farms not having an acreage allotment was increased from 75 percent of the loan level for quota peanuts to 120 percent. This penalty is also applicable to violations of handling regulations.

Soybeans

The 1977 Act requires the Secretary to establish a loan and purchase program for 1978-81 soybean crops. The Secretary is given discretionary authority in establishing the loan level. Previously, as a "nonbasic" agricultural commodity, soybeans were under a support program implemented at the discretion of the Secretary of Agriculture.

Set-aside of soybean acreage cannot be required as a condition of eligibility for price support.

Target price payments are not authorized for soybeans.

Sugar

A price support loan and purchase program is established for 1977 and 1978 crops of sugarcane and sugar beets. Support prices are to be set at a level not more than 65 percent of parity nor less than 52.5 percent of parity. Furthermore, support prices cannot be less than 13.5 cents per pound of raw sugar equivalent.

The Secretary may suspend the sugar price support program when he determines that an International Sugar Agreement (now being negotiated) is in effect which would maintain a U.S. raw sugar price of at least 13.5 cents per pound.

In addition, this legislation authorizes and directs the Secretary to establish minimum wage rates for agricultural employees engaged in production of sugar.

Dairy

Price Support

The 1977 Act provides that from the time of enactment of the 1977 Act until March 31, 1979, the price of milk will be supported at not less than 80 percent of its parity price. After March 31, 1979, the Secretary of Agriculture can support milk at a level between 75 and 90 percent of parity, as required by permanent law.

Price Support Adjustment

For the period beginning with the enactment of the 1977 Act and ending March 31, 1981, the milk support price is to be adjusted by the Secretary on a semiannual basis to reflect any estimated change in the parity index. In addition, the Secretary is given discretionary authority to make quarterly adjustments in milk price supports to reflect any substantial change in the parity index. Any adjustment is to be announced by the Secretary not more than 30 days prior to the period to which it is applicable.

Dairy Indemnity Program

The dairy indemnity program was amended to authorize the Secretary to make indemnity payments for milk, or cows producing milk, to dairy farmers who are directed to remove their milk from commercial markets as a result of chemical residues, nuclear radiation, or fallout. Payments will not be made to manufacturers. This provision became effective October 1, 1977.

Marketing Order Authorizations and Donations

The 1977 Act extends for 4 years the provisions of the Agricultural Act of 1970 relating to milk marketing order authorizations. Existing Secretarial authorization to donate dairy products to military services and veteran's hospitals was also extended.

Ice Cream Standards

The 1977 Act requires the Secretary to issue milk standards for ice cream within 30 days of enactment of the bill. These standards will specify solids, weight, and whey content necessary to meet USDA standards for ice cream. The Act requires ice cream standards which provide that "ice cream shall contain at least 1.6 pounds of total solids to the gallon, weigh not less than 4.5 pounds to the gallon and contain not less than 20 percent total milk solids." 14/ In no case can the content of milk solids-not-fat be less than 6 percent. Whey cannot, by weight, be more than 25 percent of the milk solids-not-fat. Products which meet these standards may be labeled as meeting USDA standards for "ice cream." This provision is intended to limit the displacement of milk solids-not-fat by whey, whey concentrates, and caseinates in ice cream manufacture.

Beekeeper Indemnity

The beekeeper indemnity program was continued without change from prior law. This program authorizes the Secretary to make indemnity payments to beekeepers who through no fault of their own suffer losses of honey bees as a result of the utilization of economic poisons near or adjacent to property on which beehives are located.

Wool and Mohair

National Wool Act of 1954

Title III extends the National Wool Act of 1954 through December 31, 1981, and thus continues to require the Secretary of Agriculture to provide supports for wool and mohair.

Price Support for Shorn Wool

Support rates for shorn wool were raised to 85 percent of the formula rate and are to be effective for the marketing years beginning January 1, 1977, and ending December 31, 1981. The formula rate for shorn wool is determined by multiplying 62 cents by the ratio of (1) the average of the parity index for the 3 calendar years immediately preceding the calendar year in which the support price is determined and announced to (2) the

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14/ U.S. Senate, 95th Congress, 1st Session, Food And Agriculture Act of 1977, Conference Report Number 95-418, Sept. 9, 1977, p. 10.

average parity index for the 3 calendar years 1958, 1959, and 1960. The resulting amount would be rounded to the nearest full cent. The parity index is defined as the index of prices paid by farmers for commodities and services, including interest, taxes, and farm wage rates.

Miscellaneous Provisions

Normal Crop Acreage

The 1977 Act establishes a normal crop acreage set-aside provision. When a set-aside is in effect for one or more of the 1978-81 crops of wheat, feed grains, upland cotton, or rice, the Secretary may require as a condition of eligibility for loans, purchases, and payments that the acreage normally planted to crops designated by the Secretary be reduced by the amount of the set-aside. In addition, whenever such a set-aside is in effect, the producer may be required to participate in, and fully comply with all requirements of the programs for wheat, feed grains, upland cotton, and rice in order to receive any benefits under any programs providing for loans, purchases, and payments.

Price Support for "Nonbasic" Commodities

The Secretary of Agriculture can make price supports available for the 1978-81 crops of flaxseed, dry edible beans, gum naval stores, for any other nonbasic commodity not designated in Title II of the Agricultural Act of 1949, and for the 1979-81 crops of sugar beets and sugarcane. The Secretary's authority under this provision terminates with respect to any commodity, other than those listed in the above sentence, at the end of any crop year in which net outlays for the commodity exceed $50 million. This restriction does not apply to any price support program in effect on the day of enactment.

American Agriculture Protection Program

An agricultural protection program is established to protect farmers in the event of U.S. trade embargoes. The program applies to wheat, corn, sorghum, barley, rye, oats, cotton, rice, soybeans, and flaxseed. If the President or any other member of the Executive Branch of the Federal Government suspends, because of supply shortages, commercial export sales of any of the above commodities to any country or area with which other commercial trade is continued, the Secretary is required to set the loan level for that commodity, if a loan program is in effect, at 90 percent of its parity price. Loan rates at 90 percent of parity would become effective on the day of a suspension; be determined by the commodity's parity price on the day of suspension; and would remain in effect for the duration of the export suspension.

Special Wheat Acreage Grazing and Hay Program

A special wheat acreage grazing and hay program is authorized for each of the 1978-81 crops years. Producers may be permitted to designate a percentage of the farm's acreage intended to be planted to wheat, feed grains, or upland cotton (up to a maximum of 40 percent or 50 acres, whichever is greater) for use as hay or grazing rather than for commercial grain production. No crop other than hay could be harvested from this acreage.

Producers participating in this program would receive a payment determined by multiplying the farm's program yield times the number of acres included in the program times a payment rate determined by the Secretary. Acreage included in this program would be in addition to any required set-aside acreage and would not be eligible for any other payment or price support.

Export Sales Reporting

The Secretary can request the reporting of export sales of agricultural commodities on a daily basis. When the Secretary requires this daily reporting, information compiled from individual reports will be made available to the public on a daily basis.

Filberts

One section of Title X adds filberts to other specified commodities--such as oranges, raisins, and walnuts--which are presently included in the Agricultural Marketing Agreement Act of 1937, as amended. This section states, in essence, that if a domestic marketing order establishes certain grade and quality standards, then imports of that commodity must meet equivalent standards.

Multiyear Set-Aside

The authority for the Secretary to establish multiyear set-aside contracts for wheat, feed grains, and cotton was extended (Title XV). Livestock grazing will be prohibited except in major disaster areas.