

Summary of Major Provisions: House-Passed 2007 Farm Bill (H.R. 2419), Senate Ag Committee and Current Law

TITLE I:

DIRECT PAYMENTS

Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate Ag Committee Bill
Fixed, direct payments tied to historic base acres and yield. Support largely is decoupled from current production.	No change in payment rates, Reauthorized through 2012 crop year. Retains current base acres. Provides for 22% Advance payments for 2008-2011 crop years. Eliminates advanced payment in 2012 crop year.	No change in payment rates Reauthorized through 2012 crop year. Retains current base acres and creates base acres for newly-eligible crops Provides for 22% Advance payments for 2008-2011 crop years. Eliminates advanced payment in 2012 crop year.

Direct Payment Rates				
Commodity	2002 Farm Bill	H.R. 2419 House Farm Bill	Senate Farm Bill	Senate Change from 2002 Farm Bill
Wheat/Bu.	\$0.52	\$0.52	\$0.52	No Change
Corn/Bu.	\$0.28	\$0.28	\$0.28	No Change
Sorghum/Bu.	\$0.35	\$0.35	\$0.35	No Change
Barley/Bu.	\$0.24	\$0.24	\$0.24	No Change
Oats/Bu.	\$0.024	\$0.024	\$0.024	No Change
Upland Cotton/Lb.	\$0.0667	\$0.0667	\$0.0667	No Change
Rice/Cwt.	\$2.35	\$2.35	\$2.35	No Change
Soybeans/Bu.	\$0.44	\$0.44	\$0.44	No Change
Peanuts/Ton	\$36	\$36	\$36	No Change

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COUNTER-CYCLICAL PAYMENTS

Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate Ag Committee Bill
Price-based safety net makes payments when market price falls below the "target price." Formula is based on historic acreage and yields.	Retains price-based counter-cyclical payments through 2012 crop year. Retains current base acres. Modifies target prices: increases for wheat, barley, oats, soybeans, and other oilseeds; decrease for cotton. See below. Authorizes partial payments up to 40% of estimated payment rate for the 2008 through 2010 crops. No authority for advanced payments in 2011 and 2012 crop years. Requires final Counter-cyclical payments be made as soon as practicable after the end of the applicable marketing year for each crop.	Retains price-based counter-cyclical payments through 2012 crop year. Retains current base acres and creates base acres for newly eligible crops. Rebalances target prices for crops. See below. Authorizes partial payments up to 40% of estimated payment rate for the 2008 through 2010 crops. No authority for advanced payments in 2011 and 2012 crop years Requires that payments are made beginning October 1, or as soon as practicable thereafter, after the end of the applicable marketing year for the covered commodity.

Target Prices				
Commodity	2002 Farm Bill	H.R. 2419 House Farm Bill	Senate Farm Bill	Senate Change from 2002 Farm Bill
Wheat/Bu.	\$3.92	\$4.15	\$4.20	\$0.28
Corn/Bu.	\$2.63	\$2.63	\$2.63	No Change
Sorghum/Bu.	\$2.57	\$2.57	\$2.63	\$0.06
Barley/Bu.	\$2.24	\$2.73	\$2.63	\$0.39
Oats/Bu.	\$1.44	\$1.50	\$1.83	\$0.39
Upland Cotton/Lb.	\$0.7240	\$0.70	\$0.7225	(\$0.0015)
Rice/Cwt.	\$10.50	\$10.50	\$10.50	No Change
Soybeans/Bu.	5.80	\$6.10	\$6.00	\$0.20
Peanuts/Ton	\$495	\$495	\$495	No Change

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MARKETING LOANS

Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate Ag Committee Bill
Safety net for commodity prices based on actual production. Offers the option of loans with special reduced repayment terms, or cash payments (LDP) when market price is less than loan rate. Loan rate set in statute.	<p>No change in structure through 2012.</p> <p>Authorizes loan deficiency payments for those agreeing to forego obtaining a non-recourse marketing assistance loan.</p> <p>Intent is to extend current discretionary authority for payment of cotton storage through 2010. Prohibits use of CCC funds for payment of cotton storage costs when repayment rate is less than loan rate plus interest beginning with 2011 crop year.</p> <p>Modifies loan rates.</p> <p>Requires adjustments to the cotton marketing loan program, including changing calculation of cotton repayment rate to use "Far East" market price.</p> <p>Create economic adjustment assistance program (4¢/lb) for domestic users of upland cotton for construction and modernization of facilities and equipment.</p>	<p>Allow for Secretary to provide non-recourse marketing assistance loans for any quantity of a loan commodity produced on a farm for the 2008-2012 crop years.</p> <p>Authorizes loan deficiency payments for those agreeing to forego obtaining a non-recourse marketing assistance loan.</p> <p>Prohibits loan deficiency payments for extra long staple cotton</p> <p>Provides payment of cotton storage costs in the same manner and at the same rates as the Secretary provided for the 2006 crop of cotton effective for the 2008 through 2012 crop years.</p> <p>Rebalances loan rates</p> <p>Requires adjustments to the cotton marketing loan program</p> <p>Provides that the Secretary shall prescribe by regulation a formula to determine the prevailing world market price for upland cotton (adjusted to U.S. quality and location) and a mechanism by which the Secretary shall announce periodically the prevailing world market price for upland cotton.</p> <p>Create economic adjustment assistance program (4¢/lb) for domestic users of upland cotton for construction and modernization of facilities and equipment.</p>

Non-Recourse Marketing Loan Rates				
Commodity	2002 Farm Bill	H.R. 2419 House Farm Bill	Senate Farm Bill	Senate Change from 2002 Farm Bill
Wheat/Bu.	\$2.75	\$2.94	\$2.94	\$0.19
Corn/Bu.	\$1.95	\$1.95	\$1.95	No Change
Sorghum/Bu.	\$1.95	\$1.95	\$1.95	No Change
Barley/Bu.	\$1.85 (all)	\$2.50 – malt \$1.90 - feed	\$1.95 (all)	\$0.10
Oats/Bu.	\$1.33	\$1.46	\$1.39	\$0.06
Cotton/Lb. (ELS)	\$0.7977	\$0.7977	\$0.7977	No Change
Cotton/Lb (Upland)	\$0.52	\$0.52	\$0.52	No Change
Rice/Cwt.	\$6.50	\$6.50	\$6.50	No Change
Soybeans/Bu.	\$5.00	\$5.00	\$5.00	No Change
Peanuts/Ton	\$355	\$355	\$355	No Change
Graded Wool/Lb.	\$1.00	\$1.10	\$1.20	\$0.20
Nongraded Wool/Lb.	\$0.40	\$0.40	\$0.40	No Change
Honey/Lb.	\$0.60	\$0.60	\$0.72	\$0.12
Mohair/Lb.	\$4.20	\$4.20	\$4.20	No Change

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PAYMENT LIMITS

Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate Ag Committee Bill
<p>\$360,000 combined cap on direct payments, counter-cyclical payments, and marketing loans (except for repayment with certificates or forfeiture, which are unlimited). This is the amount after doubling with 3-entity rule and spouse allowances.</p> <p>\$2.5 million Adjusted Gross Income (AGI) means test (no payments if AGI is greater than the payment limit), except if 75% of AGI is from farming.</p>	<p>Changes limits by:</p> <ul style="list-style-type: none"> (1) Reducing the 3-year average Adjusted Gross Income (AGI) means test to \$1 million with no exceptions (hard cap), and (2) To \$500,000 unless more than 66.66% of AGI is from farming, and (3) Eliminates the “3-entity rule,” and (4) Requires “direct attribution” of payments to a natural person. <p>Program Specific Limits:</p> <p>Direct: \$60,000</p> <p>Counter-cyclical Payments: \$65,000 Rev. Counter-cyclical: \$65,000 Loan benefits: No Limit No generic certificates</p> <p>Beneficial Interest provisions same as current law</p> <p>This results in a \$250,000 limit on direct and counter-cyclical payments, if Spouse can successfully qualify for program benefits.</p>	<p>Changes limits by:</p> <ul style="list-style-type: none"> (1) In 2009, \$1 million Adjusted Gross Income (AGI) means test (no payments if AGI is greater than the payment limit), except if 66.66% of AGI is from farming; (2) AGI means test lowered to \$750,000 in 2010; and (3) Eliminates the “3-entity rule,” and (4) Requires direct attribution of payments to a natural person. <p>Program Specific Limits: SEE NOTE BELOW</p> <p>Direct payments: \$40,000 ACR Fixed Payments: \$40,000 Counter-cyclical Payments: \$60,000 ACR Counter-cyclical: \$60,000 Loan benefits: No Limit No generic certificates</p> <p>Beneficial Interest provisions same as current law</p> <p>This would result in a \$200,000 limit on direct and counter-cyclical payments, or ACR payments, if Spouse can successfully qualify for program benefits.</p>

NOTE: There is a strong possibility that the language included in the Senate Ag Committee mark could be interpreted to place a single inclusive limit of \$40,000 on the combined benefits provided through the traditional Direct Payment program and the proposed fixed payment component of the ACR program. The possibility for a single inclusive pay limit also exists for ACR Revenue payments and traditional Counter-cyclical program payment limit which would mean payments under both programs would be counted against a single \$60,000.

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PAYMENT LIMITS

continued

Pay Limit details	2002 Farm Bill	H.R. 2419 House Farm Bill	Senate Farm Bill
Means testing	\$2.5 million, based on 3-year average AGI	\$1.0 million for each spouse, based on 3-year average AGI	For each spouse, based on 3-year average AGI: \$2.5 million for 2008; \$1.0 million for 2009; \$750K for 2010-2012
Means testing lifted if income is X% income from farming:	75%	66.66% if between \$500K and \$1.0 million, based on 3-year average AGI	66.66%
AGI applicable to conservation payments?	Yes	Yes; AGI limit = \$2.5 million	Yes; AGI limit = \$2.5 million
Direct payment limit:	\$40,000	\$60,000	\$40,000 - <i>SEE NOTE BELOW</i>
Fixed Revenue Payment limit:	N/A	N/A	\$40,000 - <i>SEE NOTE BELOW</i>
Counter-cyclical target price payment limit:	\$65,000	\$65,000	\$60,000 - <i>SEE NOTE BELOW</i>
Counter-cyclical revenue payment limit:	N/A	\$65,000	\$60,000 - <i>SEE NOTE BELOW</i>
MLG/LDP limit:	\$75,000	No limit	No limit
Use of generic certificates?	Yes	No	No
Use of three-entity rule?	Yes	No	No
Direct attribution?	No	Yes	Yes
Overall limit	\$360,000, with 3-entity rule	\$125K per person; \$250K per married couple, if spouse qualifies for benefits	\$100K per person; \$200K per married couple, if spouse qualifies for benefits
Separate payment limit for peanuts?	Yes	Yes	Yes
Conservation payment limits?	None, except for \$450,000 aggregate limit on EQIP awards	\$60,000 for any single program and \$125,000 in total conservation program payments	None, except for \$450,000 aggregate limit on EQIP awards

NOTE: There is a strong possibility that the language included in the Senate Ag Committee mark could be interpreted to place a single inclusive limit of \$40,000 on the combined benefits provided through the traditional Direct Payment program and the proposed fixed payment component of the ACR program. The possibility for a single inclusive pay limit also exists for ACR Revenue payments and traditional Counter-cyclical program payment limit which would mean payments under both programs would be counted against a single \$60,000.

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REVENUE COUNTER-CYCLICAL OPTIONS

Current Law/Policy	House-Passed 2007 Farm Bill (H.R. 2419)	Senate Ag Committee Bill
No comparable provision.	<p>Creates new revenue counter-cyclical payment (based on national-level targets and actual revenues) producer can choose instead of traditional Counter-cyclical payments.</p> <p>Gives producers a one-time option, prior to the 2008 crop year to choose either revenue or price based payments.</p> <p>Election does not affect eligibility for Nonrecourse marketing assistance loans/benefits.</p> <p>Begins with 2008 crop year.</p> <p>Payment Acres = 85% of current base acres</p> <p>Counter-cyclical payment Yield = current CC Payment Yield</p> <p>Nat. Target Rev.: See Table Below</p> <p>Nat. Ave. Payment Yield = See Table Below</p> <p>Nat. Average Payment Rate = $\frac{[(\text{Nat. Target Rev} - \text{Nat. Actual Rev.})]}{\text{DIVIDED BY Nat. Payment Yield}}$</p> <p>Payment Amount = $\text{Nat. Ave. Payment Rate} \times \text{Payment Acres} \times \text{Counter-cyclical payment Yield}$</p>	<p>Establishes a new Average Crop Revenue option for farmers, including fixed payment rates, recourse loans, and a state-level revenue program for covered commodities and peanuts.</p> <p>Producers who choose this option are committed to it for remainder of bill.</p> <p>Election requires producer to forego traditional Direct and Counter-cyclical program payments and Nonrecourse loan benefits (remains eligible for full Recourse loans).</p> <p>Begins with 2010 crop year.</p> <p>Fixed payments = $\\$15 \times _x\% \text{ of Base Acres}$</p> <p>Payment Acres = $_x\%$ of current base acres, (between 85-100% depending on CBO score)</p> <p>Target Yield = Rolling 26 year Trend Yield, based on 1980-2006 Yield per Planted Acre</p> <p>Initial Target Price = 3-year Average CRC/RA Offer Price, subject to +/- 15% (cup/cap) per year shift limit. Three year average includes current year offer price and two preceding year CRC offer prices.</p> <p>Final Target Price = CRC/RA Harvest Price</p> <p>Target Revenue = $\text{Trend yield} \times \text{Initial Price} \times 90\%$</p> <p>Actual State Revenue = $\text{State yield / planted acre} \times \text{CRC Harvest Price}$</p> <p>Yield Factor = $\text{Producers APH Yield} / \text{Expected State Yield}$</p> <p>Payment Rate = $\text{Target Rev.} - \text{Final State Rev.}$</p> <p>Payment Formula = $(\text{Rev. Guar.} - \text{Actual State Rev.}) \times \text{Payment Acres} \times \text{Yield factor} \times 90\%$</p>

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**House Bill (H.R. 2419)
New Revenue-Based Counter-Cyclical Option**

Commodity	\$/Unit	National Target Revenue	National Payment Yield
Wheat	Bu.	149.92	36.1
Corn	Bu.	344.12	114.4
Sorghum	Bu.	131.28	58.2
Barley	Bu.	153.30	48.6
Oats	Bu.	92.10	49.8
Up. Cotton	Lb.	496.93	634
Rice	Cwt.	548.06	51.28
Soybeans	Bu.	231.87	34.1
Peanuts	Ton	683.83	1.496
Minor Oilseeds	Lb.	129.18	1167.6