

105TH CONGRESS
2D SESSION

S. 1918

To require the Secretary of Agriculture to make available to producers of the 1998 and subsequent crops of wheat and feed grains nonrecourse loans that provide a fair return to the producers in relation to the cost of production.

IN THE SENATE OF THE UNITED STATES

APRIL 2, 1998

Mr. DORGAN (for himself, Mr. DASCHLE, Mr. WELLSTONE, Mr. JOHNSON, Mr. CONRAD, Mr. HARKIN, and Mr. BAUCUS) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To require the Secretary of Agriculture to make available to producers of the 1998 and subsequent crops of wheat and feed grains nonrecourse loans that provide a fair return to the producers in relation to the cost of production.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Cost of Production
5 Safety Net Act of 1998”.

1 **SEC. 2. DEFINITIONS.**

2 In this Act:

3 (1) LOAN COMMODITY.—The term “loan com-
4 modity” means wheat, corn, oats, rye, barley, and
5 grain sorghums.

6 (2) SECRETARY.—The term “Secretary” means
7 the Secretary of Agriculture.

8 **SEC. 3. FAIR RETURN COMMODITY LOANS FOR WHEAT AND**
9 **FEED GRAINS.**

10 (a) IN GENERAL.—

11 (1) LOANS.—For each of the 1998 and subse-
12 quent crops of a loan commodity, the Secretary shall
13 make available to producers on a farm described in
14 paragraph (2) nonrecourse fair return commodity
15 loans at such rate as the Secretary determines will
16 provide a fair return to the producers in relation to
17 the cost of production of the loan commodity.

18 (2) ELIGIBILITY.—To be eligible to obtain a
19 loan for a loan commodity under paragraph (1), the
20 producers on a farm must agree to forgo obtaining
21 a marketing assistance loan under subtitle C of the
22 Agricultural Market Transition Act (7 U.S.C. 7231
23 et seq.) with respect to the loan commodity.

24 (b) LOAN RATES.—

25 (1) WHEAT AND CORN.—

1 (A) IN GENERAL.—The loan rate for wheat
2 and corn, respectively, determined under sub-
3 section (a) shall not be less than 75 percent of
4 the simple average of the annual economic costs
5 of production of wheat and corn, respectively, in
6 the United States during the most recent 5
7 crop years for which data are available.

8 (B) CALCULATION.—The costs of produc-
9 tion under subparagraph (A) shall be based on
10 the yield for each planted acre, as determined
11 by the Secretary using the economic costs of
12 production data series of the Economic Re-
13 search Service.

14 (2) OTHER FEED GRAINS.—The loan rate for
15 grain sorghum, barley, and oats, respectively, deter-
16 mined under subsection (a) shall be established at
17 such level as the Secretary determines is fair and
18 reasonable in relation to the rate that loans are
19 made available for corn, taking into consideration
20 the feeding value of the commodity in relation to the
21 feeding value of corn.

22 (c) TERM OF LOANS.—

23 (1) IN GENERAL.—Subject to paragraph (2), a
24 fair return commodity loan made under this section
25 shall have a term of 12 months beginning on the

1 first day of the first month after the month in which
 2 the loan is made.

3 (2) EXTENSION.—The Secretary may extend
 4 the term of a fair return commodity loan made to
 5 producers on a farm for any loan commodity for 1
 6 6-month period if the Secretary determines that the
 7 extension would be beneficial to the producers in
 8 marketing the loan commodity.

9 (d) REPAYMENT RATES.—The Secretary shall permit
 10 the producers on a farm to repay a fair return commodity
 11 loan under this section for a loan commodity at a rate
 12 that is the lesser of—

13 (1) the loan rate established for the loan com-
 14 modity under subsection (b), plus interest (as deter-
 15 mined by the Secretary); or

16 (2) a rate that the Secretary determines will—

17 (A) minimize potential loan forfeitures;

18 (B) minimize the accumulation of stocks of
 19 the loan commodity by the Federal Govern-
 20 ment;

21 (C) minimize the cost incurred by the Fed-
 22 eral Government in storing the loan commodity;
 23 and

1 (D) allow the loan commodity produced in
2 the United States to be marketed freely and
3 competitively, domestically and internationally.

4 **SEC. 4. LIMITATIONS.**

5 (a) MAXIMUM QUANTITY OF LOAN COMMODITIES.—

6 The maximum quantity of a loan commodity that produc-
7 ers on a farm are eligible to place under loan to receive
8 a fair return commodity loan under this Act during any
9 crop year shall be—

10 (1) in the case of wheat, 20,000 bushels;

11 (2) in the case of corn, 30,000 bushels; and

12 (3) in the case of grain sorghum, barley, and
13 oats, a quantity that the Secretary determines is
14 equivalent to 30,000 bushels of corn.

15 (b) MAXIMUM AMOUNT OF LOANS AND PAYMENTS.—

16 (1) IN GENERAL.—The total amount of fair re-
17 turn commodity loans that a person shall be entitled
18 to receive under this Act for 1 or more loan com-
19 modities during any crop year shall not exceed
20 \$100,000.

21 (2) REGULATION.—

22 (A) IN GENERAL.—The Secretary shall
23 promulgate a regulation—

24 (i) defining the term “person” for
25 purposes of this subsection; and

1 (ii) prescribing such rules as the Sec-
 2 retary determines are necessary to ensure
 3 a fair and reasonable application of the
 4 limitation established under this sub-
 5 section.

6 (B) RELATED PROVISIONS.—Except as
 7 provided in subsection (g), the regulation shall
 8 be consistent with paragraphs (5) through (7)
 9 of section 1001 of the Food Security Act of
 10 1985 (7 U.S.C. 1308).

11 (c) ELIGIBILITY FOR LOANS AND PAYMENTS.—To be
 12 eligible for a fair return commodity loan for a loan com-
 13 modity under this Act, the producers on a farm shall—

14 (1) be individuals who own the loan commodity,
 15 directly or indirectly;

16 (2) provide resident, day-to-day labor for and
 17 management of the farm; and

18 (3) provide capital investment in—

19 (A) the operation of the farm; and

20 (B) the leasing or ownership of the farm.

21 **SEC. 5. ADMINISTRATION.**

22 (a) REGULATIONS.—Not later than 90 days after the
 23 date of enactment of this Act, the Secretary and the Com-
 24 modity Credit Corporation, as appropriate, shall promul-

1 gate such regulations as are necessary to carry out this
2 Act.

3 (b) RELATED PROVISIONS.—Subtitle E of the Agri-
4 cultural Market Transition Act (7 U.S.C. 7281 et seq.)
5 shall apply to fair return commodity loans made under
6 this Act.

7 **SEC. 6. EXTENSION OF MARKETING ASSISTANCE LOANS.**

8 Section 133 of the Agricultural Market Transition
9 Act (7 U.S.C. 7233) is amended by striking subsection
10 (c) and inserting the following:

11 “(c) EXTENSION.—The Secretary may extend the
12 term of a marketing assistance loan made to producers
13 on a farm for any loan commodity for 1 9-month period
14 if the Secretary determines that the extension would be
15 beneficial to the producers in marketing the loan commod-
16 ity.”.

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