

107TH CONGRESS
1ST SESSION

S. 1629

To provide farmers with better prices and higher profits through the marketplace.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 5, 2001

Mr. DAYTON introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To provide farmers with better prices and higher profits through the marketplace.

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

3 **SEC. 101. DEFINITIONS.**

4 Section 102 of the Federal Agriculture Improvement
5 and Reform Act of 1996 (7 U.S.C. 7202) is amended—

6 (1) by striking paragraph (2) and inserting the
7 following:

8 “(2) **CONSIDERED PLANTED.**—The term ‘con-
9 sidered planted’ means—

1 “(A) any acreage that producers on a farm
 2 were prevented from planting to a crop because
 3 of drought, flood, or other natural disaster, or
 4 other condition beyond the control of the pro-
 5 ducers on the farm; and

6 “(B) such other acreage as the Secretary
 7 considers as fair and equitable.”;

8 (2) by striking paragraph (4) and inserting the
 9 following:

10 “(4) CONTRACT ACREAGE; LOAN ACREAGE.—
 11 The terms ‘contract acreage’, and ‘loan acreage’
 12 mean (at the option of eligible owners or producers
 13 on a farm)—

14 “(A) the total crop acreage bases estab-
 15 lished for all contract commodities and loan
 16 commodities under title V of the Agricultural
 17 Act of 1949 (7 U.S.C. 1461 et seq.) that would
 18 have been in effect for the 1996 crop (but for
 19 suspension under section 171 (b)(1)); or

20 “(B) the average number of acres planted
 21 and considered planted to all contract commod-
 22 ities and loan commodities, respectively, during
 23 the 1996 through 2001 crop years, excluding
 24 any crop year in which such commodities were

1 not planted or considered planted, on the
 2 farm.”;

3 (3) by striking paragraph (9) and inserting the
 4 following:

5 “(9) FARM PROGRAM PAYMENT YIELD.—The
 6 term ‘farm program payment yield’ means the aver-
 7 age yield per planted acre for a crop for a farm for
 8 the 1996 through 2001 crop years, excluding any
 9 crop year during which—

10 “(A) producers on the farm were prevented
 11 from planting the crop because of drought,
 12 flood, or other natural disaster, or other condi-
 13 tion beyond the control of the producers on the
 14 farm; or

15 “(B) the crop was not planted or consid-
 16 ered planted on the farm.”.

17 **SEC. 201. NONRECOURSE MARKETING ASSISTANCE LOANS**
 18 **AND LOAN DEFICIENCY PAYMENTS.**

19 AMENDMENT TO THE AGRICULTURAL MARKET
 20 TRANSITION ACT.—Title I of the Agricultural Market
 21 Transition Act (7 U.S.C. 7201) is amended by inserting
 22 after subtitle H the following new subtitle:

1 “Subtitle I—Counter-Cyclical Economic Assistance for
 2 the 2002 Through 2008 Crops—Nonrecourse Mar-
 3 keting Assistance Loans and Loan Deficiency Pay-
 4 ments

5 **“SEC. 131A. AVAILABILITY OF NONRECOURSE MARKETING**
 6 **ASSISTANCE LOANS.**

7 “(a) NONRECOURSE LOANS AVAILABLE.—For each
 8 of the 2002 through 2008 crops of each loan commodity,
 9 the Secretary shall make available to producers on a farm
 10 nonrecourse marketing assistance loans for loan commod-
 11 ities produced on the farm. The loans shall be made under
 12 terms and conditions that are prescribed by the Secretary
 13 and at the loan rate established under section 132A for
 14 the loan commodity.

15 “(1) ELIGIBLE PRODUCTION.—Any production
 16 on a farm of a program participant of a loan com-
 17 modity shall be eligible for a marketing assistance
 18 loan under subsection (a) subject to the limitations
 19 established in paragraphs (2), (2)(A), (2)(B), and
 20 (3) conditions established in section 202.

21 “(2) Except as provided in section 202, the pro-
 22 ducers on a farm shall be eligible for a marketing
 23 assistance loan for a quantity of a loan commodity
 24 for a crop year under subsection (a) obtained by
 25 multiplying—

1 “(A) the number of acres planted to each
2 loan commodity on the farm, by

3 “(B) the farm program payment yield for
4 the loan commodity on the farm.

5 “(3) MAXIMUM NUMBER OF ACRES.—The pro-
6 ducers on a farm shall not be eligible for a mar-
7 keting assistance loan for production on acres plant-
8 ed to loan commodities in excess of the total pro-
9 gram crop loan acreage for the farm.

10 “(b) COMPLIANCE WITH CONSERVATION AND WET-
11 LANDS REQUIREMENTS.—As a condition of the receipt of
12 a marketing assistance loan under subsection (a), the pro-
13 ducer shall comply with the applicable conservation re-
14 quirements under subtitle B of title XII of the Food Secu-
15 rity Act of 1985 (16 U.S.C. 3811 et seq.) and applicable
16 wetland protection requirements under subtitle C of title
17 XII of the Act (16 U.S.C. 3821 et seq.) during the term
18 of the loan.

19 “(c) ADDITIONAL OUTLAYS PROHIBITED.—The Sec-
20 retary shall carry out this subtitle in such a manner that
21 there are no additional outlays as a result of the recon-
22 stitution of a farm that occurs as a result of the combina-
23 tion of another farm that does not contain eligible crop-
24 land covered by a production flexibility contract for the
25 1996 through 2002 crops.

1 “(d) OPTION TO PARTICIPATE WITH RESPECT TO
 2 2002 CROP.—Under such terms and conditions as may
 3 be prescribed by the Secretary, a producer may terminate
 4 the production flexibility contract in effect for the 2002
 5 crop, and thus forgo any right to a contract payment for
 6 the 2002 crop, in order to participate in the marketing
 7 loan assistance provided under this subtitle for the 2002
 8 crop.

9 “(e) FULL PLANTING FLEXIBILITY PROVIDED.—
 10 Notwithstanding section 118 of subtitle B, or any other
 11 provision of this Act, any commodity or crop may be plant-
 12 ed on contract acreage or other acreage on a farm.

13 “(f) USE OF COMMODITY CERTIFICATES.—Notwith-
 14 standing any other provision of law, including section 115
 15 of this Act, the Secretary may not make use of commodity
 16 certificates or the commodity loan redemption certificate
 17 program for the purposes of this subtitle, or any other
 18 purpose.

19 **“SEC. 132A. LOAN RATES FOR MARKETING ASSISTANCE**
 20 **LOANS.**

21 “(a) GENERALLY.—Loan rates for crops eligible for
 22 marketing assistance loans under section 131A for any
 23 loan commodity, as defined in section 102, to mean wheat,
 24 corn, grain sorghum, barley, oats, upland cotton, rice,
 25 extra long staple cotton, and oilseeds, including soybeans,

1 sunflower seed, rapeseed, canola, safflower, flaxseed, mus-
 2 tard seed, and other oilseeds, if designated by the Sec-
 3 retary, shall be established in accordance with this section.

4 “(b) ANNUAL DETERMINATION.—The Secretary
 5 shall, for each of the 2002 through 2008 crops, make an
 6 annual determination, in accordance with subsections (c)
 7 and (d), to establish the national and individual loan rate
 8 for each loan commodity.

9 “(c) NATIONAL AVERAGE LOAN RATE.—The na-
 10 tional average commodity marketing loan rate for each
 11 loan commodity shall be established at a rate—

12 “(1) after making weighted county loan rate
 13 adjustments, that is not less than 80 percent of the
 14 three year moving average of the full economic cost
 15 of production per unit per planted acre, and annu-
 16 ally adjusted for both the percentage change in vari-
 17 able production input expenses, and productivity
 18 changes as determined by the Economic Research
 19 Service using the best and most recently available
 20 data;

21 “(2) for each of the 2002 crops, the national
 22 average loan rate is not less than—

23 “(A) for wheat: \$3.88 per bushel;

24 “(B) for corn: \$2.40 per bushel;

25 “(C) for soybeans: \$5.36 per bushel;

1 “(D) for upland cotton: \$60.65 per hun-
2 dredweight;

3 “(E) for rice: \$8.61 per hundredweight;
4 and

5 “(3) for the 2002–2011 crops of feed grains
6 and other loan commodities closely related to those
7 identified in paragraph (2), the Secretary shall de-
8 termine the rate at a level that is fair and reason-
9 able in relation to the rate provided for the closely
10 related commodity.

11 “(4) For producers of program commodities
12 who exceed the limitations established in section 202
13 of this Act, the Secretary shall provide recourse
14 commodity marketing loans subject to the agreement
15 of eligible producers as a condition for receiving
16 such commodity marketing loans that the producer
17 agrees to repay the Commodity Credit Corporation,
18 on or before the maturity of such loans, the full
19 amount of the loan principal plus any accrued inter-
20 est on those loans.

21 “(d) INDIVIDUAL MARKETING LOAN RATES.—The
22 national average commodity marketing loan rates estab-
23 lished under subsection (c) shall be adjusted to establish
24 individual marketing loan rates for eligible producers in
25 accordance with the provisions of this subsection.

1 “(e) PAYMENTS IN LIEU OF LOANS.—For payments
 2 under this subtitle taken in lieu of loans, including loan
 3 deficiency payments made under section 135A of this sub-
 4 title, the Secretary shall develop a similar methodology as
 5 described in paragraphs (1) through (3). The methodology
 6 shall assume for the purpose of establishing the loan defi-
 7 ciency payment that the marketing loan was actually
 8 taken by the producer.

9 **“SEC. 133A. TERM OF LOANS.**

10 “(a) TERM OF LOANS.—In the case of each loan com-
 11 modity (other than upland cotton and extra long staple
 12 cotton), a marketing assistance loan under section 131A
 13 shall have a term of 9 months beginning on the first day
 14 of the first month after the month in which the loan is
 15 made.

16 “(b) SPECIAL RULE FOR COTTON.—A marketing as-
 17 sistance loan for upland cotton or extra long staple cotton
 18 shall have a term of 10 months beginning on the first day
 19 of the month in which the loan is made.

20 “(c) EXTENSIONS ALLOWED.—The Secretary may
 21 extend the term of a marketing assistance loan for any
 22 loan commodity for the purpose of establishing or main-
 23 taining any of the commodity reserves established under
 24 the Agricultural Act of 1949.

1 **“SEC. 134A. REPAYMENT OF LOANS.**

2 “(a) REPAYMENT RATES FOR WHEAT, FEED
3 GRAINS, AND OILSEEDS.—The Secretary shall permit a
4 producer to repay a non-recourse marketing assistance
5 loan under section 131A for wheat, corn, grain sorghum,
6 barley, oats, and oilseeds at a rate that is the lesser of—

7 “(1) the loan rate established for the com-
8 modity under section 132A, plus interest (as deter-
9 mined by the Secretary); or

10 “(2) a rate that the Secretary determines, con-
11 sistent with the policies and purposes of section
12 110A of the Agricultural Act of 1949, will—

13 “(A) minimize potential loan forfeitures;

14 “(B) minimize the accumulation of stocks
15 of the commodity by the Federal Government;

16 “(C) minimize the cost incurred by the
17 Federal Government in storing the commodity;
18 and

19 “(D) allow the commodity produced in the
20 United States to be marketed freely and com-
21 petitively, both domestically and internationally.

22 “(b) REPAYMENT RATES FOR UPLAND COTTON AND
23 RICE.—The Secretary shall permit producers to repay a
24 non-recourse marketing assistance loan under section
25 131A for upland cotton and rice at the rate that is the
26 lesser of—

1 “(1) the loan rate established for the com-
2 modity under section 132A, plus interest (as deter-
3 mined by the Secretary); or

4 “(2) the prevailing world market price for the
5 commodity (adjusted to United States quality and
6 location), as determined by the Secretary.

7 “(c) REPAYMENT RATES FOR EXTRA LONG STAPLE
8 COTTON.—Repayment of a marketing assistance loan for
9 extra long staple cotton shall be at the loan rate estab-
10 lished for the commodity under section 132A, plus interest
11 (as determined by the Secretary).

12 “(d) PREVAILING WORLD MARKET PRICE.—For pur-
13 poses of this section, the Secretary shall prescribe by
14 regulation—

15 “(1) a formula to determine the prevailing
16 world market price for each commodity, adjusted to
17 United States quality and location;

18 “(2) a mechanism by which the Secretary shall
19 announce periodically the prevailing world market
20 price for each loan commodity;

21 “(3) further adjustments to the prevailing world
22 market price for upland cotton, as described in sub-
23 section (e) of section 134 of this Act.

1 **“SEC. 135A. LOAN DEFICIENCY PAYMENTS.**

2 “(a) AVAILABILITY OF LOAN DEFICIENCY PAY-
 3 MENTS.—Except as provided in subsection (d), the Sec-
 4 retary may make loan deficiency payments available to
 5 producers who, although eligible to obtain a non-recourse
 6 marketing assistance loan under section 131A with respect
 7 to a loan commodity, agree to forgo obtaining the loan
 8 for the commodity in return for payments under this sec-
 9 tion.

10 “(b) COMPUTATION.—A loan deficiency payment
 11 under this section shall be computed by multiplying—

12 “(1) the loan payment rate determined under
 13 subsection (c) for the loan commodity, by

14 “(2) the quantity of the loan commodity that
 15 the producers on a farm are eligible to place under
 16 the non-recourse commodity marketing loan but for
 17 which the producers forgo obtaining the loan in re-
 18 turn for payments under this section.

19 “(c) LOAN PAYMENT RATE.—For purposes of this
 20 section, the loan payment rate shall be the amount by
 21 which—

22 “(1) the loan rate established under section
 23 132A for the loan commodity exceeds

24 “(2) the rate at which a loan for the commodity
 25 may be repaid under section 134A.

1 “(d) EXCEPTION FOR EXTRA LONG STAPLE COT-
2 TON.—This section shall not apply with respect to extra
3 long staple cotton.”.

4 **SEC. 202. PROGRAM TARGETING.**

5 (a) APPLICABILITY OF PAYMENT LIMITATIONS.—Ex-
6 cept as provided in subsections (b)–(d), the provisions of
7 sections 1001 through 1001C of the Food Security Act
8 of 1985, as amended, shall be applicable to contract pay-
9 ments made under this Act for the 2002 crops.

10 (b) SINGLE ATTRIBUTION.—The Food Security Act
11 of 1985 is amended by adding after section 1001E, the
12 following section—

13 “(b) SINGLE ENTITY.—Notwithstanding any other
14 provision of this Act, the limitations on payments provided
15 in sections 1001 through 1001C shall apply to a single
16 farming or ranching entity. Payments to a simple farming
17 entity shall not exceed the payment limitations provided
18 under this Act, the Agricultural Act of 1949, or any other
19 law.

20 “(c) USE OF TAX IDENTIFICATION NUMBER.—The
21 Secretary shall promulgate regulations to ensure that the
22 payment limitations of this title are enforced through a
23 single attribution rule. Payments to a single farming or
24 ranching entity, as described or identified by employer tax
25 identification number, shall not exceed the applicable pay-

1 ment limitation amount. Notwithstanding any other provi-
2 sion of law, such regulations issued by the Secretary shall
3 eliminate the multiple or three-entity allowance.

4 “(d) PARTNERSHIPS AND RELATED ENTITIES.—
5 With respect to partnerships and related entities which are
6 not organized as sole-proprietorships, benefits available
7 under the marketing loan provisions of subtitle I of the
8 Agricultural Act of 1949 shall be allocated according to
9 the share of production and market risk assumed by each
10 member of the entity.”.

11 (c) LIMITATION OF ELIGIBILITY OF OTHER ENTI-
12 TIES.—No individual, organization or institution with an-
13 nual gross income in excess of \$2 million shall be eligible
14 for commodity marketing loan program benefits if agricul-
15 tural production does not account for at least 75 percent
16 of that entity’s annual gross income.

17 (d) LIMITATION ON ELIGIBILITY FOR NON-RE-
18 COURSE COMMODITY MARKETING ASSISTANCE LOANS.—
19 Notwithstanding any other provisions of sections 1001
20 through 1001C of the Food Security Act of 1985 and sub-
21 ject to the provisions contained in section 202, subsections
22 (a) through (d) of this Act, the Secretary shall establish
23 a maximum number of commodity production units for
24 each program crop per individual producer that are eligi-

1 ble for non-recourse commodity marketing assistance
2 loans.

3 (e) In fulfilling the requirements of subsection (d),
4 the Secretary shall ensure producer flexibility to determine
5 which crops and the percentage volume of those crops on
6 which the producer may receive program benefits, except
7 that in no instance shall a producer be entitled to receive
8 benefits on a volume of production that exceeds 100 per-
9 cent of the production for an individual crop or the sum
10 of percentages of the maximum eligible volume of produc-
11 tion from two or more eligible crops.

12 (f) The quantity limitations established by the Sec-
13 retary shall not be more than 10 percent greater or 10
14 percent less than the quantities for each crop described
15 as follows:

- 16 (1) Wheat—125,000 bushels,
- 17 (2) Corn—225,000 bushels,
- 18 (3) Sorghum—225,000 bushels,
- 19 (4) Barley—225,000 bushels,
- 20 (5) Oats—250,000 bushels,
- 21 (6) Rice—75,000 hundredweight,
- 22 (7) Upland Cotton—10,500 hundredweight,
- 23 (8) Extra Long Staple Cotton—12,500 hun-
24 dredweight,
- 25 (9) Soybeans—100,000 bushels, and

1 (10) Minor Oilseeds—60,000 hundredweight.

2 **SEC. 203. COMMODITY RESERVES.**

3 AMENDMENT TO THE AGRICULTURAL ACT OF
4 1949.—Title 1 of the Agricultural Act of 1949 is amended
5 by adding after section 110 the following new section:

6 **“SEC. 110A. COMMODITY RESERVES.**

7 “(a) FARMER OWNED PRODUCTION LOSS RE-
8 SERVE.—

9 “(1) PURPOSE.—It is the purpose of this sub-
10 section to create a farmer owned reserve to
11 provide—

12 “(A) stocks to be released to the market-
13 place when prices rise to appropriate levels; and

14 “(B) a reserve that may be utilized to pro-
15 vide additional production assurance and eco-
16 nomic support to supplement the Federal Crop
17 Insurance Program, and for other purposes.

18 “(2) ESTABLISHMENT.—The Secretary shall es-
19 tablish and administer a farmer-owned and farmer-
20 stored reserve program under which producers of ag-
21 ricultural commodities will be able to—

22 “(A) store agricultural commodities when
23 those commodities are in abundant supply;

24 “(B) extend the time period for the orderly
25 marketing of the commodities;

1 “(C) provide for adequate carry over
2 stocks to ensure a reliable supply of commod-
3 ities;

4 “(D) replace lost production or declines in
5 crop yields for agricultural producers that par-
6 ticipate in the Federal Crop Insurance Pro-
7 gram; and

8 “(E) such other purposes which will assist
9 farmers bear the economic uncertainty of agri-
10 cultural production; or provide for the orderly
11 marketing of agricultural commodities.

12 “(3) NAME.—The agricultural commodity re-
13 serve established under this subsection shall be
14 known as the ‘Farmer Owned Production Loss Re-
15 serve’.

16 “(4) RESERVE OPEN.—The reserve shall ini-
17 tially be open to all agricultural producers to enter
18 up to 20 percent of average annual individual pro-
19 duction of crops determined eligible by the Sec-
20 retary. Additional amounts may be accepted up to
21 the maximum allowable national level established
22 under paragraph (9). No individual may enter more
23 than 20 percent of average annual production of the
24 commodity.

1 “(5) EQUITABLE PARTICIPATION.—The Sec-
 2 retary shall ensure that equitable participation op-
 3 portunities are provided to all eligible producers
 4 within the limited scope of the reserve program au-
 5 thorized by this subsection.

6 “(6) PRICE SUPPORT LOANS AND DIRECT
 7 ENTRY.—In carrying out this section, the Secretary
 8 shall provide both—

9 “(A) for direct entry into the reserve; and

10 “(B) extended price support loans, and
 11 loan discounts, for agricultural commodities. An
 12 extended loan shall be made to a producer after
 13 the expiration of the original 9-month price
 14 support loan, and the loan shall be extended at
 15 no less favorable terms than the current rate of
 16 support for the commodity.

17 “(7) PRODUCTION LOSSES.—

18 “(A) GENERALLY.—The Secretary shall
 19 administer a program to utilize the commodity
 20 reserve authorized by this subsection to allow
 21 agricultural producers that participate in the
 22 Federal Crop Insurance Program to—

23 “(i) under certain conditions, redeem
 24 and market reserve commodities at a dis-
 25 count to the entry level price; and

1 “(ii) use stocks in the reserve to offset
2 a portion of actual insurable production
3 losses not indemnified through multi-peril
4 or other buy-up crop insurance policies.

5 “(B) LOAN REPAYMENTS.—Under the pro-
6 gram authorized by this paragraph, the Sec-
7 retary shall discount the repayment amount of
8 the loan or extended loan if the actual produc-
9 tion of the commodity on the farm for any crop
10 year, as provided in paragraph (C), is less than
11 the actual production history established for the
12 farm. The amount of this discount shall be de-
13 termined by the Secretary after considering an-
14 ticipated payments from the Federal Crop In-
15 surance program, costs of production, and other
16 factors in order to provide support to the pro-
17 ducer for the full value of lost crop or reduced
18 yield.

19 “(C) REPLACEMENT FOR PRODUCTION.—
20 The Secretary shall utilize the reserve to fully
21 replace lost production for a producer when ac-
22 tual production yields for the commodity for the
23 crop year on the farm is less than 95 percent
24 of the actual production history established for
25 the farm.

1 “(D) LIMITATION.—At no time may the
 2 reserve be utilized to assist any producer in ex-
 3 cess of 20 percent of individual annual produc-
 4 tion.

5 “(8) STORAGE PAYMENTS.—The Secretary shall
 6 also provide storage payments to producers of agri-
 7 cultural commodities to maintain the reserve estab-
 8 lished under this subsection. Storage payments
 9 shall—

10 “(A) be in such amounts and under such
 11 conditions as the Secretary determines appro-
 12 priate to encourage producers to participate in
 13 the program;

14 “(B) reflect local, commercial storage rates
 15 subject to appropriate conditions concerning
 16 quality management and other factors; and

17 “(C) not be less than comparable commer-
 18 cial rates, except as provided by paragraph (B).

19 “(9) QUANTITY OF COMMODITIES IN PRO-
 20 GRAM.—The Secretary shall establish maximum
 21 quantities of commodities that may receive loans and
 22 storage payments under this subsection in such rea-
 23 sonable amounts as will enable the purposes of the
 24 program to be achieved. In no event may the reserve

1 exceed 20 percent of the average annual production
2 of the agricultural commodity.

3 “(10) DISCRETIONARY EXIT.—A producer may
4 repay a loan extended under this section at any
5 time.

6 “(b) HUMANITARIAN FOOD ASSISTANCE RESERVE.—

7 “(1) PURPOSES.—It is the purpose of this sub-
8 section to create a food reserve that will—

9 “(A) ensure the capacity of the United
10 States to fulfill its current and future commit-
11 ments for humanitarian nutrition assistance
12 programs;

13 “(B) support the International School
14 Lunch Program which will seek to prevent hun-
15 ger and malnourishment and improve edu-
16 cational opportunities among the estimated 300
17 million needy school children around the world;
18 and

19 “(C) for other purposes to meet domestic
20 and international humanitarian food relief
21 needs, and to establish and maintain a food re-
22 serve to enable the United States to meet its
23 emergency food assistance needs.

24 “(2) ESTABLISHMENT.—The Secretary is au-
25 thorized to establish and administer a government-

1 owned and farmer-stored reserve program under
2 which producers of agricultural commodities will be
3 able to—

4 “(A) sell agricultural commodities author-
5 ized by the Secretary into the reserve; and

6 “(B) store such agricultural commodities.

7 “(3) NAME.—The agricultural commodity re-
8 serve established under this subsection shall be
9 known as the ‘Humanitarian Food Assistance Re-
10 serve’.

11 “(4) PURCHASES.—The Secretary shall pur-
12 chase agricultural commodities at commercial rates
13 in order to establish, maintain, or enhance the re-
14 serve when—

15 “(A) such commodities are in abundant
16 supply; and

17 “(B) there is need for adequate carryover
18 stocks to ensure a reliable supply of the com-
19 modities to meet the purposes of the reserve; or

20 “(C) it is otherwise necessary to fulfill the
21 needs and purposes of the domestic and inter-
22 national nutrition assistance programs adminis-
23 tered or assisted by the Secretary.

24 “(5) LIMITATION.—Purchases under this sub-
25 section shall be limited to amounts of agricultural

1 commodities needed to fill one-year estimated needs
2 and commitments of the nutrition programs sup-
3 ported by the reserve. Otherwise, the Secretary may
4 establish maximum quantities of commodities in
5 such reasonable amounts as will enable the purposes
6 of the program to be achieved.

7 “(6) RELEASE OF STOCKS.—Stocks shall be re-
8 leased at cost of acquisition, and in amounts deter-
9 mined appropriate by the Secretary, when market
10 prices of the agricultural commodity exceed 100 per-
11 cent of the full economic cost of production of those
12 commodities. Cost of production for the commodity
13 shall be determined by the Economic Research Serv-
14 ice using the best available information, and based
15 on a three year moving average.

16 “(7) STORAGE PAYMENTS.—The Secretary shall
17 provide storage payments to producers that wish to
18 store agricultural commodities to maintain the re-
19 serve established under this subsection. Storage pay-
20 ments shall—

21 “(A) be in such amounts and under such
22 conditions as the Secretary determines appro-
23 priate to encourage producers to participate in
24 the program;

1 “(B) reflect local, commercial storage rates
 2 subject to appropriate conditions concerning
 3 quality management and other factors; and

4 “(C) not be less than comparable local
 5 commercial rates, except as may be provided by
 6 paragraph (B).

7 “(8) QUANTITY OF COMMODITIES IN PRO-
 8 GRAM.—The Secretary may establish maximum
 9 quantities of commodities that may receive loans and
 10 storage payments under this subsection in such rea-
 11 sonable amounts as will enable the purposes of the
 12 program to be achieved.

13 “(9) MANAGEMENT OF COMMODITIES.—When-
 14 ever fungible commodities are stored under this sub-
 15 section, the Secretary may buy and sell at an equiva-
 16 lent price, allowing for customary location and grade
 17 differentials, substantially equivalent quantities of
 18 commodities in different locations or warehouses to
 19 the extent needed to handle, rotate, distribute, and
 20 locate the commodities that the Commodity Credit
 21 Corporation owns or controls. The Secretary shall
 22 make purchases to offset such sales within a reason-
 23 able time, and shall make public full disclosure of
 24 such transactions.

25 (c) RENEWABLE ENERGY RESERVE.—

1 “(1) PURPOSES.—It is the purpose of this sub-
2 section to create a reserve of agricultural commod-
3 ities to—

4 “(A) provide feedstocks to support and
5 further the production of the renewable energy;
6 and

7 “(B) support the renewable energy indus-
8 try in times when production is at risk of de-
9 cline due to reduced feedstock supplies or sig-
10 nificant commodity price increases.

11 “(2) ESTABLISHMENT.—The Secretary is au-
12 thorized to establish and administer a government-
13 owned and farmer-stored renewable energy reserve
14 program under which producers of agricultural com-
15 modities will be able to—

16 “(A) sell agricultural commodities author-
17 ized by the Secretary into the reserve; and

18 “(B) store such agricultural commodities.

19 “(3) NAME.—The agricultural commodity re-
20 serve established under this subsection shall be
21 known as the ‘Renewable Energy Reserve’.

22 “(4) PURCHASES.—The Secretary shall pur-
23 chase agricultural commodities at commercial rates
24 in order to establish, maintain, or enhance the re-
25 serve when—

1 “(A) such commodities are in abundant
2 supply; and

3 “(B) there is need for adequate carryover
4 stocks to ensure a reliable supply of the com-
5 modities to meet the purposes of the reserve; or

6 “(C) it is otherwise necessary to fulfill the
7 needs and purposes of the renewable energy
8 program administered or assisted by the Sec-
9 retary.

10 “(5) LIMITATION.—Purchases under this sub-
11 section shall be limited to—

12 “(A) the type and quantities of agricul-
13 tural commodities necessary to provide approxi-
14 mately one-year’s estimated utilization for re-
15 newable energy purposes;

16 “(B) an additional amount of commodities
17 to provide incentives for research and develop-
18 ment of new renewable fuels and bio-energy ini-
19 tiatives; and

20 “(C) such maximum quantities of agricul-
21 tural commodities determined by the Secretary
22 as will enable the purposes of the renewable en-
23 ergy program to be achieved.

24 “(6) RELEASE OF STOCKS.—Stocks shall be re-
25 leased at cost of acquisition, and in amounts deter-

1 mined appropriate by the Secretary, when market
 2 prices of the agricultural commodity exceed 100 per-
 3 cent of the full economic cost of production of those
 4 commodities. Cost of production for the commodity
 5 shall be determined by the Economic Research Serv-
 6 ice using the best available information, and based
 7 on a three year moving average.

8 “(7) STORAGE PAYMENTS.—The Secretary shall
 9 provide storage payments to producers of agricul-
 10 tural commodities to maintain the reserve estab-
 11 lished under this subsection. Storage payments
 12 shall—

13 “(A) be in such amounts and under such
 14 conditions as the Secretary determines appro-
 15 priate to encourage producers to participate in
 16 the program;

17 “(B) reflect local, commercial storage rates
 18 subject to appropriate conditions concerning
 19 quality management and other factors; and

20 “(C) not be less than comparable local
 21 commercial rates, except as may be provided by
 22 paragraph (B).

23 “(d) COMMODITY CREDIT CORPORATION.—The Sec-
 24 retary shall use the Commodity Credit Corporation to ful-
 25 fill the purposes of this subsection. To the maximum ex-

1 tent practicable consistent with the purposes, and effective
 2 and efficient administration of this subsection, the Sec-
 3 retary shall utilize the usual and customary channels, fa-
 4 cilities and arrangement of trade and commerce.”.

5 **SEC. 204. DISCRETIONARY INVENTORY MANAGEMENT AND**
 6 **PROGRAM COST-CONTAINMENT.**

7 (a) **SHORT TITLE.**—This section may be cited as the
 8 “Discretionary Inventory Management, Program Cost-
 9 Containment, and Fiscal Responsibility Act of 2001”.

10 (b) **AMENDMENTS TO THE FEDERAL AGRICULTURE**
 11 **IMPROVEMENT AND REFORM ACT.**—Subtitle F of title I
 12 of the Federal Agriculture Improvement and Reform Act
 13 (7 U.S.C. 7201) is amended by—

14 (1) striking out the subtitle heading and insert-
 15 ing the following new heading—

16 “Subtitle F—Permanent Authorities
 17 **“CHAPTER 1—PRICE SUPPORT”**;

18 and

19 (2) by adding at the end the following new
 20 chapter—

1 **“CHAPTER 2—DISCRETIONARY INVENTORY MAN-**
2 **AGEMENT AND PROGRAM COST-CONTAIN-**
3 **MENT**

4 **“SEC. 173. DISCRETIONARY INVENTORY MANAGEMENT AU-**
5 **THORITY.**

6 “(a) **GENERALLY.**—Notwithstanding any other provi-
7 sion of this Act, or the Agricultural Act of 1949, the Sec-
8 retary may establish a voluntary inventory management
9 program for loan commodities under the provisions of this
10 section. Such program shall be established on a whole
11 farm basis and shall include total program crop acreage
12 for the farm.

13 “(b) **INCENTIVES OFFERED.**—The Secretary may
14 offer incentives, as defined in subsection (f), to agricul-
15 tural producers of loan commodities that agree to forgo
16 production on a specified percentage of the acreage plant-
17 ed to eligible commodities. The production management
18 program may be announced when the Secretary deter-
19 mines that the estimated total supply of loan commodities
20 for the next crop year, in the absence of such a program,
21 will be excessive taking into account the need for an ade-
22 quate carryover to maintain reasonable and stable supplies
23 and prices and to meet a national emergency.

24 “(c) **ACREAGE DEFINED.**—Inventory management
25 acreage must be acreage that either—

1 “(1) has previously been under a production
2 flexibility contract, or

3 “(2) was previously planted as eligible loan
4 commodities for at least three of the last five years.

5 “(d) CONSERVATION USES.—Inventory management
6 acreage shall be devoted to approved conservation and
7 wildlife uses, as defined by the Secretary. Adequate safe-
8 guards from weeds, and wind, soil, and water erosion must
9 be provided.

10 “(e) ACREAGE OPTIONS.—If announced, the inven-
11 tory management program shall offer the producer a
12 range of acreage participation options. Under such a pro-
13 gram, the Secretary shall offer producers the option to set-
14 aside 5 percent, 10 percent, 15 percent, or 20 percent of
15 total commodity acreage. Total program acreage shall in-
16 clude applicable inventory management acres from the
17 previous crop year.

18 “(f) INCENTIVE DEFINED.—

19 “(1) The incentive offered by the Secretary for
20 agreement to forgo production on a specified per-
21 centage of loan commodity production acres shall be
22 an increase in the marketing loan rates for eligible
23 commodities for the individual producer in an
24 amount that is equal to one-half of the percentage

1 of the percentage inventory management or acreage
 2 option selected under subsection (e).

3 “(2) The increase in the marketing loan rate
 4 for an individual producer, shall be as follows—if
 5 the inventory management acreage is—

6 “(A) 5 percent, then the marketing loan
 7 rate shall be increased by 2.5 percent,

8 “(B) 10 percent, then the marketing loan
 9 rate shall be increased by 5 percent,

10 “(C) 15 percent, then the marketing loan
 11 rate shall be increased by 7.5 percent, and

12 “(D) 20 percent, then the marketing loan
 13 rate shall be increased by 10 percent.

14 “(g) COMMODITY CREDIT CORPORATION.—The Sec-
 15 retary shall carry out the program authorized by this sec-
 16 tion through the Commodity Credit Corporation.

17 “(h) REGULATIONS.—The Secretary shall issue such
 18 regulations as may be necessary to carry out this section.

19 “(i) CROSS COMPLIANCE AND OFFSETTING COMPLI-
 20 ANCE.—The Secretary shall require that compliance on a
 21 farm with the terms and conditions of any other com-
 22 modity, conservation, or any other program is required as
 23 a condition of eligibility for inventory management incen-
 24 tives provided under authority of this section.”.

