USDA United States Department of Agriculture

Commodities

Sign up

The Bill requires USDA to hold a one-time sign-up. The sign-up will run from May 20 through July 12, 1996.

Except for the Conservation Reserve Program (CRP), producers who miss this one sign up, which will cover crop years 1996 through 2002, will not be eligible to enroll at a later date.

Producers on a farm with eligible cropland may sign a Production Flexibility Contract. The producer must continue to comply with the conservation and wetland protection requirements on all of the producer's farms, comply with the planting flexibility requirements, and use the contract acreage for an agricultural or related activity.

All contracts will begin with the 1996 crop, except for CRP. All contracts extend through the 2002 crop, unless ended earlier by mutual agreement of the Secretary and other parties to the contract.

At the beginning of each fiscal year, land from expiring CRP contracts may be added to existing agreements or enrolled as new agreements as the CRP contract expires. For the fiscal year the CRP contract is ended, the owner or producer has the option to choose between either the contract payments or a prorated payment under the CRP contract, but not both.

Eligibility

To enter into a contract, a person must meet one of the following criteria:

■ An owner of eligible farmland who assumes all or part of the risk of producing a crop.

■ A producer (other than an owner) with a share-rent lease of the eligible cropland, regardless of the length of the lease, if the owner enters into the same contract.

■ A producer (other than an owner) on eligible farmland who cash rents the eligible cropland under a lease expiring on or after September 30, 2002, in which case the consent of the owner is not required.

■ A producer (other than an owner) on eligible farmland who cash rents the eligible cropland under a lease expiring before September 30, 2002. The owner of the eligible crop acreage bases may also enter into the same contract. If the producer enrolls less than 100 percent of the eligible cropland in the contract, the consent of the owner is required.

■ An owner of eligible farmland who cash rents the eligible farmland with a lease term that expires before September 30, 2002, if the tenant declines to enter.

The Secretary is required to maintain adequate safeguards to protect the interests of tenants and sharecroppers.

Eligible contract acreage must have either been included in the annual acreage reduction program for at least one out of the last five crops, or have been considered planted. The definition of considered planted has been expanded to include acreage which may not have participated, but which was reported to the local Farm Service Agency office. Eligible contract acreage also includes cropland subject to a CRP contract whose term expired, or was voluntarily terminated, after January 1, 1995, or is released by the Secretary between January 1, 1995, and August 1, 1996.

An owner or producer may enroll all or a portion of the eligible cropland on the farm as contract acreage. Also, an owner or producer who enters into a contract may subsequently reduce, but not add to, the quantity of contract acreage covered by the contract.

Spending Levels

To the extent practicable, total spending levels for each fiscal year, along with each crop's share of the total are:

FY 1996	$5.570 billion
FY 1997	$5.385 billion
FY 1998	$5.800 billion
FY 1999	$5.603 billion
FY 2000	$5.130 billion
FY 2001	$4.130 billion
FY 2002	$4.008 billion

Crop Shares

Wheat	26.26%
Corn	46.22%
Sorghum	5.11%
Barley	2.16%
Oats	0.15%
Upland cotton	11.63%
Rice	8.47%

Adjustments

Each crop's share of the total for a particular fiscal year will be adjusted by:

- Adding total repayments of advance deficiency payments for the 1995 crop of the commodity;
- Adding refunds of contract payments received during the preceding fiscal year for the commodity;
- Subtracting total remaining deficiency payments for the 1994 and 1995 crops of upland cotton, feed grains, or wheat; and
- Adding $8.5 million for each fiscal year 1997-2002 for rice.

Any payments redistributed to eligible owners or producers that come from repayments of advance deficiency payments or refunds of contract payments, would not be subject to the $40,000 payment limit. However, such payments cannot exceed $50,000 per person.

For each contract, the payment quantity of a contract commodity for each fiscal year equals 85 percent of the contract acreage ***multiplied by*** the farm program payment yield.

The annual contract payment rate for each commodity equals the total spending level for that commodity for the fiscal year ***divided by*** the sum of payment quantities for all contracts of that commodity for the fiscal year.

The annual payment amount equals the payment quantity for each of the contract commodities ***multiplied by*** the respective annual contract payment rate.

Owners and producers may assign contract payments and may share the payments on a fair and equitable basis.

Payments:

Annual payments will be made no later than September 30 of each of fiscal years 1996-2002. For FY 1997-2002, a 50 percent advance payment will be made at the option of the owner or producer on December 15 or January 15 of the fiscal year. Owners and producers must give advance notice as to which date they prefer, and the date may change from year to year. For 1996, the advance payment will be made no later than 30 days after the date on which an owner's or producer's contract is approved.

1996 Estimated Payments

Commodity	50% Advance	Total
Wheat	31.0	62.0
Corn	12.0	24.0
Grain Sorghum	15.5	31.0
Barley	11.5	23.0
Oats	1.0	2.0
Upland Cotton (cents/lb.)	3.875	7.75
Rice ($/cwt.)	1.39	2.78

When final 1996 payments are made, participating producers of wheat, barley, oats and upland cotton will receive an additional payment, based on the amount of the 1995 deficiency payments required to be repaid. Also, participating producers of these commodities who have not repaid their unearned 1995-crop deficiency payments will have the amount due deducted from their final 1996 payments. For participating corn and grain sorghum producers, the additional payment and deduction of unearned 1995 deficiency payments will be made when producers receive their advance payments in fiscal year 1997.

The contract commodity payment rates are only *estimated* rates based on an assumed producer participation rate of 100 percent. Producer participation at less than 100 percent will result in a higher payment rate.

The following table gives the *estimated* contract commodity payment rates and the estimated payment rates based on the amount of the 1995 deficiency payments required to be repaid for 1996-2002:

Commodity (Cents per Bushel Unless Noted Otherwise)	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Wheat	87.0[1]	61.0	65.0	63.0	57.0	46.0	45.0
Corn	24.0	46.0[1]	36.0	35.0	32.0	26.0	25.0
Grain Sorghum	31.0	50.0[1]	42.0	40.0	37.0	30.0	29.0
Barley	32.0[1]	25.0	26.0	24.0	22.0	18.0	17.0
Oats	3.0[1]	3.0	3.0	3.0	3.0	2.0	2.0
Upland Cotton (cents/lb.)	9.06[1]	7.40	7.87	7.60	6.96	5.64	5.47
Rice $/cwt.)	2.78	2.74	2.94	2.85	2.61	2.11	2.04

[1] Includes the following estimated payment rates based on the amount of the 1995 deficiency payments required to be repaid: Wheat: $0.25/bu.; Corn: $0.13/bu.; Grain sorghum: $0.11/bu.; Barley: $0.09/bu.; Oats: $0.01/bu.; Upland cotton: 1.31 cents/lb.; Not applicable to rice.

Marketing Assistance Loans

Current loan rate formulas will be maintained for wheat, feed grains, and upland cotton. Rice loan rates are frozen at $6.50 per hundredweight. However, loan rates over the period 1996-2002 are capped at their 1995 level except for soybeans and minor oilseeds. Soybean rates will range between $4.92 and $5.26 per bushel. The range for minor oilseeds will be between $8.70 and $9.30 per hundredweight.

Producers are eligible to receive loan benefits on all production of contract commodities on the farm with a production flexibility contract, even if produced on noncontract acres. Contract farms cannot be combined with noncontract farms to increase loan eligibility. All producers are eligible for loans on ELS cotton and oilseeds on any production.

Interest rates applicable to loans are increased by 1 percentage point.

The marketing assistance loan rates for the 1996 crops are as follows:

Wheat	$2.58/bu.
Corn	$1.89/bu.
Grain Sorghum: ($3.23/cwt.)	$1.81/bu.
Barley	$1.55/bu.
Oats	$1.03/bu.
Upland Cotton	51.92 cents/lb.
Rice	$6.50/cwt.
ELS Cotton	79.65 cents/lb.
Soybeans	$4.97/bu.
Minor Oilseeds	$8.81/cwt.

Payment Limitations

The total amount of contract payments made to a person under one or more production flexibility contracts during any fiscal year may not exceed $40,000, down from the current $50,000. Marketing loan gains and loan deficiency payments are limited to $75,000 per person. The three-entity rule is retained.

Planting Flexibility

Except for fruits and vegetables, any commodity or crop may be planted on contract acreage on a farm. The planting for harvest of fruits and vegetables (other than lentils, mung beans, and dry peas) is prohibited on contract acreage, except in the following situations:

■ Harvesting double-cropped fruits and vegetables on contract acreage is permitted, without loss of payments, in any region which has a history of double-cropping contract commodities with fruits and vegetables. An individual farm does not have to have a double-cropping history, only the region.

■ Harvesting of any fruits or vegetables on contract acreage is permitted, with an acre-for-acre loss of contract payments for each contract acre planted to fruits or vegetables, if the Secretary determines that there is a history of planting fruits and vegetables on the farm.

■ Harvesting a specific fruit or vegetable on contract acreage is permitted, with an acre-for-acre loss of contract payments for each contract acre planted to the specific fruit or vegetable, if the Secretary determines that a producer has an established planting history of the specific fruit or vegetable. In such a case, the quantity harvested cannot exceed the producer's average annual planting history of the specific fruit or vegetable during the 1991-1995 crop years (excluding any crop year with 0 acres planted).

Haying and grazing restrictions have been eliminated, except for CRP acres. There are no minimum planting requirements for contract commodities.

There are no restrictions as to what a producer can plant on non-contract acres.

Transfers

A transfer of (or change in) the interest of an owner or producer in the contract acreage covered by the contract will result in the termination of the contract for that acreage, unless the new producer or owner of the acreage agrees to assume all obligations under the contract. At the request of the new producer or owner, the Secretary may modify the contract if the modifications are determined to be reasonable. If an owner or producer who is entitled to a contract payment dies, becomes incompetent, or is otherwise unable to receive the contract payment, the Secretary must continue to make the payments according to prescribed regulations.

Violations

Contracts of owners or producers who violate a requirement of their contract will be terminated on each farm in which the owner or producer has an interest. Once terminated, the owner or producer forfeits all rights to future contract payments on each farm and must refund all contract payments received during the period of the violation. However, the Secretary may determine that the violation does not justify termination, in which case the Secretary may require the owner or producer to refund part of the contract payments during the period of the violation, or to accept a reduction in the amount of future contract payments in proportion to the severity of the violation.

An owner or producer who has been foreclosed does not have to make contract repayments to the Secretary, if the Secretary determines that forgiving the repayments would be fair and equitable. The provisions of the contract continue to apply if and when the owner or producer resumes control of the contract acreage which had been foreclosed.

For more information, contact your local Farm Service Agency office, USDA.