Assistance for Big Horn River Drainage System

Disaster assistance will be paid to producers who suffered losses of 1990 crops due to drought if they were affected by a lack of water due to the Indian Tribal water rights ruling on a portion of the Big Horn River drainage system. This portion is located on the Wind River Indian Reservation, Wyoming. Eligible crops include wheat, barley, oats, grass hay, and alfalfa hay. Total assistance is limited to a fund of $250,000. Producers may apply for emergency crop loss, livestock, and loan assistance. Producers will not be required to obtain multiperil crop insurance to be eligible for assistance.

Producers will not be required to refund advance deficiency payments for their 1990 wheat and feed grain crops for production losses up to 40 percent (for producers with crop insurance, 35 percent). Producers who did not choose to receive advance deficiency payments prior to the enactment of the 1990 Act may choose to do so. A producer will have until July 31, 1991, to repay any deficiency payment the Secretary determines is necessary.

Program nonparticipants will receive prevented planting credit for acreage which they could not plant in 1989 and 1990 due to drought. Prevented planted acreage cannot exceed the higher of either the 1989 acreage planted and prevented planted to the commodity for harvest minus any acreage planted in 1990, or the average of 1987, 1988, and 1989 planted and prevented planted acreage minus acreage planted in 1989. Adjustments will be made to take into account crop rotation practices.

The Secretary must make disaster payments as soon as is practicable after enactment of the 1990 Act. Before producers will receive payments, a complete application must be approved by the Secretary. Disaster payment applications are due 180 days after the enactment of the 1990 Act. Payments under this program are not subject to an advance appropriation by Congress.

These producers may elect to request and receive a 12-month deferral on payments of principal and interest due on farm loans insured or underwritten by a U.S. agency. These requests must be made within 60 days of enactment of the 1990 Act.

Emergency Grants To Assist Low-Income Migrant and Seasonal Farmworkers

The Secretary may provide emergency grants to assist low-income migrant and seasonal farmworkers. Grants would be made to public agencies or private organizations that have experience in providing emergency services to these individuals. These grants may be made when the Secretary determines an emergency or disaster has caused these farmworkers to lose income. People eligible for this assistance include those who have worked on a farm for wages during any consecutive 12-month period within the preceding 24 months, who have received at least half their total income or been employed half of their total work time in farm work, and who have an annual family income that does not exceed the higher of the poverty level, or 70 percent of the lower living standard income level. Grants may not exceed $20 million per year.

Title XXIII–Rural Development

Thomas D. Rowley

Title XXIII consolidates the rural development efforts of USDA within a newly created Rural Development Administration. This title also provides for two pilot programs, the Rural Partnership Investment Board and the State Rural Economic Development Review Panels, in up to five States each. These programs would create revolving loan funds and institute a State-level review process for funding requests. In addition, the title mandates programs to improve rural water and wastewater services, to provide access to telecommunications services, and to provide technical assistance.

Rural Development Administration

The 1990 Act amends the Consolidated Farm and Rural Development Act by establishing a Rural Development Administration (RDA) in USDA. The RDA is required to administer Farmers Home Administration (FmHA) Community and Business Programs and such other USDA rural development programs as the Secretary deems necessary. These programs include business and industry, water and waste disposal systems, and the community facility programs. FmHA will retain authority over farm lending and housing programs.

Coordination of Rural Development Efforts

The 1990 Act authorizes two 5-year programs, the Rural Investment Partnerships and the Rural Economic Development Review Panels. Up to five States may apply to participate in each of these two programs. State Governors must apply to the Secretary who will then select the States.

Rural Investment Partnerships

The 1990 Act creates a 5-year Rural Partnerships Investment Board to provide lines of credit to eligible entities in up to five States to establish local revolving loan funds. The Board will consist of the Administrators of the Rural Electrification Administration (REA), RDA, and Extension Service, and two Presidential appointees. The revolving funds would be used to leverage private and public funds to invest in or guarantee loans to local rural businesses. Local revolving funds are not required to repay the Federal seed capital.

Local rural businesses with fewer than 100 employees would be eligible for loans. No business may receive more than $250,000 of Federal funds in 1 year. No limits are placed on the total amount of loans, investments, or guarantees that each local business may receive from other sources.

All types of entities may apply to administer a revolving fund, including State and local governments, private and public nonprofit organizations, and American Indian tribes. However, to be approved, an entity must match the Federal contribution to the revolving fund with cash or commitments to participate in the investment program. Commitments can be letters of credit from banks, financial institutions, local or State governments or other entities, or other means that demonstrate a commitment by financial institutions to participate in the lending program. For low-income rural areas, revolving funds must match only 50 percent of the Federal credit line. Eligible American Indian tribal entities are exempt from matching requirements.

Financial institutions must match loans made by the local revolving fund on at least a 50-50 basis. Each local revolving loan fund may receive a line of credit up to $750,000 in Federal funding the first year, and up to $2.25 million total over the 5 years. State agencies may receive a line of credit up to $1.25 million in each year, up to a total of $3.75 million over the 5 years. The maximum amount to be received by all eligible entities in any State over the 5-year period is $10 million. A program targeting 5-15 percent of the benefits of the revolving funds to rural areas and residents with special needs must be implemented. Special needs include distressed areas and businesses which provide beneficial services like health clinics.

State Rural Economic Development Review Panels

The State Rural Economic Development Review Panels will consist of 16-member panels in up to five States and will assess, review, and prioritize requests for USDA rural development funds (such as business and industry, water and waste, and community facility program funds) within those States. The panels will rank projects based on several factors and recommend which applications should be funded by USDA. The Secretary will have final authority in deciding which applications are funded.

To be eligible for USDA rural development funds, projects must be consistent with a long-range area rural development plan. That plan, generated at the area level, must identify the geographic boundaries of the service area and establish goals and time lines based on a realistic assessment of the area's needs, resources, and potential.

Panel membership consists of up to 16 voting members who are representatives of rural areas, including the Governor or Governor's designee, representatives of statewide associations, the State director of the Federal Small Business Development Center, the State representative of the Federal Economic Development Administration, and an appointee of the Secretary.

Water and Waste Facilities

The 1990 Act removes the cap on authorization for water and waste grants.

Under another provision of the 1990 Act, the REA is authorized to lend the lower of up to 10 percent of total insured REA loans for that year, or $40 million to REA borrowers such as rural electric cooperatives for water and waste facility services. REA must prioritize communities which would not otherwise be served and are in great need of these loans. However, REA may lend only 50 percent of a proposed project's cost to REA borrowers. The balance must come from the borrower. The Secretary may reduce the interest rate on loans to assist borrowers in obtaining the balance from private lenders.

The Farm Credit System's Banks for Cooperatives may now make loans to cooperatives and municipalities for the installation, expansion, or improvement of water and waste disposal facilities in rural areas.

Rural Wastewater Treatment Circuit Rider Program

The 1990 Act creates the Rural Wastewater Treatment Circuit Rider Program to finance hiring technical specialists for wastewater systems to be shared by rural communities.

The 1990 Act also permits the Secretary to make grants to nonprofit organizations. These grants will fund regional technical assistance to local governments and related agencies to reduce water pollution, as well as to improve the planning and management of solid waste disposal facilities. These grants may cover 100 percent of the cost of providing this technical assistance.

Emergency Community Water Assistance Grant Program

The Emergency Community Water Assistance Grant Program will provide grants to assist communities in developing water sources, and in treating, storing, or distributing water. In addition, grants would be given to assist communities in complying with the requirements of the Federal Water Pollution Control Act and the Safe Drinking Water Act. At least 75 percent of the funds allocated must be given to rural communities of 3,000 or fewer inhabitants.

A new Water and Waste Facility Loans and Grants Program is established to provide grants and loans to very small, distressed rural communities which do not have access to adequate water and waste systems and are facing significant health risks. The program gives preference to colonias--rural subdivisions characterized by substandard housing, inadequate roads and drainage, and lack of adequate water or waste facilities. Loans may be given to connect water systems to individual residences.

Enhancing Human Resources

The following incentive programs are authorized to improve rural opportunities.

Distance Learning and Medical Link Programs

Incentives, in the form of loans and grants, are provided to local telephone exchange carriers, rural community facilities, and rural residents to improve the quality of phone service, to provide access to advanced telecommunications services and computer networks, and to improve rural opportunities.

REA may provide grants to encourage and improve the use of telecommunications, computer networks, and related technologies by rural end-users, including students and teachers, medical professionals, and rural community facilities. These grants can be used to fund up to 100 percent of project costs.

Rural Business Development

The Secretary may make loans at subsidized or market interest rates to improve telecommunications services in rural areas and to increase access to advanced telecommunications services and computer networks. This program strives to improve job opportunities and the business environment in rural areas.

Loans at subsidized and market interest rates are authorized for businesses, partnerships of businesses, local governments, or public agencies in rural areas to fund facilities in which loan recipients share telecommunications terminal equipment, computers, computer software, and computer hardware.

Rural Business and Emergency Assistance

This assistance is provided through grants, loans, and technical assistance.

Local Technical Assistance Grants

The Secretary is authorized to make grants to public bodies, private nonprofit community development organizations, and similar entities to identify and analyze business opportunities, as well as for training, business creation and support, regional planning, and leadership development. Such activities are to be coordinated with the Extension Service. These grants may not exceed $15 million annually.

Rural Emergency Assistance Loans

The Secretary must establish and implement a program to make short-term loans of up to $50,000 to towns or cities with a population of less than 20,000 to correct emergency conditions. These short-term loans allow communities some additional time to look for alternative financing. These loans must be repaid within 2 years.

REA Technical Assistance Unit

REA will establish a technical assistance unit for rural electric and rural telephone borrowers that will provide advice on investing in rural development, provide technical assistance on programs and systems, establish and administer pilot projects, act as an information clearinghouse, provide information on financial assistance for borrowers, and promote local partnerships and cooperation. The 1990 Act requires at least 2 percent of REA administrative funds to be applied to this new unit.

Deferment of Payment on Economic Development Loans

REA borrowers may defer their loan payments for up to 10 years if this money goes to finance rural development. The amount cannot exceed 50 percent of the cost of the development project being financed. The borrower must make a cushion of credit payment to REA equal to the amount deferred.

Rural Economic Development

By amending the Rural Electrification Act of 1936, the 1990 Act assigns additional powers and duties to REA. The powers and duties are identical to those outlined under the REA Technical Assistance Unit above. In addition, REA will also administer a Rural Business Incubator Fund.

Rural Business Incubator Fund

REA will establish a Rural Business Incubator Fund in the U.S. Treasury to provide grants and reduced interest loans to REA borrowers and to nonprofit organizations in areas sparsely served by REA borrowers. These funds will be used to promote, create, or operate business incubators in rural areas. A business incubator receiving assistance under this title is a facility in which small businesses can share premises, support staff, computers, software, hardware, telecommunications terminal equipment, machinery, janitorial services, utilities, or other overhead expenses, and where such businesses can receive technical assistance, financial advice, business planning services, or other support.

Extension Service

To encourage States to hire additional rural development specialists through the Cooperative Extension Service, the Secretary will fund 60 percent of their salaries. The Secretary will fund 100 percent of the salaries for specialists at 1890 land-grant institutions.

The Extension Service will also administer a program to provide rural citizens with training and technical and management assistance in entrepreneurship, telecommunications, and business and financial planning. In addition, the program will provide leadership training.

In cooperation with the Rural Information Center of the National Agricultural Library, the Extension Service will develop and provide a catalog of programs available to rural communities.

Rural Technology Grants

The Secretary will make grants to nonprofit institutions to establish and operate centers for rural technology or cooperative development. Such centers will strive to improve rural economic conditions through promoting the development and commercialization of new goods and services, new production processes, and new value-added enterprises.

Rural Development Research Assistance

The 1990 Act establishes a competitive research grant program for institutions examining (1) factors which influence rural economic development, (2) methodologies for investigating rural economic policy options, (3) effects of development policies and programs, (4) strategic planning of economic investments, (5) ways to improve human resources, and (6) ways to improve rural data bases used for decisionmaking. The provisions also call for a program of competitive grants to rural areas to serve as demonstration models.

Rural Electrification Provisions

The Rural Telecommunications Improvements Act in the 1990 Act amends the 1936 Rural Electrification Act. These provisions update definitions, encourage telephone company investments, and set forth general duties and prohibitions. The Rural Telephone Bank and REA should make loans that will facilitate the development and enhancement of the rural telecommunications infrastructure, making modern technology and services available at affordable rates to rural residents.

Rural Revitalization Through Forestry

The Extension Service and the Cooperative Extension Service must establish the Economic Development and Global Marketing Program to implement educational programs and provide technical assistance to create jobs, raise incomes, and increase public revenues from national forest lands in an environmentally sensitive manner. Making full use of Extension resources, the program seeks to transfer technology to natural resource-based industries, help businesses identify global marketing opportunities, and train local leaders in strategic economic development.

National Forest-Dependent Rural Communities Economic Diversification Act of 1990

The 1990 Act seeks to provide assistance to certain rural communities to diversify their economies beyond forest-based goods and services to improve their well-being. The 1990 Act specifically calls for action teams comprised of Forest Service personnel and other USDA personnel, as well as employees from other Federal and State departments and the private sector. These teams will formulate and implement plans to upgrade existing industries to use forest resources more efficiently and diversify the economic base of rural communities. Grants and loans are also authorized to help communities secure technical assistance and services to aid them in forming and implementing their action plans. Funding is authorized at 5 percent of the revenue generated from national forest lands. The Federal contribution cannot exceed 80 percent of the total cost of implementation.

Miscellaneous Provisions

The 1990 Act includes the following miscellaneous provisions to promote rural development.

National Rural Information Center Clearinghouse

The Secretary must establish a National Rural Information Center Clearinghouse. The Clearinghouse will be coordinated with the Extension Service and housed within the National Agricultural Library. The Clearinghouse is to provide and distribute information and data about programs and services for rural assistance. To the extent possible, the National Agricultural Library will use telecommunications technology to disseminate information to rural areas.

Monitoring the Economic Progress of Rural America

The Bureau of Census must expand its data collection efforts and obtain data on rural conditions, such as employment, poverty, income, and other information about the rural labor force.

Other Provisions

Other provisions in the 1990 Act call for:

- Loan rates for health care facilities based solely on the income of the area to be served.

- Debt restructuring and loan servicing for FmHA community hospital and health care facility loans.

- An Office of Technology Assessment study of the feasibility of ensuring that rural citizens in their homes and schools can access information in a national library through computers.

- Grants to statewide private nonprofit public television systems with predominantly rural coverage to demonstrate the effectiveness of providing information to rural residents.

- Grants to financially stressed farmers, dislocated farmers, and rural families for counseling and crisis management assistance, and for developing income and employment alternatives.

- The Rural Health and Safety Education Act of 1990 to provide grants for health education and farm safety education programs.

- A grant to establish a demonstration project for improving rural health infrastructure.

- The inclusion of questions about agricultural accidents and farm safety in the 1992 Census of Agriculture.

- Encouragement of private contracting in rural areas to replace government enterprises where feasible to promote local job creation and private sector investment in rural communities.

Title XXIV–Global Climate Change

Susan L. Pollack

Title XXIV establishes the Global Climate Change Program in USDA, under the leadership of a program director designated by the Secretary. The director is to coordinate policy analysis, long-range planning, research, and response strategies relating to climate change issues; act as liaison with other Federal agencies through the Office of Science and Technology Policy; inform USDA of scientific developments and policy issues relating to effects of climate change on agriculture and forestry; recommend alternative courses of action to the Secretary; and ensure that USDA's research, planning, and decisionmaking recognize the potential of climate change.

The Secretary must study the effects of global climate change on agriculture and forestry. The study must address the effects of simultaneous increases in temperature and carbon dioxide on crops of economic significance, more frequent or more severe weather events on such crops, and potential changes in hydrologic regimes on current yields. The study must also address the economic effects of widespread and increased drought frequency in the South, Midwest, and Plains States, and changes in pest problems due to higher temperatures. If the results of the study warrant, the Secretary must conduct further studies to address ways of mitigating the effects of global climate change on crops of economic significance. A study also is required for the effects of climate change on forests. The results of the studies are due within 3 years for crops and 6 years for forestry to the House and Senate agriculture committees. Interim studies, with recommendations for actions which may mitigate the negative effects and for adaptation to global climate changes are due to the House and Senate agriculture committees each year. The Secretary must also establish a technical advisory committee to provide advice concerning the major study areas.

International Forestry

The Secretary must establish an Office of Deputy Chief for International Forestry within the Forest Service within 6 months of enactment of the 1990 Act. The Secretary must also expand the Institute of Tropical Forestry in Puerto Rico and the Institute of Pacific Islands Forestry. These institutes must conduct research on forest management and natural resources.

Renewable Resources

This provision amends the Forest and Rangeland Renewable Resources Planning Act of 1974. It requires the Secretary, when preparing the Renewable Resource Assessment, to include analyses of (1) the potential effects of global climate change on the condition of renewable resources on domestic forests and rangelands, and (2) the rural and urban forestry opportunities to mitigate the buildup of atmospheric carbon dioxide and reduce the risk of global climate change. The next assessment is not due until 1999.

The 1990 Act amends the Renewable Resource Program to include within its recommendations to the Forest Service an account of the effects of global climate change on forest and rangeland conditions, including potential effects on the geographic ranges of species, and on forest and rangeland products.

Urban Forestry Demonstration Projects

The Secretary is authorized to undertake a study and pilot project to demonstrate the benefits of retaining and integrating forests in urban development. These programs are to be set up through the Forest Service's Northeastern Area State and Private Forestry Program.

Biomass Energy Demonstration Projects

The Secretary, in consultation with the Secretary of Energy, may set up projects that demonstrate the potential of short-rotation silvicultural methods to produce wood for electricity production and industrial energy needs.

Interagency Cooperation To Maximize Biomass Growth

The Secretary may enter into an agreement with the Secretary of Defense to study reforestation and improved management of Department of Defense military installations and lands and to develop a program to manage these areas to maximize their potential for biomass growth and to sequester carbon dioxide.

Title XXV--Other Related Provisions

Susan L. Pollack

Title XXV contains a variety of provisions largely independent of the other titles. These provisions include assistance for socially disadvantaged farmers and ranchers, pet protection, control and eradication of plant and animal pests and pseudorabies, and various studies and reports. The Secretary is also authorized to rank by priority the studies and reports of the 1990 Act and determine which ones will be completed. At least 12 studies or reports must be completed.

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers

The Secretary must provide outreach and technical assistance to encourage and assist socially disadvantaged farmers and ranchers to own and operate farms and ranches and to participate in agricultural programs. Socially disadvantaged is defined as being one of a group that has been subjected to racial or ethnic prejudice.

The assistance should include information on application and bidding procedures, farm management, and other information essential for participating in farm programs. Also, the Secretary must designate, from existing Federal personnel, resource persons to work with State Cooperative Extension Services to implement activities for socially disadvantaged farmers and ranchers.

The Secretary may make grants and enter into contracts and other agreements with any community-based organization or post-secondary educational institutes originally developed for those considered socially disadvantaged. These organizations and institutions have to demonstrate experience in providing agricultural education or similar services to socially disadvantaged family farmers.

The Secretary must report to the House and Senate agriculture committees by September 30, 1992, and every 2 years thereafter, on the efforts of the Secretary to improve participation of socially disadvantaged farmers and ranchers in agricultural programs, on the specific participation goals established for each program and the results achieved for each, and USDA's progress toward meeting the goals it set. The Secretary must also analyze USDA's affirmative action programs and policies and present a report to the agriculture committees within 1 year of enactment of the act.

Narrowing the Defense Exception to the Farmland Protection Policy Act

This provision would allow the acquisition or use of farmland for defense purposes only during a national emergency.

Protection of Pets

The Animal Welfare Act is amended to extend protection for pets. The amendment requires government-owned pounds or shelters, privately owned establishments which operate as a pound or shelter, or research facilities which acquire a dog or cat to hold the animal for at least 5 days so that it can be recovered by the original owner or adopted before it is sold to a dealer. To prevent trafficking in stolen pets, dealers are prohibited from selling dogs and cats they did not breed themselves without proper certification. Other recordkeeping and reporting requirements are also established to protect these animals.

Control and Eradication of Plant Pests and Animal Disease

Under these provisions, the Secretary's authority to cooperate with foreign countries to control plant pests and communicable animal disease as well as ways of transmitting them is expanded to include all countries.

Pseudorabies Eradication

The Secretary must establish and carry out a program to eradicate pseudorabies in the U.S. swine population.

Inspection Services

The Secretary may enter into reimbursable agreements with operators or owners of vessels or aircraft to provide inspection services at points of entry that are not normally staffed as points of entry in the United States. The purpose of the inspection services is to carry out regulations prohibiting or restricting entry of materials that may harbor pests or disease in addition to the regular or on-call services currently available in connection with these vehicles.

The Secretary may set and collect fees to cover the cost of providing agricultural quarantine and inspection services in connection with animals and plants arriving in U.S. territories. The provision covers commercial vessels, aircraft, trucks, rail cars, and passengers. Also, the Secretary may set and collect fees to cover costs associated with importation of animals, export certification of animals and plants and their products, and the provisions of the veterinary diagnostic services.

Commodity Program Budget Forecast Accuracy and Costs of Production

To improve the accuracy of commodity program benefit forecasts, the Secretary should designate a single organization to manage the forecasting and establish a quality control program to systematically identify the source of forecasting errors. This organization will also maintain records of data used for supply and demand forecasts, document its forecasting methods, and correct weaknesses in its various components.

The Secretary must annually publish a report analyzing the return on assets resulting from the production of upland cotton, rice, corn, oats, barley, grain sorghum, soybeans, peanuts, and sugar from sugar beets and raw sugar from sugarcane. In the analysis, the Secretary must consider returns from agricultural price support programs, the effects of these programs on cost of production, the factors currently used by USDA cost of production data, current land value, and any other information considered necessary to accurately reflect return on the production of these crops.

Farm Value of Agricultural Products

The Secretary must develop a system for informing the ultimate consumer of the approximate amount of money paid to the agricultural producer for each primary commodity contained in retail products. The Secretary must submit an annual report to Congress with this information.

Commodity Reports

The Secretary must gather data from producers to be used to develop crop reports to be distributed during the growing season. The reports must contain a statement on crop conditions by State, with explanations, comparisons, and other information that will be useful for illustrating the reports.

In addition to these reports, the Secretary also must annually survey producers for information for reports regarding supply, acreage, production, disposition, and prices for commodities. The commodities, as determined by the Secretary, include: 25 fresh market vegetables, 3 processing vegetables, 6 fruits and nuts, 17 forage and turf seeds, 50 vegetable seeds, and maple syrup. The Secretary must prepare a report each year with the results of the surveys in States determined by the Secretary.

The Secretary must survey producers for information for reports regarding fruit tree and nut tree inventories. These surveys and reports shall be done every 3 to 5 years, as determined by the Secretary.

Scarce Federal Resources

After concurrence with the chairperson and ranking members of the House and Senate agriculture committees, the Secretary may rank by priority the studies or reports authorized by the 1990 Act and determine which ones will be completed. At least 12 studies or reports must be completed.

Study of Transportation of Fertilizer and Agricultural Chemicals to Farmers

The Secretary must study the transportation of fertilizer, agricultural crop protection chemicals, and agricultural hazardous use materials, such as fuel, to the farm. The study must include a review and analysis of (1) the transportation of fertilizer, fuels, and agricultural pesticides to farms by farmers, hired farm labor, and agribusiness, including safety practices used, the type of equipment used, roads traveled, employees engaged in the transportation, and any significant distinctions between transportation by retail dealers and transportation by farmers; (2) Federal and State requirements imposed on the transportation of fertilizer, fuel, and agricultural pesticides by these individuals, including commercial driver's license requirements, driver qualification requirements, alcohol and drug testing requirements, and worker safety requirements; (3) the compliance by farmers and retail dealers and their employees with Federal and State requirements and the cost associated with compliance; (4) the safety history associated with transporting fertilizers, fuel, and pesticides by farmers and retail dealers and their employees; and (5) the effect on rural communities, employment, and the cost and availability of these products associated with complying with requirements.

The Secretary must publish a report of the study within 18 months after the enactment of the 1990 Act.

Appendix I: The Omnibus Budget Reconciliation Act of 1990

Susan L. Pollack

Title I of the Omnibus Budget Reconciliation Act of 1990, entitled the Agricultural Reconciliation Act of 1990, contains several provisions which reduce the amount of USDA spending by an estimated $14 billion over 5 years. The 1990 Budget Act also includes technical corrections to the 1990 Act. These corrections have already been incorporated in this text.

Triple Base Provision

The triple base provision amends the wheat, feed grains, upland cotton, and rice provisions of the 1949 Act. For 1991-95 program crops, instead of receiving deficiency payments based on 100 percent of the crop acreage base less any reduced acreage (Acreage Reduction Program [ARP] or any Paid Land Diversion Program [PLD]), payments will be based on 85 percent of the crop acreage base less any reduced acreage. The 15-percent difference is referred to as normal flex acreage (NFA). The flexibility provisions in the 1990 Act still apply to the NFA (see "Title XI--General Commodity Provisions"). Producers also have the option of flexing an additional 10 percent of the farm's base (called optional flex acreage) as provided under the 1990 Act.

Calculation of Deficiency Payments Based on 12-Month Average

For the 1994-95 crop years, deficiency payment computations will be based on the lesser of either the 12-month national weighted average price (using the marketing year for wheat and feed grains and the calendar year for rice), or the national weighted market average for the first 5 months plus 10 cents per bushel for wheat, plus 7 cents per bushel for feed grains, or plus an appropriate amount that is determined to be fair and equitable in relation to wheat and feed grains for rice.

This calculation is a change from the present 5-month average. Cotton is already calculated on a calendar year basis. Eligible producers of 1991 winter wheat crops can choose between either receiving deficiency payments based on the 12-month period or accepting the 15-percent triple base provision.

Acreage Reduction Program for 1991 Wheat and Corn Crops

The maximum wheat ARP for 1991 is 15 percent. The ARP for the 1991 corn crop must be at least 7.5 percent.

Acreage Reduction Programs for 1992-95 Crops

Minimum ARP's for wheat are set for the following crop years at:

6 percent for 1992,
5 percent for 1993,
7 percent for 1994, and
5 percent for 1995.

The minimum ARP for corn, grain sorghum, and barley for these crop years is set at 7.5 percent.

If the Secretary estimates the stocks-to-use ratio for wheat will be less than 34 percent, or for corn, grain sorghum, and barley less than 20 percent, then the minimum ARP levels will not apply to the respective crop.

If the Secretary determines that the quantity of U.S. soybeans on hand on the first day of the 1991 soybean marketing year (excluding any of the 1991 crop) will be less than 325 million bushels, these minimum ARP levels will not apply to any of the 1992 through 1995 crops of wheat and feed grains.

Loan Origination Fees, Marketing Assessments, and Reduction in Price Received

Loan origination fees and assessments are imposed as follows:

- Oilseeds--A loan origination fee equal to 2 percent of the national average loan level on the quantity of oilseeds pledged as collateral for a price support loan or the quantity of oilseeds on which a loan deficiency payment was made.
- Peanuts--An assessment equal to 1 percent of the national average quota or additional peanut support rate to be shared by producers and handlers.
- Sugar--An assessment equal to 0.18 cents per pound of raw cane sugar on all sugar processed from domestically produced sugarcane and an assessment equal to 0.193 cents per pound of beet sugar on all sugar processed from domestically produced sugar beets.
- Honey--An assessment in an amount equal to 1 percent of the national average price support level on all domestically produced honey extracted and marketed through handlers.
- Wool and mohair--An assessment equal to 1 percent of the incentive payments.
- Tobacco--An assessment in an amount equal to 0.5 percent of the national average price support level for a crop of tobacco to be paid by both the producers and the buyers.

For dairy there is a reduction in the price received by producers for all milk produced in the United States equal to 5 cents per hundredweight (cwt) for calendar year 1991 and 11.25 cents per cwt for 1992-95. Producers who can prove they did not increase their milk marketings from year-earlier levels will be refunded the reduced amount.

Other Agricultural Programs

The 1990 Budget Act also amends the credit title and the Rural Electrification Act as well as includes a General Agreement on Tariffs and Trade (GATT) trigger to enable the Secretary to implement changes in the farm programs should the GATT negotiations fail.

<u>Rural Electrification Administration Loans</u>

The Rural Electrification Administration (REA) must reduce direct electric and telephone loans for each of the next 5 fiscal years. Insured loans from the REA may be made for each fiscal year in amounts equal to the following levels reduced by 25 percent (see table 4).

The funds made available from the reductions in insured loans in each fiscal year may be used for guaranteed loans. The amount of the guarantee must be 90 percent of the principal of, and interest on the loan, and made only upon the borrower's request. No guarantees may be made for loans made by the Federal Financing Bank, the Rural Telephone Bank, or other Federal lending agencies.

Table 4--REA authorization levels, fiscal years 1991-95

Type of loan	1991	1992	1993	1994	1995
			Million dollars		
Direct (insured) loans	896	932	969	1,008	1,048
Guaranteed loans	224	234	244	256	267

The reduction in the insured loans must be allocated between the electric and telephone programs for each fiscal year in proportion to the amount of insured funds made available for each program in the annual appropriations acts. If the amount of an insured/electric loan is reduced, the borrower may choose to obtain capital to replace the reduced amount with the assistance of a guaranteed loan, from internally generated funds of the borrower, from private credit sources with a lien accommodation provided by the Administrator of REA, or from other private sources.

Farmers Home Administration Loans

The Farmers Home Administration (FmHA) must make substantial reductions in direct (insured) loans by shifting a certain amount each fiscal year to guaranteed loans (see table 3 in "Title XVIII--Credit" for original levels). The amounts of reduction, which will be made available for guaranteed loans for each fiscal year are:

$482 million in 1991,
$614 million in 1992,
$760 million in 1993,
$859 million in 1994, and
$907 million in 1995.

The ratio of insured farm ownership to total insured loans is to remain the same after the reduction. If more than 70 percent of the number of loans guaranteed in each fiscal year have been guaranteed to someone who has not previously received an insured loan, the amounts which will apply for the immediately succeeding fiscal year, in lieu of the dollar amounts specified above for transfer to guaranteed loans, will each be the dollar amount, multiplied by the quotient of the number of persons provided with guaranteed loans in the fiscal year who did not previously receive an insured or guaranteed loan under this act, divided by the total number of persons provided with guaranteed loans in the fiscal year.

To facilitate the offset, the existing Interest Rate Reduction Program is modified by eliminating the matching requirement for private lenders. Also, the program is extended for 2 years, until 1995; its Demonstration Project for Purchase of Farm Credit System Land is extended another year until 1992.

Inspection User Fee

The Animal and Plant Health Inspection Service (APHIS) is authorized to collect fees to cover the cost of providing agricultural quarantine and inspection services in connection with the arrival of international passengers on commercial vessels and aircraft.

GATT Trigger

A two-tier trigger mechanism is established that would require specific commodity and export program adjustments to be implemented or considered by the Secretary in the event an agreement on agricultural trade reform is not achieved in the Uruguay Round of multilateral trade negotiations under the GATT.

If the United States has not entered into such an agreement by June 30, 1992, the Secretary may waive any minimum level of any acreage limitation program for any 1993-95 program crops. In addition, the Secretary must increase the export promotion programs by $1 billion during fiscal years 1994 and 1995, and establish marketing loan programs for the 1993-95 wheat and feed grain crops. These measures would not be required if the President certified that the failure to enter into an agricultural trade agreement in the Uruguay Round resulted, in part or in whole, because the "fast track" procedures were not available with respect to legislation necessary to implement an agreement.

Also, if an agreement has not been entered into force for the United States by June 30, 1993, the Secretary must consider waiving all or part of the reductions in agricultural spending required by title I of this act, increasing the level of funds made available for export programs, and establishing a marketing loan program for the 1993-95 wheat and feed grain crops.

Appendix II: Glossary

Acreage reduction program (ARP). A voluntary land retirement program conducted by the Commodity Credit Corporation (CCC) in which participating farmers idle a prescribed portion of their crop acreage base of wheat, feed grains, cotton, or rice. The base is the average of the acreage planted for harvest and considered to be planted for harvest for the previous 5 years. Acreage considered to be planted includes any acreage not planted because of acreage reduction and diversion programs during a period specified by law. Farmers are not given a direct payment for ARP participation, although they must participate to be eligible for benefits such as CCC loans and deficiency payments. Participating producers are sometimes offered the option of idling additional land under a paid diversion program, which gives them a specific payment for each idled acre.

Advance deficiency payments. A portion of eligible deficiency payments made to crop producers when they sign up for Federal commodity programs. The Secretary is required to make advance payments when an ARP is in effect and deficiency payments are expected to be paid. Advance deficiency payments can range from 30 to 50 percent of expected payments, depending on the crop. Up to 50 percent of the advance payment may be made as commodity certificates. If total deficiency payments are less than the advance amount, producers must refund the excess portion.

Agricultural Marketing Service (AMS). A USDA agency that administers a variety of programs concerning the marketing of agricultural commodities. These programs include grading and inspection, marketing orders, and research and promotion programs. AMS's responsibilities include establishing standards for grades of cotton, tobacco, meat, dairy products, eggs, and fruits and vegetables. The agency also operates the Federal-State market news service, in cooperation with 44 States, the District of Columbia, and 3 territories, reporting up-to-the-minute information on prices, supply, and demand for most agricultural commodities.

Agricultural Research Service (ARS). A USDA agency which conducts basic, applied, and developmental research of regional, national, and international scope. ARS conducts research in the areas of livestock; plants; soil, water, and air quality; energy; food safety and quality; nutrition; food processing, storage, and distribution efficiency; nonfood agricultural products; and international development.

Agricultural Stabilization and Conservation Service (ASCS). A USDA agency delegated responsibility for administering farm price and income support programs, including Commodity Credit Corporation programs, as well as some conservation and forestry cost-sharing programs, environmental protection programs, and emergency programs. ASCS offices are maintained in nearly all farming counties.

Alternative agricultural product. A new use, application, or material that is derived from an agricultural commodity.

Alternative farming. Production methods other than energy- and chemical-intensive one-crop farming (monoculture). Alternatives include using animal and green manure rather than chemical fertilizers, integrated pest management instead of chemical pesticides, reduced tillage, crop rotations especially with legumes, alternative crops, or diversification of the farm enterprise.

Animal and Plant Health Inspection Service (APHIS). A USDA agency that conducts regulatory and control programs to protect animal and plant health.

Aquaculture. The production of aquatic plants or animals in a controlled environment, such as ponds, raceways, tanks, or cages, for all or part of their life cycle. In the United States, baitfish, catfish, clams, crawfish, freshwater prawns, mussels, oysters, salmon, shrimp, tropical (or ornamental) fish, and trout account for most of the aquacultural production. Less widely established but growing species include alligator, hybrid striped bass, carp, eel, red fish, northern pike, sturgeon, and tilapia.

Assessment programs. Programs requiring producers to pay a fee per unit of production in order to share program costs with the Government.

Basic commodities. Six crops (corn, cotton, peanuts, rice, tobacco, and wheat) specified by legislation as price supported commodities.

Biotechnology. The use of technology, based on living systems, to develop processes and products for commercial, scientific, or other purposes. These include specific techniques of plant regeneration and gene manipulation and transfer.

Blended credit. A form of export subsidy which combines direct government export credit and credit guarantees to reduce the effective interest rate.

Byproduct. A secondary product resulting from the processing of a primary product. For example, bloodmeal and bonemeal used as fertilizers are byproducts of livestock slaughter.

Cargo preference. A law that requires a certain portion of goods or commodities financed by the U.S. Government to be shipped on U.S. flag ships. The law has traditionally applied to P.L. 480 and other concessional financing or donation programs.

Carryover. Existing supplies of a farm commodity at the beginning of a new harvest for a commodity (end of the marketing year). It is the remaining stock carried over into the next year.

Checkoff programs. Research and promotion programs authorized by law and financed by assessments. The programs are paid for by specified industry members such as producers, importers, and handlers.

Child and Adult Care Food Program. Provides cash reimbursements and USDA-donated foods or cash equivalents to nonprofit family and group day-care homes, child-care centers, after-school-hours centers, and adult day-care centers based on the number of breakfasts, lunches, suppers, and snacks served.

Class I, II, and III milk. A system to divide Grade A milk under Federal milk marketing orders (and most State regulations) based on the products made from the milk. The prices for each class of milk are different. Some Federal milk marketing orders have three classes and others only two. The products included in each class vary according to the number of classes in the order.

In orders with three classes:

> **Class I** is milk used in fluid milk products (whole, lowfat, skim, flavored, and buttermilk).
>
> **Class II** is milk used to produce soft manufactured products such as cream, sour cream, ice cream, cottage cheese, and yogurt.
>
> **Class III** is milk used in other (hard) manufacturing products such as cheese, butter, canned milk, and nonfat dry milk.

In orders with only two classes, Classes II and III are combined into Class II.

Commodity certificates. Payments issued by the Commodity Credit Corporation (CCC) in lieu of cash payments to program participants. Holders of the certificates may exchange them with the CCC for CCC-owned commodities.

Commodity Credit Corporation (CCC). A federally owned and operated corporation within the USDA. The CCC was created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. The CCC functions as the financial institution through which all money transactions are handled for agricultural price and income support and related programs. The CCC also helps maintain balanced, adequate supplies of agricultural commodities and helps in their orderly distribution. The CCC does not have any operating personnel or facilities.

Commodity distribution. Donation of food products by the Federal Government to needy persons, schools, and institutions, generally through the States. The commodities donated are generally in surplus, meaning supplies exceed requirements or prices are below desired levels.

Commodity Supplemental Food Program (CSFP). A program initiated in 1968 to provide benefits to infants, children up to age 6, women during pregnancy and up to 6 weeks postpartum, and breastfeeding women up to 12 months postpartum. Under the CSFP, USDA purchases foods, such as fruit juice, beef, egg mix, and canned corn, and distributes them to eligible women, infants, and children through State and local agencies. USDA's Food and Nutrition Service determines the quantity of food required and makes allocations.

Concessional sales. Credit sales of a commodity in which the buyer is allowed more favorable payment terms than those on the open market. For example, title I of the Food for Peace Program (P.L. 480) provides for financing sales of U.S. commodities with low-interest, long-term credit.

Conservation compliance provision. Requires farmers with highly erodible cropland to implement an approved conservation plan. The plan must be completed by 1995 for the farm operation to remain eligible for specified Federal program benefits.

Conservation district. Any unit of local government formed to carry out a local soil and water conservation program.

Conservation easement. A partial interest in land usually held by a government entity which limits the uses of the property, or prohibits certain actions, in order to achieve certain conservation objectives. When using the farm of a reserved interest deed, the grantee acquires all rights, title, and interest in a property, except those rights that might run with the land expressly reserved by a grantor.

Conservation plan. A combination of land uses and practices to protect and improve soil productivity and to prevent soil deterioration. A conservation plan must be approved by the local conservation district for acreage offered in the Conservation Reserve Program. The plan sets forth the conservation measures and maintenance that the owner or operator will carry out during the term of the contract.

Conservation practices. Methods which reduce soil erosion and retain soil moisture. Major conservation practices include conservation tillage, crop rotation, contour farming, stripcropping, terraces, diversions, and grassed waterways.

Conservation Reserve Program (CRP). This program was authorized by the Food Security Act of 1985. It is designed to reduce erosion on 40-45 million acres of farmland. Under the program, producers who sign contracts agree to convert highly erodible cropland to approved conservation uses for 10 years. In exchange, participating producers receive annual rental payments and cash or payments-in-kind to share up to 50 percent of the cost of establishing permanent vegetative cover.

Conservation tillage. Any of several farming methods that provide for seed germination, plant growth, and weed control, yet maintain effective ground cover throughout the year and disturb the soil as little as possible. The aim is to reduce soil loss and energy use while maintaining crop yields and quality. No-till is the most restrictive (soil-conserving) form of conservation tillage. Other practices include ridge-till, strip-till, and mulch-till.

Conserving uses. Land idled from production and planted in a soil-conserving crop, such as annual, biennial, or perennial grasses, or other soil-conserving crops. Uses exclude acreage (1) devoted to a crop of rice, upland or extra-long staple cotton, feed grains, wheat, soybeans, peanuts, other program crops, or approved nonprogram crops; (2) required to be taken out of production under an acreage limitation program; and (3) designated under the Conservation Reserve Program or other conservation programs.

Converted wetlands. Wetlands that have been drained or otherwise manipulated to produce agricultural commodities.

Cost of production. The sum, measured in dollars, of all purchased inputs and other expenses necessary to produce farm products. The three summary cost of production statistics are total cash expenses, cash expenses plus capital replacement costs, and total economic costs. The latter includes an opportunity cost for owned inputs. Cost of production statistics may be expressed as an average per animal, per acre, or per unit of production (bushel, pound, or hundredweight) for all farms in an area or in the country.

Cost-share assistance program. A program where a participant in a program receives partial cash assistance from the Government when the participant pays for the cost of a service or good.

County extension agent. A professional worker, employed by the county, State Cooperative Extension Service, and/or USDA, to bring agricultural and homemaking information to local people and to help them meet farm, home, and community problems. The position is also called extension agent, farm and home advisor, agricultural agent, and extension home economist.

Cover crop. A close-growing crop grown to protect and improve soil between periods of regular crops, or between trees and vines in orchards and vineyards.

Crop acreage base. A farm's 5-year average acreage of wheat or feed grains and 3-year average of cotton or rice planted for harvest, plus land not planted because of acreage reduction or diversion programs during a period specified by law. Crop acreage bases are reduced by the portion of land placed in the Conservation Reserve Program (CRP) for the duration of the CRP contract.

Crop insurance. See Federal crop insurance.

Crop rotation. The practice of growing different crops in recurring succession on the same land. Crop rotation plans are usually followed for the purpose of increasing soil fertility.