

SECTION-BY-SECTION DESCRIPTION

Subtitle A -- Commodity Programs

Sec. 1101. Reduction of Commodity Program Payments

This section will reduce by 2.5 percent all payments that producers receive for the 2006 through 2010 crop years for the following commodities: wheat, corn, grain sorghum, barley, oats, upland cotton, extra long staple cotton, rice, soybeans, other oilseeds, wool, mohair, honey, dry peas, lentils, small chickpeas, unshorn pelts, silage, hay and peanuts. The Secretary will calculate the amount a producer is entitled to receive in direct payments, counter-cyclical payments, marketing loan gains, and loan deficiency payments and then reduce that amount by 2.5 percent. The reductions will not apply to payments made in the 2011 and subsequent crop years.

Beginning on October 1, 2005, and ending on September 30, 2007, payments received by dairy producers under the extended Milk Income Loss Contract (MILC) program will be reduced by 2.5 percent.

Sec. 1102. Forfeiture Penalty for Nonrecourse Sugar Loans

This section will assess a forfeiture penalty on nonrecourse sugar loans. The penalty will be equal to 1.2 percent of the applicable loan rate for sugarcane and sugar beets and applies to the 2006 through 2010 crops. The penalty will not apply to loans made in the 2011 and subsequent crop years.

Sec. 1103. Cotton Competitiveness Provisions

This section will eliminate the upland cotton Step 2 program as of August 1, 2006.

Sec. 1104. National Dairy Market Loss Payments

This section will extend the National Dairy Market Loss Payment program, also known as the Milk Income Loss Contract (MILC) program, through September 30, 2007. The payment factor will be reduced from 45 percent to 34 percent.

Sec. 1105. Advance Direct Payments

This section will reduce the amount a producer may receive in an advance direct payment from a maximum of 50 percent to 40 percent for the 2006 crop year and to 29 percent for each of the 2007 through 2011 crop years. The producer will still receive the full direct payment amount because the amount not advanced will be paid in the final direct payment (minus the 2.5 percent reduction required by Section 1101).

Subtitle B -- Conservation

Sec. 1201. Conservation Reserve Program (CRP)

This section will reduce the acreage cap from 39.2 million acres to 36.4 million acres through calendar year 2010. In 2011, the acreage cap will increase to 38.3 million acres. This section includes a provision to ensure that current contracts are honored.

Sec. 1202. Conservation Security Program (CSP)

This section will limit CSP expenditures to \$1.954 billion for fiscal years 2006 through 2010 and will increase the expenditure cap to \$5.2 billion for fiscal years 2006 through 2015.

Sec. 1203. Environmental Quality Incentives Program (EQIP)

This section will reduce funding for fiscal years 2006 through 2010. This provision will limit spending on EQIP to \$1.185 billion in fiscal year 2006 and \$1.270 billion in each of fiscal years 2007 through 2010. It will restore funding to \$1.3 billion in fiscal year 2011.

Subtitle C -- Miscellaneous

Sec. 1301. Initiative for Future Agriculture and Food Systems

This section will limit funding for the Initiative to \$104 million in fiscal year 2006 and \$130 million for each of fiscal years 2007 through 2010. It will restore funding to \$200 million in fiscal year 2011.

1 **TITLE I—AGRICULTURAL**
2 **PROGRAMS**

3 **SEC. 1001. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This title may be cited as the
5 “**Agricultural Reconciliation Act of 2005**”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
7 this title is as follows:

Sec. 1001. Short title; table of contents.

Subtitle A—Commodity Programs

- Sec. 1101. Reduction of commodity program payments.
- Sec. 1102. Forfeiture penalty for nonrecourse sugar loans.
- Sec. 1103. Cotton competitiveness provisions.
- Sec. 1104. National dairy market loss payments.
- Sec. 1105. Advance direct payments.

Subtitle B—Conservation

- Sec. 1201. Conservation reserve program.
- Sec. 1202. Conservation security program.
- Sec. 1203. Environmental quality incentives program.

Subtitle C—Miscellaneous

- Sec. 1301. Initiative for Future Agriculture and Food Systems.

8 **Subtitle A—Commodity Programs**

9 **SEC. 1101. REDUCTION OF COMMODITY PROGRAM PAY-**
10 **MENTS.**

11 (a) **IN GENERAL.**—Subtitle F of title I of the Farm
12 Security and Rural Investment Act of 2002 (7 U.S.C.
13 7991 et seq.) is amended by adding at the end the fol-
14 lowing:

1 **“SEC. 1619. REDUCTION OF COMMODITY PROGRAM PAY-**
2 **MENTS.**

3 **“(a) DEFINITION OF COMMODITY PROGRAM PAY-**
4 **MENTS.—**In this section, the term ‘commodity program
5 payments’ means—

6 “(1) direct payments;

7 “(2) counter-cyclical payments; and

8 “(3) payments and benefits associated with the
9 loan program, including gains from the forfeiture of
10 any commodity pledged as collateral for loans and
11 gains from in-kind payments described in section
12 166 of the Federal Agriculture Improvement and
13 Reform Act of 1996 (7 U.S.C. 7286), as determined
14 by the Secretary.

15 **“(b) REDUCTION.—**

16 **“(1) IN GENERAL.—**Notwithstanding any other
17 provision of this title, for each of the 2006 through
18 2010 crop years for wheat, corn, grain sorghum,
19 barley, oats, upland cotton, extra long staple cotton,
20 rice, soybeans, other oilseeds, wool, mohair, honey,
21 dry peas, lentils, small chickpeas, unshorn pelts, si-
22 lage, hay, and peanuts, the Secretary shall reduce
23 the total amount of commodity program payments
24 received by the producers on a farm for those com-
25 modities for that crop year by an amount equal to
26 2.5 percent of that amount.

1 “(2) MILK.—During the period beginning on
2 October 1, 2005, and ending on September 30,
3 2007, the Secretary shall reduce the total amount of
4 payments received by producers pursuant to section
5 1502 by an amount equal to 2.5 percent of that
6 amount.”.

7 (b) COMMODITIES.—

8 (1) IN GENERAL.—Title I of the Farm Security
9 and Rural Investment Act of 2002 (7 U.S.C. 7901
10 et seq.), including each amendment made by that
11 title, is amended by striking “2007” each place it
12 appears (other than in sections 1104(f), 1304(g),
13 and 1307(a)(6) and amendments made by this title)
14 and inserting “2011”.

15 (2) COTTON.—Sections 1204(e)(1) and 1208(a)
16 of the Farm Security and Rural Investment Act of
17 2002 (7 U.S.C. 7934(e)(1), 7938(a)) are amended
18 by striking “2008” each place it appears and insert-
19 ing “2012”.

20 **SEC. 1102. FORFEITURE PENALTY FOR NONRECOURSE**
21 **SUGAR LOANS.**

22 Section 156 of the Federal Agriculture Improvement
23 and Reform Act of 1996 (7 U.S.C. 7272) is amended—

24 (1) by redesignating subsections (h), (i), and (j)
25 as subsections (i), (j), and (k), respectively; and

1 (2) by inserting after subsection (g) the fol-
2 lowing:

3 “(h) FORFEITURE PENALTY.—

4 “(1) IN GENERAL.—In the case of each of the
5 2006 through 2010 crops of sugar beets and sugar-
6 cane, a penalty shall be assessed on the forfeiture of
7 any sugar pledged as collateral for a nonrecourse
8 loan under this section.

9 “(2) AMOUNT.—The penalty for sugarcane and
10 sugar beets under this subsection shall be 1.2 per-
11 cent of the loan rate established for sugarcane and
12 sugar beets under subsections (a) and (b), respec-
13 tively.

14 “(3) EFFECT OF FORFEITURE.—Any payments
15 owed producers by a processor that forfeits any
16 sugar pledged as collateral for a nonrecourse loan
17 shall be reduced in proportion to the loan forfeiture
18 penalty incurred by the processor.

19 “(4) CROPS.—This subsection shall apply only
20 to the 2006 through 2010 crops of sugar beets and
21 sugarcane.”.

22 **SEC. 1103. COTTON COMPETITIVENESS PROVISIONS.**

23 (a) IN GENERAL.—Section 1207 of the Farm Secu-
24 rity and Rural Investment Act of 2002 (7 U.S.C. 7937)
25 is amended—

1 (1) by striking the section heading and insert-
2 ing the following: “**UPLAND COTTON IMPORT**
3 **QUOTAS.**”;

4 (2) by striking subsection (a);

5 (3) by redesignating subsections (b) and (c) as
6 subsections (a) and (b), respectively;

7 (4) in subsection (a) (as so redesignated)—

8 (A) in paragraph (1)—

9 (i) in subparagraph (B), by striking “,
10 adjusted for the value of any certificate
11 issued under subsection (a),”;

12 (ii) in subparagraph (C), by striking
13 “, for the value of any certificates issued
14 under subsection (a)”;

15 (B) in paragraph (4), by striking “sub-
16 section (c)” and inserting “subsection (b)”;

17 (5) in subsection (b)(2) (as so redesignated), by
18 striking “subsection (b)” and inserting “subsection
19 (a)”.

20 (b) **FAIR.**—Section 136 of the Federal Agriculture
21 Improvement and Reform Act of 1996 (7 U.S.C. 7236)
22 is repealed.

23 (c) **EFFECTIVE DATE.**—The amendments made by
24 this section take effect on August 1, 2006.

1 **SEC. 1104. NATIONAL DAIRY MARKET LOSS PAYMENTS.**

2 (a) **AMOUNT.**—Section 1502(c) of the Farm Security
3 and Rural Investment Act of 2002 (7 U.S.C. 7982(c)) is
4 amended by striking paragraph (3) and inserting the fol-
5 lowing:

6 “(3)(A) during the period beginning on the first
7 day of the month the producers on a dairy farm
8 enter into a contract under this section and ending
9 on September 30, 2005, 45 percent; and

10 “(B) during the period beginning on October 1,
11 2005, and ending on September 30, 2007, 34 per-
12 cent.”.

13 (b) **DURATION.**—Section 1502 of the Farm Security
14 and Rural Investment Act of 2002 (7 U.S.C. 7982) is
15 amended by striking “2005” each place it appears in sub-
16 sections (f) and (g)(1) and inserting “2007”.

17 (c) **CONFORMING AMENDMENTS.**—Section 1502 of
18 the Farm Security and Rural Investment Act of 2002 (7
19 U.S.C. 7982) is amended—

20 (1) in subsection (g)(1), by striking “and sub-
21 section (h)”; and

22 (2) by striking subsection (h).

23 **SEC. 1105. ADVANCE DIRECT PAYMENTS.**

24 (a) **IN GENERAL.**—Section 1103(d)(2) of the Farm
25 Security and Rural Investment Act of 2002 (7 U.S.C.
26 7913(d)(2)) is amended in the first sentence by striking

1 “2007 crops years” and inserting “2005 crop years, up
2 to 40 percent of the direct payment for a covered com-
3 modity for the 2006 crop year, and up to 29 percent of
4 the direct payment for a covered commodity for any of
5 the 2007 through 2011 crop years,”.

6 (b) PEANUTS.—Section 1303(e)(2) of the Farm Se-
7 curity and Rural Investment Act of 2002 (7 U.S.C.
8 7953(e)(2)) is amended in the first sentence by striking
9 “2007 crops years” and inserting “2005 crop years, up
10 to 40 percent of the direct payment for the 2006 crop
11 year, and up to 29 percent of the direct payment for any
12 of the 2007 through 2011 crop years,”.

13 **Subtitle B—Conservation**

14 **SEC. 1201. CONSERVATION RESERVE PROGRAM.**

15 (a) IN GENERAL.—Section 1231 of the Food Security
16 Act of 1985 (16 U.S.C. 3831) is amended—

17 (1) in subsection (a), by striking “2007” and
18 inserting “2011”;

19 (2) in subsection (d), by striking “up” and all
20 that follows through “years” and inserting “in the
21 conservation reserve at any 1 time 36,400,000 acres
22 during the 2002 through 2010 calendar years and
23 38,300,000 acres in the 2011 calendar year”; and

24 (3) in subsection (h)(1)(A), by striking “2007”
25 and inserting “2011”.

1 (b) FUNDING.—Section 1241(a) of the Food Security
2 Act of 1985 (16 U.S.C. 3841(a)) is amended—

3 (1) in the matter before paragraph (1), by
4 striking “For” and inserting “Except as otherwise
5 provided in this subsection, for”; and

6 (2) in paragraph (1), by striking “The con-
7 servation” and inserting “For fiscal years 2002
8 through 2011, the conservation”.

9 (c) IMPLEMENTATION.—In implementing the amend-
10 ments made by this section, the Secretary of Agriculture
11 shall achieve the new maximum acreage enrollment limit
12 not later than 2 years after the date of enactment of this
13 Act without affecting conservation reserve existing con-
14 tracts.

15 **SEC. 1202. CONSERVATION SECURITY PROGRAM.**

16 (a) IN GENERAL.—Section 1238A(a) of the Food Se-
17 curity Act of 1985 (16 U.S.C. 3838a(a)) is amended by
18 striking “2007” and inserting “2011”.

19 (b) FUNDING.—Section 1241(a)(3) of the Food Secu-
20 rity Act of 1985 (16 U.S.C. 3841(a)(3)) is amended by
21 striking “not more than \$6,037,000,000” and all that fol-
22 lows through “2014.” and inserting the following: “not
23 more than—

24 “(A) \$1,954,000,000 for the period of fis-
25 cal years 2006 through 2010; and

1 “(B) \$5,200,000,000 for the period of fis-
2 cal years 2006 through 2015.”.

3 **SEC. 1203. ENVIRONMENTAL QUALITY INCENTIVES PRO-**
4 **GRAM.**

5 (a) **IN GENERAL.**—Section 1240B(a)(1) of the Food
6 Security Act of 1985 (16 U.S.C. 3839aa-2(a)(1)) is
7 amended by striking “2007” and inserting “2011”.

8 (b) **LIMITATION ON PAYMENTS.**—Section 1240G of
9 the Food Security Act of 1985 (16 U.S.C. 3839aa-7) is
10 amended by striking “2007” and inserting “2011”.

11 (c) **FUNDING.**—Section 1241(a)(6) of the Food Secu-
12 rity Act of 1985 (16 U.S.C. 3841(a)(6)) is amended by
13 striking subparagraphs (D) and (E) and inserting the fol-
14 lowing:

15 “(D) \$1,017,000,000 in fiscal year 2005;

16 “(E) \$1,185,000,000 in fiscal year 2006;

17 “(F) \$1,270,000,000 in each of fiscal
18 years 2007 through 2010; and

19 “(G) \$1,300,000,000 in fiscal year 2011.”.

20 **Subtitle C—Miscellaneous**

21 **SEC. 1301. INITIATIVE FOR FUTURE AGRICULTURE AND**
22 **FOOD SYSTEMS.**

23 (a) **IN GENERAL.**—Section 401(b)(3) of the Agricul-
24 tural Research, Extension, and Education Reform Act of
25 1998 (7 U.S.C. 7621(b)(3)) is amended—

1 (1) in subparagraph (C), by striking
2 “\$160,000,000; and” and inserting
3 “\$104,000,000;”;

4 (2) by redesignating subparagraph (D) as sub-
5 paragraph (E);

6 (3) by inserting after subparagraph (C) the fol-
7 lowing:

8 “(D) on October 1, 2006, and each Octo-
9 ber 1 thereafter through October 1, 2009,
10 \$130,000,000; and”; and

11 (4) in subparagraph (E) (as so redesignated),
12 by striking “2006” and inserting “2010”.

13 (b) **EFFECTIVE DATE.**—The amendments made by
14 subsection (a) take effect on October 1, 2005.

Agricultural Reconciliation Act of 2005

Compared to CBO March 2005 Baseline

10/19/05

Based on WEI05876 (Received 10/17/05)

Subject to Final Legislative Language

Estimate in Millions of Dollars.

Section	Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 06-10	FY 06-15
(Million Dollars)														
Subtitle A -- Commodity Programs														
1101	<u>Reduction of Commodity Program Payments</u>													
	Change in Budget Authority	0	-82	-330	-297	-297	-290	-211	-35	0	0	0	-1,296	-1,542
	Change in Outlays	0	-82	-330	-297	-297	-290	-211	-35	0	0	0	-1,296	-1,542
1102	<u>Forfeiture Penalty for Nonrecourse Sugar Loans</u>													
	Change in Budget Authority	0	0	-14	-17	-17	-17	-17	0	0	0	0	-65	-82
	Change in Outlays	0	0	-14	-17	-17	-17	-17	0	0	0	0	-65	-82
1103	<u>Cotton Competitiveness Provisions</u>													
	Change in Budget Authority	0	-14	-111	-55	-52	-50	-52	-49	-51	-51	-51	-282	-536
	Change in Outlays	0	-14	-111	-55	-52	-50	-52	-49	-51	-51	-51	-282	-536
1104	<u>National Dairy Market Loss Payments</u>													
	Change in Budget Authority	0	433	518	47	0	0	0	0	0	0	0	998	998
	Change in Outlays	0	433	518	47	0	0	0	0	0	0	0	998	998
1105	<u>Advance Direct Payments</u>													
	Change in Budget Authority	0	-518	-570	0	0	0	0	0	0	0	0	-1,088	-1,088
	Change in Outlays	0	-518	-570	0	0	0	0	0	0	0	0	-1,088	-1,088
	Subtotal -- Subtitle A													
	Change in Budget Authority	0	-181	-507	-322	-366	-357	-280	-84	-51	-51	-51	-1,733	-2,250
	Change in Outlays	0	-181	-507	-322	-366	-357	-280	-84	-51	-51	-51	-1,733	-2,250
Subtitle B -- Conservation														
1201	<u>Conservation Reserve Program</u>													
	Change in Budget Authority	0	0	4	-52	-44	-37	-41	-2	-1	-1	-2	-129	-176
	Change in Outlays	0	0	4	-52	-44	-37	-41	-2	-1	-1	-2	-129	-176
1202	<u>Conservation Security Program</u>													
	Change in Budget Authority	0	0	-54	-172	-270	-325	-271	-143	-49	-66	-117	-821	-1,467
	Change in Outlays	0	0	-54	-172	-270	-325	-271	-143	-49	-66	-117	-821	-1,467
1203	<u>Environmental Quality Incentives Program</u>													
	Change in Budget Authority	0	-15	-30	-30	-30	-30	0	0	0	0	0	-135	-135
	Change in Outlays	0	-7	-17	-24	-27	-29	-16	-9	-4	-2	0	-104	-135
	Subtotal -- Subtitle B													
	Change in Budget Authority	0	-15	-80	-254	-344	-392	-312	-145	-50	-67	-119	-1,085	-1,778
	Change in Outlays	0	-7	-67	-248	-341	-391	-328	-154	-54	-69	-119	-1,054	-1,778

Agricultural Reconciliation Act of 2005

Compared to CBO March 2005 Baseline

10/19/05

Based on WEI05876 (Received 10/17/05)

Subject to Final Legislative Language

Estimate in Millions of Dollars.

Section	Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 06-10	FY 06-15
(Million Dollars)														
Subtitle C -- Miscellaneous														
1301	<u>Initiative for Future Agriculture & Food Systems</u>													
	Change in Budget Authority	0	-56	-70	-70	-70	-70	0	0	0	0	0	-336	-336
	Change in Outlays	0	-8	-30	-52	-67	-70	-60	-35	-14	0	0	-227	-336
	GRAND TOTAL													
	Change in Budget Authority	0	-252	-657	-646	-780	-819	-592	-229	-101	-118	-170	-3,154	-4,364
	Change in Outlays	0	-196	-604	-622	-774	-818	-668	-273	-119	-120	-170	-3,014	-4,364

NOTE: FY 2006 savings do not reflect any potential action by Agriculture Appropriations Committee. Estimates adjusted for CAFTA and Energy Bills.

CBO/BAD/NRCEU