2002 Farm Bill

The 2002 Farm Bill: Provisions and Economic Implications

Farm Security and Rural Investment Act of 2002, which governs Federal farm programs for the next 6 years, was signed into law on May 13, 2002. Its provisions support the production of a reliable, safe, and affordable supply of food and fiber; promote stewardship of agricultural land and water resources; facilitate access to American farm products at home and abroad; encourage continued economic and infrastructure development in rural America; and ensure continued research to maintain an efficient and innovative agricultural and food sector.

Among the bill's highlights: Alters the farm payment program and introduces counter-cyclical farm income support; expands conservation land retirement programs and emphasizes on-farm environmental practices; relaxes rules to make more borrowers eligible for Federal farm credit assistance; restores food stamp eligibility for legal immigrants; adds various commodities to those requiring country-of-origin labeling; introduces provisions on animal welfare.

Side by side: old and new. On the following pages is a side-by-side comparison of the new farm bill with 1996-2001 farm legislation. Summarized but substantive, it offers a time-saving reference to farm bill provisions.

For information on previous farm bills, see Farm Policy Background, Program Provisions, and History in the Farm and Commodity Policy Briefing Room.

Economic analysis. ERS Agricultural Information Bulletin, The 2002 Farm Act: Provisions and Implications for Commodity Markets, assesses the impacts of the commodity provisions on the U.S. agricultural sector.

Details & Analysis — Click on these buttons in the side-by-side comparisons for additional details and ERS analysis.

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2002 Farm Bill

Title I: Commodity Programs

Highlights	
Title I Commodity Programs	Income support for wheat, feed grains, upland cotton, rice, and oilseeds is provided through 3 programs: direct payments, counter-cyclical payments, and marketing loans. Support for peanuts is changed from a price support program with marketing quotas to a program with marketing loans, counter-cyclical payments, direct payments, and a quota buyout. To the extent possible, the sugar program is to operate as a "no net cost" program. A new dairy income support program is introduced.

Key Provisions

- Direct payments
- Counter-cyclical payments
- Marketing assistance loans
- Dairy
- Peanuts
- Sugar
- Miscellaneous

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Direct payments for wheat, feed grains, upland cotton, rice, and oilseeds	Farmers who participated in the wheat, corn, barley, grain sorghum, oats, upland cotton, and rice programs in any 1 of the years 1991-95 could enter into 7-year *production flexibility contracts* (PFC) for 1996-2002 during a one-time enrollment period. An eligible farm's "payment quantity" for a given contract commodity was equal to 85 percent of its contract acreage times its program yield for that commodity. A per-unit payment rate (e.g., per bushel) for each contract commodity was determined annually by dividing the total annual contract payment level for each commodity by the total of all contract farms' program payment quantity. The annual payment rate for a contract commodity was then multiplied by each farm's payment quantity for that commodity, and the sum of such payments across contract commodities on the farm was that farm's annual payment, subject to any payment limits.	Direct payments are available for eligible producers of wheat, corn, barley, grain sorghum, oats, upland cotton, and rice. New payments are established for soybeans, other oilseeds, and peanuts. (See peanut provisions for those provisions that apply uniquely to peanuts.) To receive payments on covered crops (wheat, corn, grain sorghum, barley, oats, rice, upland cotton, soybeans, and other oilseeds), a producer must enter into an annual agreement. Direct payments for the 2002 crop are to be made as soon as practicable after enactment of the Farm Act. For crop years (CY) 2003-07, payments are to be made no sooner than October 1 of the year the crop is harvested. Advance payments of up to 50 percent can be made beginning December 1 of the calendar year before the year when the covered commodity is harvested.
	Total PFC payment levels for each fiscal year (FY) were fixed at: $5.570 billion in 1996, $5.385 billion in 1997, $5.800 billion in 1998, $5.603 billion in 1999, $5.130 billion in 2000, $4.130 billion in 2001, and $4.008 billion in 2002. Spending caps for each crop, except rice, were adjusted for prior-year crop program payments to farmers made in FY 1996 and any 1995 crop repayments owed to the government. The amount allocated for rice was increased by $8.5 million annually for FY 1997-2002. Allocations of the above payment levels were: 26.26% for wheat, 46.22% for corn, 5.11% for sorghum, 2.16% for barley, 0.15% for oats, 11.63% for upland cotton, and 8.47% for rice. Oilseeds were not eligible for production flexibility contract payments.	Payment rates specified in the 2002 Farm Act: Payment rate Wheat: $0.52/bu Corn: $0.28/bu Grain sorghum: $0.35/bu Barley: $0.24/bu Oats: $0.024/bu Upland cotton: $0.0667/lb Rice: $2.35/cwt Soybeans: $0.44/bu Other oilseeds: $0.008/lb Since PFC payments for FY 2002 were made prior to enactment of the 2002 Farm Act, 2002 payments will be adjusted.

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<table>
<tr>
<td>Counter-cyclical payments for wheat, feed grains, upland cotton, rice, and oilseeds

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<td>Supplemental legislation authorized Market Loss Assistance (MLA) payments for wheat, feed grains, rice and upland cotton for crop year (CY) 1998 through CY 2001. Payments were proportional to Production Flexibility Contract (PFC) payments. Payment levels were $2.857 billion in CY 1998, $5.5 billion in CY 1999, $5.465 billion in CY 2000, and $4.6 billion in CY 2001.

Oilseed payments provided in FY 1999 through FY 2001 were based on plantings in 1997, 1998, or 1999. Payment levels were $475 million in 1999, $500 million in 2000, and $424 million in 2001.</td>
<td>Counter-cyclical payments are available to covered commodities whenever the effective price is less than the target price. The effective price is equal to the sum of 1) the higher of the national average farm price for the marketing year, or the national loan rate for the commodity and 2) the direct payment rate for the commodity. The payment amount for a farmer equals the product of the payment rate, the payment acres, and the payment yield.

Target prices for counter-cyclical payments:

<table>
<tr><th></th><th>2002-03</th><th>2004-07</th></tr>
<tr><td>Wheat</td><td>$3.86/bu</td><td>$3.92/bu</td></tr>
<tr><td>Corn</td><td>$2.60/bu</td><td>$2.63/bu</td></tr>
<tr><td>Grain sorghum</td><td>$2.54/bu</td><td>$2.57/bu</td></tr>
<tr><td>Barley</td><td>$2.21/bu</td><td>$2.24/bu</td></tr>
<tr><td>Oats</td><td>$1.40/bu</td><td>$1.44/bu</td></tr>
<tr><td>Upland cotton</td><td>$0.724/lb</td><td>$0.724/lb</td></tr>
<tr><td>Rice</td><td>$10.50/cwt</td><td>$10.50/cwt</td></tr>
<tr><td>Soybeans</td><td>$5.80/bu</td><td>$5.80/bu</td></tr>
<tr><td>Other oilseeds</td><td>$0.098/lb</td><td>$0.101/lb</td></tr>
</table>

The Secretary shall make counter-cyclical payments for the crop as soon as practicable after the end of crop year for the covered commodity. A payment of up to 35% shall be made in October of the year when the crop is harvested. A second payment of up to 70% minus the first payment shall be made after February 1. The final payment shall be made as soon as practicable after the end of the crop year.</td>
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<tr>
<td>Acreage base and payment acres for calculating payments for direct and counter-cyclical payments.</td>
<td>Land eligible for contract acreage was equal to a farm's base acreage for 1996 calculated under the previous farm program, plus any returning Conservation Reserve Program (CRP) base and less any new CRP enrollment. A producer could enroll less than the maximum eligible acreage.</td>
<td>Each producer must select 1 of 2 options for base acres for all covered commodities enrolled for the farm, including oilseeds:

• Update base acres to reflect the 4-year average of planted acreage plus "prevented from planting" for the commodity during CY 1998-2001.
• Use 2002 PFC contract acres as the new base for wheat, feed grains, cotton, and rice and add oilseed bases using 4-year average of planted acreage plus "prevented from planting" for individual oilseeds during CY 1998-2001. In general, oilseed base acres can not exceed the difference between total acreage for covered crops for the crop year and sum of 2002 contract acreage.

Owners of farms will have a one-time opportunity to select a method for determining base acreage. An owner who fails to make an election shall be considered to have selected 2002 PFC contract acres and, for oilseed base, the 4-year average of oilseed plantings.

Base acreage cannot exceed available cropland. The Secretary is directed to provide for an adjustment in base acres when a CRP contract</td>
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		expires or is terminated voluntarily.
	Payments were made on 85 percent of the contract acres.	Payment acres are equal to 85 percent of the base acres.
Program yield for calculating payments	Program payment yields were frozen at 1995 levels.	Payment yields for direct payments are unchanged except for soybeans and other oilseeds, which are added to the program. Oilseed payment yields will be determined based on the farm's 1998-2001 average yield multiplied by the national average yield for 1981-85, divided by national average yield for 1998-2001. Payment yields for counter-cyclical payments may be the same as for direct payments, or may be updated during the signup period at the option of the producer using 1 of the 2 options for all covered crops: • by adding 70% of the difference between program yields for 2002 crops and the farm's average yields for the 1998-2001 to program yields, or • by using 93.5% of 1998-2001 average yields.
Planting flexibility and restrictions for program participants	Participants could plant 100% of their total contract acreage to any crop, except with limitations on fruits and vegetables. Land had to be maintained in agricultural use. Unlimited haying and grazing and planting and harvesting of alfalfa and other forage crops were permitted with no reduction in payments. Planting of fruits and vegetables (excluding mung beans, lentils, and dry peas) on contract acres was prohibited unless the producer or the farm had a history of planting fruits and vegetables, but payments were reduced acre-for-acre on such plantings. Double cropping of fruits and vegetables was permitted without loss of payments if there were a history of such double cropping in the region. Wild rice was added to the list of restricted crops in the 2000 Agricultural Appropriations Act.	The 2002 Act planting flexibility provisions are the same as the 1996 Act, except wild rice will be treated the same as a fruit/vegetable. In general, fruit and vegetable violations on contract acres occur when harvested. Under the 1996 Act, the violation occurred when planted.
	Must abide by conservation compliance requirements (see Title II).	Must continue to abide by conservation compliance requirements (see Title II).

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<table>
<tr>
<td rowspan="3">Marketing Assistance Loans and Loan Deficiency Payments (LDPs) are available to minimize potential loan forfeitures and subsequent government accumulation of stocks.

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<td>Nonrecourse commodity loans with marketing loan provisions were extended. Any production of a contract commodity by a producer who entered into a production flexibility contract was eligible for loans. The formulas for establishing loan rates for wheat, feed grains, and upland cotton were retained, subject to specified maximums. Continued marketing loan provisions allowing repayment of loans at less than full principal plus interest when prices were below loan rates. Authority for the honey, wool, and mohair programs was eliminated in 1996 Act. Marketing loan program was initiated for honey in supplemental legislation for FY 2001.</td>
<td>Nonrecourse commodity loans with marketing loan provisions are extended. Loan rates are fixed in legislation. Marketing loan provisions are extended to peanuts, wool, mohair, honey, small chickpeas, lentils, and dry peas. The requirement that producers enter into an agreement for direct payments to be eligible for loan program benefits is eliminated.</td>
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<td>Commodity loans were for up to 9 months, except upland cotton and extra-long staple (ELS) cotton loans, which were for up to 10 months.</td>
<td>The term for upland and ELS cotton loan rates was reduced from a maximum of 10 months to 9 months.</td>
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<tr>
<td>ELS cotton loans were nonrecourse and had to be repaid at the loan rate plus interest.</td>
<td>No change.</td>
</tr>
<tr>
<td>Commodity loan rates are per-unit values provided to farmers via commodity-secured loans.</td>
<td>Loan rates for wheat, corn, and soybeans were set at not less than 85% of the previous 5-year Olympic average of farm prices, subject to a maximum of $2.58 per bushel for wheat, $1.89 per bushel for corn, and no lower than $4.92 per bushel nor higher than $5.26 per bushel for soybeans. Loan rates for grain sorghum, barley, and oats were set at a level considered fair and equitable relative to the feed value of corn. Loan rates for sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed could not be less than 85 percent of the 5-year Olympic average of farm prices for sunflower seed, subject to a minimum of $0.087 and maximum of $0.093 per pound. The loan rate for upland cotton was set at the lesser of 85% of the 5-year Olympic average of spot market prices, or 90% of the Northern Europe-based average price, subject to a maximum of $0.5192 per pound and a minimum of $0.50 per pound. The loan rate for ELS cotton was set at 85% of the 5-year Olympic average of farm prices, subject to a maximum of $0.7965 per pound. Rice was fixed at $6.50 per hundredweight. The Secretary retained authority to reduce wheat and feed grain loan rates depending on the projected stocks-to-use ratio. Loan rates could be reduced as much as 5% if the ratio was between 15 and 30% for wheat or 12.5 and 25% for corn. If the ratios were higher, loan rates could be reduced up to 10%.</td>
<td>Loan rates are fixed in legislation:

<table>
<tr><th></th><th>2002-03</th><th>2004-07</th></tr>
<tr><td>Wheat</td><td>$2.80/bu</td><td>$2.75/bu</td></tr>
<tr><td>Corn</td><td>$1.98/bu</td><td>$1.95/bu</td></tr>
<tr><td>Grain sorghum</td><td>$1.98/bu</td><td>$1.95/bu</td></tr>
<tr><td>Barley</td><td>$1.88/bu</td><td>$1.85/bu</td></tr>
<tr><td>Oats</td><td>$1.35/bu</td><td>$1.33/bu</td></tr>
<tr><td>Rice</td><td>$6.50/cwt</td><td>$6.50/cwt</td></tr>
<tr><td>Soybeans</td><td>$5.00/bu</td><td>$5.00/bu</td></tr>
<tr><td>Other oilseeds</td><td>$0.096/lb</td><td>$0.093/lb</td></tr>
<tr><td>Upland cotton</td><td>$0.52/lb</td><td>$0.52/lb</td></tr>
<tr><td>ELS cotton</td><td>$0.7977/lb</td><td>$0.7977/lb</td></tr>
<tr><td>Peanuts</td><td>$355/ton</td><td>$355/ton</td></tr>
<tr><td>Graded wool</td><td>$1.00/lb</td><td>$1.00/lb</td></tr>
<tr><td>Nongraded wool</td><td>$0.40/lb</td><td>$0.40/lb</td></tr>
<tr><td>Mohair</td><td>$4.20/lb</td><td>$4.20/lb</td></tr>
<tr><td>Honey</td><td>$0.60/lb</td><td>$0.60/lb</td></tr>
<tr><td>Small chickpeas</td><td>$7.56/cwt</td><td>$7.43/cwt</td></tr>
<tr><td>Lentils</td><td>$11.94/cwt</td><td>$11.72/cwt</td></tr>
<tr><td>Dry peas</td><td>$6.33/cwt</td><td>$6.22/cwt</td></tr>
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Marketing loan repayment rates allow producers to repay commodity loans at a rate that is less than the original loan rate plus interest when market prices are below commodity loan rates.	Marketing loans were for wheat, feed grains, upland cotton, rice, soybeans, and other oilseeds. Marketing loan repayment rates were based on local, posted county prices (PCPs) for wheat, feed grains, and oilseeds or the prevailing world market price for rice and upland cotton. PCPs were calculated (and posted) by the government each day the Federal Government was open, except for other oilseeds which were calculated weekly. Prevailing world market prices for rice and upland cotton were also calculated on a weekly basis.	Marketing loan provisions are continued for wheat, feed grains, oilseeds, upland cotton, and rice. Marketing loan provisions are extended to peanuts, wool, mohair, honey, small chickpeas, lentils, and dry peas.
Loan deficiency payments (LDPs) provide an alternative way for producers to receive marketing loan benefits.	To reduce administrative costs, loan deficiency payments were available when market prices were lower than commodity loan rates. LDPs were available to producers, and amounted to the difference between the commodity loan rate and the producer's loan repayment rate under marketing loan provisions. LDPs were available for all loan commodities except ELS cotton.	Loan deficiency payments are continued with minor modifications. LDPs were extended to peanuts, wool, mohair, honey, small chickpeas, lentils, and dry peas. Unshorn pelts (wool), hay, and silage are eligible for LDPs.
	The Agricultural Risk Protection Act of 2000 allowed producers who elected to use acreage planted to wheat, barley, oats, or triticale for the grazing of livestock to be eligible to receive LDPs. Payment quantity was determined by multiplying the acreage grazed times the PFC payment yield for that covered commodity on the farm.	No change.
Upland cotton user marketing certificates (Step 2) can be issued to domestic users and exporters subject to price conditions in the U.S. and Northern Europe.	Maintained provisions for adjustment and import quotas.	Special provisions retained except that the threshold for calculating cotton user market certificates and their value has been suspended through July 31, 2006.
	Total expenditures for Step 2 payments were originally limited to $701 million over FY 1996-2002. The 2000 Appropriations Act removed the expenditure cap.	There is no expenditure cap.
Special competitive provisions for extra long stable cotton	A program to increase exports and maintain competitiveness of ELS cotton in world markets was established in the 2000 Agricultural Appropriations Act. Payments were made to domestic users and exporters when world market price was below the U.S. price for 4 consecutive weeks and the lowest priced competing ELS cotton was less than 134% of the ELS loan rate.	Provisions were retained. There is no expenditure cap.
Wool and mohair	Emergency legislation in 2000 and 2001 provided direct payments to wool and mohair producers in 1999 through 2001.	Marketing loan provisions were extended to wool and mohair.

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Dairy Two major Federal dairy programs are currently in place: milk price support and Federal milk marketing orders.

Federal milk marketing orders classify and fix minimum prices according to the products in which milk is used.	Federal milk marketing orders were consolidated into 11 orders, down from 33. Multiple basing points for the pricing of milk were authorized. California was permitted to maintain its own fluid milk standards. The Fluid Milk Promotion Program was extended through 2002.	Federal milk marketing orders continue.
Northeast Dairy Compact	The Secretary, upon the finding of a compelling public interest in the area, was authorized to allow the New England region to enter into a dairy compact. Authority for the compact was subsequently extended until September 30, 2001.	The dairy compact is not reauthorized.
Price support is provided through government purchases of butter, nonfat dry milk, and cheese.	The minimum support price for milk containing 3.67% of butterfat declined from $10.35 per hundredweight in 1996 to $9.90 in 1999 ($0.15 per year) and was maintained through government purchases of butter, nonfat dry milk, and cheese. Price support was to be eliminated after December 31, 1999, but was extended until May 31, 2002, in supplemental legislation. The Secretary could distribute price support between nonfat dry milk and butter in a manner that minimizes Commodity Credit Corporation (CCC) expenditures. Authority to adjust support prices for butter and nonfat dry milk was limited to twice per calendar year.	The minimum support price for milk is fixed at $9.90 per cwt for milk containing 3.67% butterfat. Other provisions are extended.
National dairy market loss payments	Market loss assistance payments authorized in supplemental legislation were paid to dairy producers in 1999-2001.	A national dairy market loss payments (DMLP) program is established. Producers enter into contracts ending on September 30, 2005. A monthly direct payment is to be made to qualifying dairy farm operators when the monthly Class I price in Boston (Federal Marketing Order 1) is less than $16.94 per cwt. The payment rate is 45% of the difference between $16.94/cwt and the Class I price in the Boston milk marketing order for the applicable month. The payment quantity for a producer equals the quantity of eligible production marketed by the producer during the month. Producers, on an operation-by-operation basis, may receive payments on no more than 2.4 million pounds of milk marketed per year. Retroactive payments will be made covering market losses due to low prices since December 1, 2001. Producers may not reorganize dairy operations for the sole purpose of receiving additional payment.

Dairy Export Incentive Program (DEIP) subsidizes exports of U.S. dairy products. Under DEIP, the CCC is required to make payments, on a bid basis, to an entity that sells U.S. dairy products for export.	DEIP was extended to 2002. The Secretary must authorize subsidies sufficient to export the maximum volume of dairy products allowable under the Uruguay Round-GATT (UR-GATT), subject to UR-GATT funding limits. DEIP is to be used for market development purposes.	DEIP was extended to 2007.

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Peanuts		
Price support	The peanut program, a 2-tier price support program based on nonrecourse loans for quota peanuts (those for domestic edible consumption) and "additional" peanuts, was revised to make it a "no net cost" program.	The peanut price support program is converted to a system of direct and counter-cyclical payments, and nonrecourse loans with marketing loan provisions. Marketing quota is eliminated with a quota buyout.
	The support rate for peanuts produced by quota owners was frozen at $610 per short ton, reduced from $678 in 1995. Loans for "additional" peanuts remained available, at considerably lower rates than for quota peanuts ($132/ton). The marketing assessment, shared by growers and purchasers, was 1.15% of the loan rate for the 1996 crop and 1.2% for 1997-2002 crops.	As with other crops that are eligible for marketing loans and loan deficiency payments, peanut producers may receive loans by pledging production as collateral. Producers with or without a history of peanut production are eligible. The peanut loan rate is fixed at $355 per ton. Producers can pledge their stored peanuts for up to 9 months and then repay the loan at a rate that is the lesser of 1) $355 per ton plus interest or 2) a lower, USDA-determined repayment rate designed to minimize commodity forfeiture, government-owned stocks, and storage costs and to allow peanuts to be marketed freely and competitively, both domestically and internationally.
Direct payments	No similar provisions.	A new direct payment of $36 per ton is available to peanut producers. These payments are fixed and are made regardless of current prices. Payments are made on eligible base period (1998-2001) peanut production. For 2002, the payment is made to historic 1998-2001 producers of peanuts. In 2003-07, payments are made to producers on farms with an eligibility assigned by a historic producer of peanuts.

Counter-cyclical payments	Supplemental legislation provided payments to peanut producers in CY 2000 and 2001.	Peanut producers are eligible for new counter-cyclical payments when market prices are below an established target price of $495 per ton. The payment is based on the difference between the target price and the higher of: • the 12-month national average market price for the marketing year for peanuts plus the $36-per-ton fixed direct payment, and • the marketing assistance loan rate of $355 per ton plus the $36-per-ton fixed direct payment. Payments are made on eligible base-period (1998-2001) peanut production. For 2002, the payment is made to historic 1998-2001 producers of peanuts. In 2003-07, payments are made to producers on farms with an eligibility assigned by a historic producer of peanuts.
Payment yields and base acres for peanuts	No similar provisions.	Payment quantity for direct payments and counter-cyclical payments is the product of payment yields and payment acres. Payment yields are determined as the average yield on the farm for CY 1998-2001. Historic peanut producers may elect to assign county average yields for 1990-97 for not more than 3 of the 4 years. Payment acres are determined as 85% of average area planted for CY 1998-2001. Adjustments are provided for prevented plantings.
Quota buy-out (compensation for loss of quota asset value)	The minimum national quota and provisions for carryover of under-marketings were eliminated. Quota was redefined to exclude seed use but temporary seed quotas were granted. Government entities and out-of-State nonfarmers could not hold quotas. Sale, lease, and transfer of quota were permitted across county lines within a State up to specified amounts of quota annually.	Marketing quota for peanuts is repealed. Quota owners receive compensation for the lost asset value of their quota in 5 annual installments during FY 2002-06. An annual payment of $0.11 per pound of quota is made to eligible quota holders based on 2001 quota levels. Quota owners may opt to take the outstanding payment due to them in a lump sum.

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Price support	The raw cane sugar loan rate continued to be fixed at 18 cents per pound; the refined beet sugar loan rate was frozen at the 1995 level of 22.9 cents per pound (instead of varying each year).	The Secretary is directed to operate the sugar program at no net cost to the U.S. Treasury by avoiding sugar loan forfeitures in the nonrecourse loan program. The nonrecourse loan program is reauthorized through FY 2007 at 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. Nonrecourse loans are extended to in-process beets and cane syrups. Loan rates can be reduced, at the Secretary's discretion, if foreign producers reduce export subsidies and support levels below their current World Trade Organization (WTO) commitments.
	Marketing assessments paid by sugar processors on all processed sugar increased from 1.1% to 1.375% of the raw sugar loan rate. For beet sugar refiners, the assessments rose from 1.1794% to 1.47425% of the raw sugar loan rate. Agricultural Appropriations Act suspended marketing assessments in FY 2000-01.	Marketing assessments on sugar are terminated.
	Cane processors paid a penalty of $0.01 on each pound of sugar forfeited to the government; beet processors paid a penalty of $0.0107 per pound.	Forfeiture penalties are terminated.
	The sugar loan program was to be recourse unless the sugar tariff-rate quota (TRQ) was established at or above 1.5 million short tons, raw value. This provision was repealed in the 2001 Agricultural Appropriations Act.	The nonrecourse sugar loan program is reauthorized. The interest rate on CCC sugar loans is reduced 1 percentage point. Eliminates 30-day forfeiture notice.
Payment-in-kind (PIK) offered sugarbeet farmers the option of diverting a portion of their crop from production in exchange for receiving CCC sugar held in inventory.	A sugar PIK was offered in August 2000 and in August 2001 to address large sugar supplies and low prices in the domestic sugar market in 2000 and 2001. Producers offered bids for the amount of CCC inventory they would accept in exchange for forgoing harvest of a farmer-specified number of planted acres. Bids were subject to a per-acre cap based on a producer's average sugar production over the previous 3 years, and each farmer was limited to $20,000 in PIK sugar payments.	The producer PIK program continues. In addition to existing PIK authorities, the Secretary can now exchange CCC-owned sugar for reductions in acreage prior to planting.
Tariff-rate quota **(TRQ)** is part of the Harmonized Tariff Schedule of the U.S., as amended in the UR-GATT.	A TRQ limited imports and helped maintain U.S. prices at levels to prevent forfeiture of CCC loans. Under the UR-GATT, the TRQ cannot be less than 1.23 million short tons for raw cane sugar nor less than 24,250 short tons for refined sugar.	TRQs are retained. On June 1, the U.S. Trade Representative (USTR), along with USDA, shall calculate used and unused quota for each quota-holding country and may reallocate unused quota to qualified quota holders.

Marketing allotments	Market allotments (supply control) previously authorized in the 1990 Farm Act were not reauthorized.	Inventory management is introduced, providing authority to the Secretary to impose marketing allotments in order to balance markets, avoid forfeitures, and comply with the U.S. sugar import commitments under WTO and NAFTA. Allotment levels are to be divided between beet processors and cane producers, and with cane producers of Hawaii and Puerto Rico. Allotments are automatically suspended when estimates of imports for domestic food use exceed 1.532 million short tons. Cost of storing excess production is shifted from the Government to the industry. When allotments are in place, processors who have expanded marketings in excess of the rate of growth in domestic sugar demand will have to postpone sale of some sugar, and either store it at their own expense or sell it for other than domestic food use.
Sugar Storage Facility Loan Program provides financing for processors of domestically produced sugarcane and sugarbeets to construct or upgrade storage and handling facilities for raw sugars and refined sugars.	No similar provisions.	This program extends to sugar processors the type of storage facility loan program available to grain and other crop farmers, and will facilitate orderly marketing of sugar.
Reporting requirements		Expanded reporting requirements will better enable the Secretary to track importation of non-TRQ sugar, molasses, and syrups.

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Uruguay Round compliance. The Uruguay Round Agreement on Agriculture puts a maximum allowable level on trade-distorting domestic support programs as measured by the aggregate measurement of support (AMS). The ceiling on U.S. AMS support declined from $23.1 billion in 1995 to $19.1 billion in 2000. The $19.1-billion ceiling continues until a new WTO agreement is reached.		If the Secretary determines that the AMS ceiling will be exceeded, the Secretary shall, to the maximum extent practicable, adjust expenditures to avoid exceeding allowable levels. Before making any adjustments, the Secretary is required to submit a report to Congress on the adjustments to be made.
Permanent law refers to those laws that would be in force to authorize various agricultural programs in the absence of all temporary amendments (farm acts).	Maintained permanent law and temporarily suspended provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949. Some unused and outdated provisions were repealed.	Maintained permanent law and temporarily suspended provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949.

Payment limits	Set limits at $40,000 per person for payments on production flexibility contract payments. Maintained limits at $75,000 on marketing loan gains and loan deficiency payments for 1 or more contract commodities or oilseeds. Supplemental legislation increased limits on marketing loan gains to $150,000 for 1999, 2000, and 2001.	Continues payment limitations at $40,000 per person for direct payments. Sets a limit of $65,000 for counter-cyclical payments. Limits marketing loan benefits at $75,000. Producers with adjusted gross income of over $2.5 million, averaged over 3 years, are not eligible for payments, unless more than 75% of adjusted gross income is from agriculture. Special reference is made to a $75,000 limit for wool and mohair marketing loan benefits. Peanuts are subject to separate payment limits for direct payments, counter-cyclical payments, and marketing loan benefits.
3-entity rule	Under the 3-entity rule, an individual farmer could receive up to twice the payment per year in total contract payments and marketing loan gains on 3 separate farming operations (a full payment on the first operation and up to a half payment for each of 2 additional entities).	The 3-entity rule is maintained.
Commodity certificates	Commodity certificates could be purchased at the posted county price for wheat, feed grains, and oilseeds or at the effective adjusted world price for rice or upland cotton. The certificates were available so that producers could immediately acquire crop collateral pledged to the CCC for a commodity loan. Use of certificates was authorized in 1999.	Authority for use of commodity certificates is retained.
Conservation compliance	To remain eligible for specified program benefits, farmers cropping highly erodible land were required to implement an approved conservation plan (highly erodible land conservation provisions). Producers had to be in compliance with wetland conservation provisions (swampbuster).	Participants must continue to maintain conservation plans, including compliance with conservation and wetland provisions to receive payments (see Title II).
CCC interest rate	The interest rate on Commodity Credit Corporation loans, which reflected the cost to the CCC to borrow from the U.S. Treasury (1-year Treasury bills), was increased by 1 percentage point above the 1-year Treasury bill rate.	No change.
Hard white wheat incentive payments	No similar provisions.	A total of $20 million from the CCC will be used from 2003 to 2005 to provide an incentive to growers to plant hard white wheat (HWW). To qualify, a producer must meet minimum quality criteria and demonstrate the availability of a market for the HWW to be produced. Incentive payments will be limited to 2 million acres or the equivalent volume of production.

Crop insurance is available for a wide variety of crops, but not always in each locality where a crop is grown. The premiums are federally subsidized.	Beginning with CY 1997, dual delivery of crop insurance by the Farm Service Agency and private insurance agents was eliminated in States (or portions of States) that have adequate access to private crop insurance providers. Supplemental assistance for 1999 and 2000 provided additional insurance subsidies.	No changes to basic program. Crop insurance provisions are covered in Title X.
	Agricultural Risk Protection Act of 2000 (ARPA) provided an additional $8.2 billion for insurance premium subsidies for 2001-05. ARPA raised premium subsidies with the goal of increasing insurance participation and encouraging use of higher coverage levels. ARPA also set revenue insurance subsidies at the same premium subsidy rates as for yield insurance.	ARPA provision (scheduled to go into effect in 2006) that allowed selection of continuous levels, rather than coverage level at fixed intervals, was eliminated.
Adjusted Gross Revenue Pilot Program (AGR)	The Risk Management Agency initiated a pilot AGR insurance program in 1999 to offer coverage for crops for which traditional crop insurance is not available. Insurance coverage under AGR, based on Adjusted Gross Revenue on Internal Revenue Service Schedule F, covered gross revenue from all farm commodities. AGR was initially offered in selected counties in 5 States; its availability was increased in 2001 to 17 States. In 2002, it was available in these 17 States.	Requires that the AGR Pilot Program be continued through at least 2004 in the counties where it was offered in 2002. Requires that at least 8 counties in California and at least 8 counties in Pennsylvania be added to the pilot program in 2003.
Study feasibility of producer indemnification from government-caused disasters	No similar provisions.	The Secretary is required to conduct a study of the feasibility of expanding crop insurance and noninsured crop assistance coverage to include disaster conditions caused primarily by Federal action restricting access to irrigation water.
Reserve Stock Level Adjustment for Flue-Cured Tobacco is a component of the calculation used to determine the basic marketing quota for flue-cured tobacco (along with manufacturers' purchase intentions and the 3-year average of exports). The adjustment is based on a predetermined optimum level of inventories held by the flue-cured producer association ("stabilization").	Under prior legislation, the reserve stock level for flue-cured was the greater of 100 million pounds or 15% of the previous year's effective marketing quota.	The flue-cured tobacco reserve stock level is reduced to the greater of 60 million pounds or 10% of the previous year's effective quota. This provision will result in lower basic flue-cured quotas.
Farm income estimates. USDA develops income estimates to support analyses of the financial performance of farms and the economic well-being of households. These estimates also support development of the National Income Accounts prepared by the Bureau of Economic Analysis.	Not previously included in farm legislation.	Extends coverage of farm income estimates by directing the Secretary to include in all farm income projections: 1) estimates of net farm income for all commercial producers, and 2) separate estimates of net farm income for commercial producers of livestock, loan commodities, and other agricultural commodities.

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United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

Title II: Conservation

Highlights	
Title II Conservation Details & Analysis	The legislation emphasizes conservation on working land by increasing funding for the Environmental Quality Incentives Program and establishing a new Conservation Security Program, which pays producers to adopt or maintain practices that address resources of concern. Land retirement programs are expanded, placing particular emphasis on wetlands. Funding is expanded for farmland protection. A new Grassland Reserve is created to assist landowners in restoring and conserving grassland. A new provision aims at ensuring regional equity in conservation funding.

Contents:

Key Provisions

- Conservation compliance
- Land retirement
- Working lands
- Farmland protection
- Watershed protection
- Miscellaneous provisions

Provisions	1996-2001 farm legislation	2002 Farm Bill
Conservation compliance for soil erosion and wetlands.		
Highly erodible land conservation (conservation compliance/ sodbuster)	Highly erodible land conservation provisions denied certain farm program benefits to producers not using an approved conservation system on highly erodible land in crop production.	Highly erodible land conservation provisions are continued. The Secretary cannot delegate authority to make a compliance determination to a private person or entity.

Wetland conservation (swampbuster)	Wetland conservation provisions denied certain farm program benefits to producers who drained wetland to make it ready for crop production.	Wetland conservation provisions are continued. The Secretary cannot delegate authority to make a compliance determination to a private person or entity.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Land retirement, including CRP, CREP, the Wetland Pilot Program, and WRP. Details & Analysis		
Comprehensive Conservation Enhancement Program (CCEP) enables the Secretary to operate the various conservation programs in a consistent manner.	Environmental Conservation Acreage Reserve Program (ECARP) included the Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP), and the Environmental Quality Incentives Program (EQIP).	ECARP is renamed Comprehensive Conservation Enhancement Program (CCEP). Authority for Conservation Priority Areas is eliminated here and in the Environmental Quality Improvement Program (EQIP), but retained in the Conservation Reserve Program (CRP).
Conservation Reserve Program (CRP**)** offers annual rental payments and cost-share assistance to farmers to establish long-term conserving covers (e. g., grass and trees) on eligible land. Contracts are for a minimum of 10 years and a maximum of 15 years.	CRP area was capped at 36.4 million acres.	Maximum acreage is increased to 39.2 million acres.
	Land was eligible for CRP enrollment if it was cropped in 2 of past 5 years and met 1 or more of the following criteria: • Had an erodibility index (EI) of 8 or higher; • Was considered a cropped wetland; • Was associated with or surrounding noncropped wetlands; • Was devoted to a highly beneficial environmental practice (e.g., filter strips); • Was subject to scour erosion; • Was located in national or State CRP conservation priority areas. • Was marginal pastureland in riparian areas. Certain marginal pastureland that was enrolled in the Water Bank Program is also eligible.	Eligibility changes: • Highly erodible land must have been cropped in 4 of the 6 years prior to 2002. • Land under expiring contracts is automatically eligible to be considered for re-enrollment. • Contracts expiring during 2002 can be extended by 1 year. • Requires existing covers be retained, if feasible, when expiring contracts are re-enrolled. Requires an equitable balance among conservation purposes of soil erosion control, water quality protection, and wildlife habitat.
	Haying and grazing could be permitted on CRP land during drought emergencies.	Allows managed haying and grazing (including the harvest of biomass) and placement of wind turbines, if consistent with the conservation of soil, water quality, and wildlife habitat, with commensurate reduction in payment. Requires study on economic effects of CRP enrollment.

CRP Wetland Enrollment Pilot Program allows enrollment of farmed wetland acres in the CRP.	Pilot program was established in the 2001 Agricultural Appropriation Act. Enrollment of wetland and associated buffers was limited to a total of 500,000 acres in 6 States: Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota. No more than 150,000 acres could be enrolled in any single State. Wetland acres are to be enrolled through a continuous sign-up similar to that for other high-priority conservation practices. Payments are to be commensurate with those provided to landowners who enroll filter strips in CRP.	Continues Wetland Enrollment Pilot Program, extending it to all States and increasing the enrollment cap to 1 million acres (part of overall CRP acreage cap). Enrollment is limited to 100,000 acres in any 1 State, but could, within 3 years, be increased to 150,000 acres following a review of enrollment by the Secretary.
	Individual contracts were limited to 5 wetland acres plus buffer acreage, and no more than 40 acres per tract.	Contracts can include up to 10 acres of wetland, although not more than 5 would be eligible for payment. Buffer acreage is limited to 3 times the wetland acreage.
CRP continuous sign-up for high-priority practices allows enrollment of land in riparian buffers, filter strips, grass waterways, and other high-priority practices without competition. Acres enrolled under continuous sign-up count toward the overall CRP acreage cap.	CRP continuous sign-up (land can be enrolled at any time, not just during designated sign-up periods) was initiated administratively in September 1996 under general CRP program authority. Land suitable for a high-priority practice could be enrolled without competition and generally at a higher annual payment rate than land enrolled in a general CRP sign-up.	Authority for program continues. Producers may enroll entire fields as buffers through the continuous sign-up when more than 50% of the field is eligible (through continuous sign-up) and farming is infeasible on the remainder of the field. Payments on the remaining acreage are limited to general sign-up rates.
Conservation Reserve Enhancement Program (CREP) is a joint State-Federal program that targets specific agriculture-related environmental problems that are significant at the State or national level. Acres enrolled under CREP count toward the overall CRP acreage cap.	CREP was initiated administratively under general CRP program authority.	Authority for program continues.
Wetlands Reserve Program (WRP) enables the Secretary to purchase long-term or permanent easements and provide cost sharing to producers who agree to restore wetland on agricultural land. Restoring wetlands wildlife habitat is a priority.	WRP area was capped at 1.075 million acres.	Maximum acreage cap is increased to 2.275 million acres. The Secretary is required, to the extent practicable, to enroll 250,000 acres per calendar year.
	Wetland could be restored through permanent easements, long-term easements (30 years or the maximum allowed by State law), and restoration cost-share agreements without easements. Requires one-third of acreage to be allocated to permanent easements, long-term easements, and restoration agreements.	Wetlands are to be restored through permanent easements, 30-year easements, restoration cost-share agreements, or any combination of these options. Removes requirement for one-third of acreage in each type of agreement.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Working lands, including EQIP, CSP, and other programs providing assistance on lands in production. Details & Analysis		
Environmental Quality Incentives Program (EQIP) provides technical assistance, cost-share payments, and incentive payments to assist crop and livestock producers with environmental and conservation improvements on the farm.	Funding authorized at $1.3 billion over 7 years.	Mandates Commodity Credit Corporation (CCC) funding of: • $400 million in fiscal year (FY) 2002, • $700 million in FY 2003, • $1.0 billion in FY 2004, • $1.2 billion in each of FY 2005 and 2006, and • $1.3 billion in FY 2007.
	Cost sharing limited to 75% of practice cost.	Continues 75% cost sharing, but allows 90% cost-share rate if producer is a limited-resource or beginning farmer or rancher.
	At least 50% of program funding had to be used for environmental concerns associated with livestock production.	Funding for livestock producers is targeted at 60% of annual program funding.
	Large operators, as defined by the Secretary, were ineligible for cost-sharing assistance to construct animal waste management facilities.	Removes animal unit cap for cost-share eligibility.
	Evaluation of contract offers based on: • location in conservation priority area (CPA); • maximization of environmental benefits per dollar of program expenditure.	Evaluation of contract offers based on: • use of cost-effective conservation practices; • use of practices that address national priorities; • optimization of environmental benefits is a purpose of the program. CPAs are no longer used. Bidding down is eliminated, i.e., for applications with comparable environmental values, the Secretary cannot select one applicant over another only because of lower cost.
	To participate in the program, a farmer had to develop a conservation plan stating intended practices and describing environmental purposes.	Retains requirement to prepare a conservation plan stating intended practices and describing environmental purposes. Confined livestock feeding operations must prepare a comprehensive nutrient management plan.
	Contracts were 5 to 10 years in length.	Contract length is 1 to 10 years.
	Producer payments limited to $10,000 per year or $50,000 for any multi-year contract.	No annual payment limitation. The sum of all EQIP payments to an individual or entity cannot exceed $450,000 during FY 2002-07.

EQIP Conservation Innovation Grants	No similar provisions.	EQIP funds can be used to provide grants to stimulate innovative approaches to leveraging Federal investment in environmental enhancement and protection. Grants are to be awarded on a competitive basis, to government and nongovernment organizations and persons for innovative projects involving producers, such as market-based pollution credit trading, adoption of best management practices, and carbon sequestration. Federal share of project cost is capped at 50%.
EQIP ground and surface water conservation	No similar provisions.	Provides CCC funding, in addition to what is available for the regular EQIP program, for ground and surface water conservation, including cost share for more efficient irrigation systems. Annual funding set at: • $25 million for FY 2002, • $45 million for FY 2003, and • $60 million for FY 2004-07. An additional $50 million in CCC funding (to be made available as soon as practical) is allocated to water conservation activities in the Klamath Basin.
Conservation Security Program (CSP**)** provides payments to producers for adopting or maintaining a wide range of management, vegetative, and land-based structural practices that address 1 or more resources of concern, such as soil, water, or wildlife habitat.	No similar provisions.	Provides for CCC funding. All agricultural land (cropland and grazing land) is eligible. • Cropland must have been cropped in 4 of the 6 years prior to 2002. • Lands enrolled in the CRP, WRP, and Grassland Reserve Program are not eligible. • Forestland that is an incidental part of the agricultural operation may be included. • Animal waste storage or treatment facilities are not eligible. Producers can participate at 1 of 3 tiers. Higher tiers require greater *conservation effort* and offer greater *payments*. The lowest cost practices that meet conservation standards must be used. **Conservation effort:** **Tier I**: Producer must address at least 1 resource of concern on at least part of the agricultural operation. Contracts are for 5 years. Tier I contract renewal requires broadening scope of practices or portion of the agricultural operation covered. **Tier II**: Producer must address at least 1 resource of concern on the entire operation. Contracts are for 5-10 years and can be renewed. **Tier III**: Producer must fully address all resources of concern on the entire operation. Contracts are for 5-10 years and can be renewed. **Payments:** Payment is a percentage of the national average land rental for the specific land use, or another appropriate rate that ensures regional

		equity: • 5% for tier I, • 10% for tier II, and • 15% for tier III. Producers can also receive 75% cost sharing for adoption or maintenance of conservation practices. The Secretary can provide enhanced payments for taking additional actions in a way that ensures regional equity for: • implementing or maintaining practices that exceed minimum required for tier; • addressing local conservation priorities in addition to resources of concern; • participating in an on-farm conservation, research, demonstration, or pilot project; • participating in a watershed or regional resource conservation plan that involves at least 75% of area producers; or • carrying out assessment and evaluation activities relating to practices in conservation security plan. **Payment limits:** • $20,000 annually for tier I, 25% of that amount for the initial payment based on a percentage of land rent; • $35,000 annually for tier II, 30% for initial payment; and • $45,000 annually for tier III, 30% for initial payment.
Wildlife Habitat Incentives Program (WHIP**)** provides cost sharing for people who own or control land and want to develop and improve wildlife habitat. Contracts are generally 5-10 years in length.	Cost sharing of $50 million for FY 1996-2002 was funded through CRP.	Mandates CCC funding of: • $15 million in FY 2002, • $30 million in FY 2003, • $60 million in FY 2004, and • $85 million in each FY 2005-07. Secretary may use up to 15% of funds in any year to augment the program's regular cost-share payments on lands enrolled for at least 15 years.
Conservation of Private Grazing Lands (CPGL**)** authorizes technical and educational assistance for conservation and enhancement of private grazing lands.	Authorized appropriations of $20-$60 million. No funds were appropriated during FY 1996-2001.	Authorizes appropriations of $60 million for each of FY 2002-07. Expands program purposes to include encouragement of sustainable grazing systems such as year-round, rotational, or managed grazing.
Agricultural Management Assistance Program provides assistance to States found to be underserved by USDA programs.	Program was created by the Agricultural Risk Protection Act of 2000.	Provides an additional $10 million per year in CCC funding FY 2002-07. Producers in 15 designated States are eligible for financial assistance for a range of conservation and risk reduction purposes.

Technical assistance	Producers could obtain technical assistance from providers other than USDA's Natural Resources Conservation Service (NRCS) for preparation of conservation compliance plans.	The Secretary is required to 1) provide technical assistance to eligible producers either directly or, at the producer's option, through payment to an approved third party; and 2) develop a program for approving third-party providers. The Secretary may also request services of non-Federal entities or enter into cooperative agreements or contracts with them to provide technical assistance.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Farmland protection, including FPP and the Grasslands Reserve Program.		
Farmland Protection Program (FPP**)** provides funds to State, tribal, or local governments and to nonprofit organizations to help purchase easements against development of productive farmland.	Allocated up to $35 million from CCC to fund the purchase of conservation easements on 170,000-340,000 acres. Approximately $50 million was spent to protect about 107,000 acres.	Mandates CCC funding of: • $50 million in FY 2002, • $100 million in FY 2003, • $125 million in FY 2004 and FY 2005, • $100 million in FY 2006, and • $97 million in FY 2007. The acreage limit is removed.
	Land with prime, unique or other productive soil was eligible.	Eligible land is expanded to include land with historical and archaeological resources. Eligible land now explicitly includes cropland, rangeland, grassland, pastureland, and forestland that is part of an agricultural operation. Eligible entities are expanded to include nonprofit organizations operated for conservation purposes. Eligible entities can use charitable contributions from the landowner of up to 25% of the fair market value of the conservation easement.
Grassland Reserve Program (GRP**)** is established to assist owners, through long-term contracts or easements, in restoring grassland and conserving virgin grassland.	No similar provisions.	Provides CCC funding, for 2003-07, of up to $254 million. Restored, improved, or natural grassland, rangeland, and pasture, including prairie can be enrolled—up to 2 million acres. Tracts must be at least 40 contiguous acres. Waivers are available for smaller parcels in cases of exceptional acreage that meets purposes of program. Eligible grassland can be enrolled under contracts of 10, 15, 20, or 30 years or under 30-year or permanent easements (or the maximum allowed by State law). Not more than 60 percent of funds can be used for 30-year contracts or 30-year and permanent easements. Not more than 40 percent are available for 10-, 15-, and 20-year contracts. For contracts, annual rental payments equal 75% of grazing value. Permanent easements are to be purchased at fair market value, less grazing value, while 30-year easements are to be purchased at 30% of fair market value, less

		grazing value. Cost sharing is up to 75% of restoration costs on restored grassland, up to 90% on virgin grassland.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Watershed Protection, including RC&D, watershed rehabilitation, and similar programs.		
Small Watershed Rehabilitation Program provides funding for rehabilitation of water resource projects.	Appropriations authorized in 2000 at $5 million for 2001, and up to $35 million for 2005.	Provides CCC funding, to remain available until expended, of: • $45 million in FY 2003, • $50 million in FY 2004, • $55 million in FY 2005, • $60 million in FY 2006, and • $65 million in FY 2007. In addition, the following amounts, to remain available until expended, are authorized to be appropriated: • $45 million in FY 2003, • $55 million in FY 2004, • $65 million in FY 2005, • $75 million in FY 2006, and • $85 million in FY 2007.
Resource Conservation and Development Program promotes the protection of natural resources and the improvement of local economies.	The Resource Conservation and Development (RC&D) Program was reauthorized.	RC&D Program is permanently authorized.
Great Lakes Basin Program for Erosion and Sediment Control	No similar provisions.	The Secretary may carry out a program for soil and sediment control that provides project demonstration grants, technical assistance, and information/education programs to improve water quality in the Great Lakes Basin. Authorizes appropriations of $5 million annually for 2002-07.
Grassroots Source Water Protection Program	No similar provisions.	Establishes a national Grassroots Source Water Protection Program to more effectively use onsite technical assistance capacity of State rural water associations that operate wellhead or groundwater protection programs. Authorizes appropriations of $5 million annually for FY 2002-07.
Desert terminal lakes	No similar provisions.	Requires the Secretary to transfer $200 million in CCC funds to the Bureau of Reclamation to provide water to at-risk natural desert terminal lakes. The funds are not to be used to purchase or lease water rights.

Conservation Corridor Demonstration Program	No similar provisions.	Requires establishment of a conservation corridor demonstration program on the east side of the Chesapeake Bay in Delaware, Maryland, and Virginia. The project is to demonstrate local conservation and economic cooperation using existing USDA conservation programs. State and local partners must provide 50 percent of funding. Appropriation of such sums as necessary is authorized.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Miscellaneous		
Regional equity	No similar provisions.	Before April 1 of each year, priority for conservation program funding (excluding CRP, WRP, and CSP) shall be given to approved applications in any States that have not received total conservation funding of at least $12 million for the fiscal year.
Partnerships and cooperation	No similar provisions.	In carrying out any conservation program, the Secretary may use program resources to enter into stewardship agreements with State and local agencies, tribes, and nongovernment organizations. The Secretary may also designate special projects, as recommended by the State Conservationist, to enhance technical and financial assistance provided to producers to address natural resource issues.
Privacy of personal information relating to natural resources conservation programs	No similar provisions.	Information provided to the Secretary for the purpose of providing technical or financial assistance to a producer through a natural resources conservation program cannot be considered public information and cannot be disclosed to any person or entity outside USDA, except to the Attorney General for the purpose of enforcing natural resource conservation programs.

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United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

Title III: Trade

Highlights	
Title III Trade Programs are designed to develop and expand commercial outlets for U.S. commodities and to provide international food assistance.	All trade programs reauthorized through 2007. New programs include the McGovern-Dole International Food for Education and Nutrition Program, the Biotechnology and Agricultural Trade Program that addresses nontariff barriers to U.S. exports, a Technical Assistance for Specialty Crops Program that addresses barriers affecting exports of specialty crops, and an online Exporter Assistance Initiative. A long-range agricultural trade strategy that identifies export growth opportunities is to be prepared.

Contents:

Key Provisions

- Export credit guarantee programs
- Market development programs
- Export Enhancement Program
- Food aid and development programs
- Technical barriers to trade
- Trade-related programs in other titles

Provisions	1996-2001 farm legislation	2002 Farm Bill
General provisions Similar goals and roles appear in the subtitles for P.L. 480 Food for Peace, Section 416, and Food for Progress programs.		Programs encourage approval of multiyear and multicountry agreements and are expanded to include all eligible organizations rather than just private voluntary organizations (PVOs). Each program is to streamline, improve, and clarify the application, approval, and implementation process, and to report progress to congressional committees.

Export credit guarantee programs facilitate commercial sales of U.S. agricultural products. The Export Credit Guarantee Program (GSM-102) covers private credit extended for up to 3 years. The Intermediate Export Credit Guarantee Program (GSM-103) covers private credit extended for up to 7 years.	Authorized short-term supplier credit guarantees. Listed criteria to be used by the Secretary in deciding whether a country is creditworthy for GSM-103 intermediate-term credit guarantees. Mandated annual program levels for GSM-102 and GSM-103 at $5.5 billion through 2002, but allowed flexibility in how much was available for each program. Allowed credit guarantees for high-value products with at least 90% U.S. content (by weight). Minimum shares of credit guarantees were required to be available for processed and high-value products: 25% in 1996 and 1997; 30% in 1998 and 1999; and 35% thereafter. Minimum requirements were not applicable if they caused a reduction in total commodity sales under the programs.	Extends the export credit guarantee programs and annual funding through 2007. Requires the Secretary and U.S. Trade Representative to consult regularly with relevant House and Senate committees on multilateral negotiations at the World Trade Organization and the Organization for Economic Cooperation and Development regarding agricultural export credit guarantee programs. Continues requirement that not less than 35% of export credit guarantees issued be used to promote exports of processed or high-value agricultural products. Extends terms of repayment for the Supplier Credit Program from 180 to 360 days, subject to appropriations to fund the additional costs of covering repayment of credit beyond 180 days.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Market development programs		
Market Access Program (MAP) develops, maintains, and expands markets for agricultural products.	Authorized funding for the Market Access Program (formerly the MPP) at $90 million annually for fiscal years (FY) 1996-2002. Participating organizations included nonprofit agricultural trade organizations, regional trade groups, and private companies.	Reauthorizes the program and gradually increases funding to not more than $100 million in FY 2002, $110 million in FY 2003, $125 million in FY 2004, $140 million in FY 2005, and $200 million in FY 2006 and FY 2007 in Commodity Credit Corporation (CCC) funds or equivalent CCC commodities. For funding in excess of the FY 2001 level, equal consideration is given to organizations that have or have not participated in the past, and to activities in emerging markets or other markets.
Foreign Market Development Program (FMD) helps maintain and develop foreign markets for U. S. agricultural commodities, primarily through trade associations.	Extended through 2002. Funded at $27.5 million per year.	Authorizes use of CCC funds to support the program and increases funding to $34.5 million. Requires continued emphasis on exporting value-added products to emerging markets. For funding in excess of the FY 2001 level, equal consideration is given to organizations that have or have not participated in the past, and to activities in emerging markets or in markets other than emerging markets.

Emerging Markets Program targets "emerging markets" that offer growth potential for U.S. agricultural exports.	Required that CCC make available not less than $1 billion of direct credit or credit guarantees to emerging markets during FY 1996-2002. Funds could be used to establish or provide facilities, services, or U.S. products to improve handling, marketing, processing, storage, or distribution of imported agricultural products. Required the Secretary to provide an Agricultural Fellowship Program of not more than $10 million.	Reauthorizes program at current funding levels through 2007.
Online Exporter Assistance Initiative	No similar provisions.	USDA shall maintain a website that provides comprehensive information to assist exporters and potential exporters of U.S. agricultural commodities. No funds authorized.
Global market strategy	No similar provisions.	Mandates preparing a long-range agricultural trade strategy that identifies opportunities for growth in exports; ensures that resources, programs, and policies are coordinated with those of other agencies; and removes barriers to trade in overseas markets. Consultations with relevant congressional committees shall occur before November 9, 2002, and every 2 years subsequently.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Export Enhancement Program (EEP) provides funding to U. S. exporters to help compete against subsidized prices in specific export markets.	EEP expenditures were capped at $350 million in FY 1996, $250 million in FY 1997, $500 million in FY 1998, $550 million in FY 1999, $579 million in FY 2000, and $478 million for FY 2001 and FY 2002. The Secretary was allowed to make available up to $100 million annually for sale of intermediate-value products to attain the volume of these products exported by the U. S. during the Uruguay Round base period years of 1986-90.	Extends annual funding through 2007 at current funding level of $478 million per year. Expands definition of unfair trade practices to include: • practices of state trading enterprises that "are not consistent with sound commercial practices conducted in the ordinary course of trade;" • subsidies that decrease market opportunities for U.S. exports or unfairly distort agricultural markets to the detriment of the U.S.; • unjustified trade restrictions or commercial requirements, such as labeling, that affect new technologies, including biotechnology; • unjustified sanitary or phytosanitary restrictions; • other unjustified technical barriers to trade; • rules that unfairly restrict imports of U.S. products in the administration of tariff-rate quotas; and • failure of a country to adhere to already existing trade agreements with the U.S.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Food aid and development programs		

P.L. 480 The U.S. Government provides overseas food aid primarily through the P.L. 480 Program, also known as "Food for Peace." P.L. 480 includes concessional sales through Title I and donations and grants through Titles II and III.	Extended the authority to enter into new P.L. 480 agreements through 2002. Authorized Title I agreements with private entities in addition to foreign governments. Modified repayment terms for Title I credit, including 1) elimination of the minimum repayment period of 10 years and 2) reduction of the maximum grace period from 7 to 5 years.	Reauthorizes program through 2007. Adds conflict prevention as a program objective.
	Increased the maximum level of funding for overseas administrative support to eligible organizations under Title II, from $13.5 million to $28 million. Added intergovernmental organizations, such as the World Food Program, to the organizations eligible to receive funds.	Funding for administrative support and internal transportation and distribution costs of sponsoring agencies are required to be between 5% and 10% of the annual Title II program level.
	Increased the minimum shares of commodities to be sold for local currencies under nonemergency programs under Title II from 10% to 15%.	New "nonemergency assistance" provision encourages proposals that address 1 or more aspects of Food for Peace, and incorporates program objectives to assist development.
	Extended the minimum levels of assistance under Title II through 2002 at 1995 level of 2.025 million metric tons (MMT). Amended P.L. 480 Title IV (Administrative Provisions) to broaden the range of commodities available under the P.L. 480 program and provided greater programming flexibility.	Increases the minimum level of assistance to 2.5 MMT per year. The minimum for nonemergency programs is 1.875 MMT.
	Allowed up to 15% of the funds available for any title of P.L. 480 to be used for any other P. L. 480 title. Up to 50% of Title III funds may be used for Title II.	Eliminates the $1-billion cap on annual Title II spending. Authorizes sale of commodities for U.S. dollars, as well as non-U.S. currencies, for monetization in P.L. 480.
Food Aid Consultative Group	Extended the authority for the Food Aid Consultative Group through 2002.	Reauthorizes the Food Aid Consultative Group through 2007.
CCC (Section 416) surplus donations	Permanent law provides for overseas donations of CCC-owned surplus commodities.	Maintains current law. Secretary is encouraged to finalize program agreements not later than December 31 of each fiscal year. Monetization allows use of other currencies in addition to U.S. dollars.
George McGovern-Robert Dole International Food for Education and Nutrition Program	The Global Food for Education Initiative began as a pilot program in FY 2001. USDA committed to provide up to $300 million under Section 416 authority for commodities and transportation costs for school and preschool nutrition projects in developing countries.	Authorizes a program to provide commodities and financial and technical assistance for foreign preschool and school feeding programs. Goal is to reduce hunger and improve literacy and nutrition programs for pregnant and nursing women and for young children. President has authority to designate the administering Federal agency. Eligible recipients include governments, PVOs, cooperatives, and other entities. Provides $100 million of CCC funds to continue existing pilot projects, and an authorization for

		appropriations to continue the program in subsequent years.
Bill Emerson Humanitarian Trust / Food Security Commodity Reserve provides for a reserve to meet emergency humanitarian food needs in developing countries.	The Food Security Commodity Reserve replaced the Food Security Wheat Reserve. Commodities authorized for the 4-MMT reserve were expanded to include corn, grain sorghum, and rice in addition to wheat. Raised the existing 300,000-MT release authority for urgent humanitarian relief in disasters to 500,000 MT in the case of unanticipated need. Allowed for release of an additional 500,000 MT of eligible commodities that could have been released but were not released in previous years. Commodities could be acquired from eligible CCC stocks, purchased from producers, or purchased on the market to replace the reserve. Authorized reimbursement of the CCC for release of eligible commodities from the reserve from funds appropriated in subsequent fiscal years. Renamed the Bill Emerson Humanitarian Trust in 1998. CCC was authorized to retain and use funds from P.L. 480 reimbursements to replenish the reserve (up to $20 million per year). CCC was also authorized to hold funds as well as commodities in the reserve.	Reauthorizes replenishment and reimbursement authorities through 2007.
Food for Progress (FFP) was originally authorized in the Food Security Act of 1985. Provides commodities to governments of developing countries and emerging democracies or to PVOs to strengthen private sector agriculture.	Extended the authority for FFP agreements. Authority to provide assistance in the administration, sale, and monitoring of food assistance programs through 2002. Included intergovernmental organizations in FFP programming. Expanded authority to make sales on credit terms to all eligible countries.	Reauthorizes program through 2007. Provision of eligible commodities to developing countries shall not be less than 400,000 MT. Increases annual limits on administrative costs to $15 million and on noncommodity costs to $40 million. Excludes from tonnage limitations commodities furnished on a grant basis or on credit terms under P.L. 480 Title I. Encourages the President to finalize agreements before beginning of the fiscal year and provide congressional committees a list of approved programs, countries, and commodities by December 1. The President ensures that each eligible organization is optimizing use of donated commodities by: • taking into account the needs of target populations in recipient countries; • working with recipient countries and institutions within those countries to design mutually acceptable programs; • monitoring and reporting on distribution and sale of eligible commodities using accurate and timely reporting methods; and • periodically evaluating the eligible organization's program effectiveness.
John Ogonowski Farmer-to-Farmer Program assists developing countries to increase farm production and farmer incomes.	Up to 0.4% of funding for P.L. 480 Title I and Title II can be diverted to support the program.	Reauthorizes program through 2007. Increases share of P.L. 480 that can be diverted to support the program to 0.5%. A special emphasis on Sub-Saharan African and Caribbean Basin countries authorizes additional funding of $10 million per year.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Technical barriers to trade	No similar provisions.	New programs established to remove, resolve, or mitigate sanitary and phytosanitary (SPS) and other technical barriers to trade.
Biotechnology and Agricultural Trade Program	No similar provisions.	Addresses regulatory nontariff barriers to the export of U.S. agricultural commodities. Authorizes grants for public and private-sector projects for: • quick-response intervention regarding nontariff barriers to U.S. exports involving issues of biotechnology, food safety, disease, or other sanitary or phytosanitary concerns; • developing protocols as part of bilateral negotiations with other countries on issues such as animal health, grain quality, and genetically modified organisms. Program is authorized at $6 million per year through 2007.
Technical assistance for specialty crops	No similar provisions.	Establishes an export assistance program to address unique barriers that prohibit or threaten the export of U.S. specialty crops. Provides for public- and private-sector projects and technical assistance to address time-sensitive and strategic issues of market retention, market access, and market expansion. Authorized at $2 million a year.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Trade-related programs in other titles		
Uruguay Round compliance The Uruguay Round Agreement on Agriculture puts a maximum allowable level on trade-distorting domestic support programs as measured by the aggregate measurement of support (AMS). The ceiling on U.S. AMS support declined from $23.1 billion in 1995 to $19.1 billion in 2000. The $19.1-billion ceiling continues until a new World Trade Organization agreement is reached.	No similar provisions.	If the Secretary determines that the AMS ceiling will be exceeded, the Secretary shall, to the maximum extent practicable, adjust expenditures to avoid exceeding allowable levels. (Provisions are covered in Title I.) Before making any adjustments, the Secretary shall submit a report to Congress describing the adjustments to be made.

Country-of-origin labeling Details & Analysis	Most imports, including many food items, must bear labels informing the final purchaser of their country of origin. Certain natural products were exempt.	Requires that meat, fish, produce, and peanuts be labeled with the country of origin, starting in 2004. (Provisions are covered in Title X.)
Dairy Export Incentive Program **(DEIP)** subsidizes exports of U. S. dairy products. Under the DEIP, the CCC was required to make payments, on a bid basis, to an entity that sells U.S. dairy products for export.	DEIP was extended to 2002. The Secretary was directed to authorize subsidies sufficient to export the maximum volume of dairy products allowable under Uruguay Round-GATT (UR-GATT) (net of exports under the dairy sales program), subject to UR-GATT funding limits for export subsidies. DEIP is to be used for market development purposes.	DEIP was extended to 2007. (Provisions are covered in Title I.)

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USDA United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

Title IV:
Nutrition Programs

Highlights	
Title IV Nutrition Programs	Food Stamp Program and commodity distribution programs are reauthorized for 5 years. Reinstates food stamp eligibility for legal immigrants residing in the U.S. for at least 5 years, and for all legal immigrant children and disabled individuals. Includes provisions to simplify and streamline the Food Stamp Program. Increases funding for the Emergency Food Assistance Program. Modifies commodity distribution programs and encourages expanded use of fresh fruits and vegetables.

Contents:

Key Provisions

- Food Stamp Program benefits
- Food Stamp Program simplification and administrative reforms
- Commodity distribution programs
- Community food security provisions
- Miscellaneous nutrition program provisions

Provisions	1996-2001 farm and food legislation	2002 Farm Bill
Food Stamp Program benefits		

The Food Stamp Program (FSP) aids qualified low-income households with food purchases.	The 1996 Farm Act reauthorized the FSP for 2 years, adding criteria for disqualification of food stores and wholesale food concerns for program violations. The program was modified and reauthorized through fiscal year (FY) 2002 as a part of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This welfare reform legislation reduced the level of the maximum food stamp benefit, limited income deductions, restricted eligibility for many legal immigrants, and imposed time limits for able-bodied adults without dependents.	The FSP and related programs under the Food Stamp Act (including the Food Distribution Program on Indian Reservations) are reauthorized through FY 2007.
Benefits for legal immigrants	PRWORA disqualified most permanent resident aliens from receipt of food stamps unless they had been employed in the U.S. for the past 10 years. The Agricultural Research, Extension and Education Reform Act of 1998 restored eligibility to immigrant children, disabled, and elderly who were in the U.S. when welfare reform took effect in August 1996.	Beginning in October 2002, eligibility for FSP benefits is restored to legal immigrants receiving other disability benefits. In April 2003, all legal immigrants who have been in the U.S. continuously for 5 years will become eligible to apply for food stamps. All legal immigrant children, regardless of date of entry to the U.S., will become eligible to apply in October 2003.
	Welfare reform and immigration reform legislation in 1996 instituted requirements to take sponsors' income into account when immigrants were means tested for Federal benefits.	Eligibility guidelines for legal immigrants will continue to take into account the income and assets of sponsors, except in applications made for children after October 2003.
Standard deduction for income determination	PRWORA froze the standard deduction at $134 per household, regardless of size.	Standard deduction is modified to allow a greater deduction (and higher benefits) for many larger households. The deduction is set at 8.31% of inflation-indexed poverty guidelines for most households. Since the poverty income cutoff increases with household size, larger FSP households are generally entitled to bigger standard deductions. Households with more than 6 persons will qualify for the same deduction as a 6-person household. No household will have a deduction less than $134.
Transitional food stamp benefits for households exiting welfare	In creating a new cash welfare program—Temporary Assistance to Needy Families (TANF)—PRWORA imposed a 5-year limit on receipt of cash benefits. In many States, implementation of TANF involved new policies and practices that were not easily integrated with food stamp administrative practice. Regulatory changes in 2000 allowed States to certify 3 months of transitional food stamp benefits for households losing cash assistance from TANF, without additional paperwork requirements.	Families leaving TANF can be certified to receive transitional food stamp benefits for 5 months. The transitional benefit amount is set equal to the amount of benefits received 1 month prior to exiting TANF, with adjustments for loss of cash aid and, at State option, for other changes in household circumstances. Households may recertify during the transitional period. For transitional cases, States are allowed to extend the certification period beyond 12 months. Households are not eligible for transitional benefits if they lose TANF benefits because of a sanction, are disqualified from the Food Stamp Program, or belong to a category designated by the State as ineligible.

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Provisions	1996-2001 farm and food legislation	2002 Farm Bill

Food Stamp Program simplification and administrative reforms. The Food Stamp Program (as amended) established uniform national eligibility standards and defines the basic FSP unit as the "household." Eligibility criteria include gross and net income limits and an asset limit. The food stamp allotment depends on the number of people in the household and the household's net income.		
Eligibility and benefit determination	Income requirements continued to restrict eligibility to households with gross income less than 130% of poverty guidelines and net income less than 100%. Asset requirement limiting eligible households to no more than $2,000 in countable assets ($3,000 if a member is age 60 or older) is also continued.	To simplify eligibility determination, State administrators may exclude certain types of income and resources not counted under the State's TANF cash assistance or Medicaid programs. Asset requirements are changed to increase the resource limit from $2,000 to $3,000 for households with a disabled member. States may deem child support payments as an income exclusion rather than a deduction. The Secretary is directed to establish simplified procedures for States in establishing the amount of child support paid by a household. States are given new options on use of standardized deductions. A new standard deduction of $143 per month for homeless households is allowed. The standard utility allowance (SUA) option is simplified for States electing to use the SUA (rather than actual utility costs) for all households.
FSP reporting and recertification procedures	Regulatory and policy changes gave States new opportunities to reduce the burden on FSP certified households by expanding quarterly reporting options (1999) and allowing semi-annual reporting for households with earnings (2000).	States are allowed to extend the semi-annual reporting option to almost all types of cases, permitting the State agency to freeze benefits for 6 months. Households are required to report changes in income and circumstances only at 6-month intervals (unless their income goes above 130% of the poverty level.)
FSP quality control system	The Food Stamp Act (as amended) required USDA to maintain a system that enhances payment accuracy and improves program administration by establishing fiscal incentives that require State agencies with high payment error rates to share in the cost of payment error.	Substantial changes are made to the fiscal sanctions and incentives available to the Secretary to oversee State performance in administering the FSP. Only those States with persistently high error rates will face liabilities. Beginning with State performance in October 2003, States will not be penalized unless the probability is 95% that their error rate exceeds 105% of the national average for 2 consecutive years.
	USDA had provided enhanced administrative funds to States with error rates below 6%.	The enhanced funding system is replaced with a performance system that will award $48 million in bonuses each year and that emphasizes positive steps rather than avoidance of error. States will be rewarded for improvements or high levels of performance related to actions taken to correct errors, reduce the rates of error, improve eligibility determinations, or other activities that demonstrate effective administration.

Use of Food Stamp Employment and Training (FSE&T) Program funds. Under the Food Stamp Act (as amended) USDA is required to provide Federal funding to States for employment and training programs for food stamp recipients.	The Balanced Budget Act of 1997 more than doubled funding available to States for the FSE&T Program. The following 3 stipulations applied: • States had to spend at least 80% of employment and training (E&T) funds on services for able-bodied adults without dependents (ABAWDs); • States had to maintain at least their 1996 E&T funding levels in order to access additional funds; and • amounts that USDA would reimburse per case for qualifying E&T activities were limited.	State flexibility in spending FSE&T program funds is increased by repealing the 3 stipulations imposed on States. Also eliminated is the $25-per-month cap on Federal reimbursements for transportation and other work costs incurred by participants in E&T programs.
	Federal FSE&T funds made available to States were in excess of $200 million from FY 1998-2001.	For FY 2002-07, unrestricted FSE&T funds are reduced to $90 million. An additional $20 million in funding is available for States that pledge to offer work slots to ABAWD facing the 3-month time limit for food stamps.
FSP access grants	The Food Stamp Act (as amended) authorized USDA to spend up to $5 million for FY 2002-07 on competitively awarded grants with public or private nonprofit organizations for outreach projects aimed at increasing FSP participation by eligible low-income households.	Reaffirms funding authorized in the Food Stamp Act. Up to $5 million in annual funds for FY 2003-07 is specifically authorized to award competitive outreach grants to improve access to the FSP. Projects may include efforts to: • Coordinate food stamp applications with those of other assistance programs; • Facilitate application through telephone, Internet, or other system improvements; and • Develop outreach materials and/or improved methods for informing eligible households about the program.
Electronic benefits transfer (EBT) system	PRWORA mandated that all States switch from paper coupons to EBT issuance by October 2002 and that all State EBT systems be integrated with other State systems.	Eliminates requirement that EBT systems not cost the Federal Government more than the prior paper coupon systems. Alternate methods for issuing food stamp benefits are authorized during disasters when reliance on EBT systems is impracticable. The Secretary is required to submit a report by October 1, 2003, to Congress, describing the status of EBT systems in each State and national implementation issues.
Puerto Rico and American Samoa	Puerto Rico and American Samoa continued to receive Federal food assistance through separate block grant programs.	Funding structure for nutrition assistance in Puerto Rico and American Samoa is consolidated into a single block grant funded at $1.401 billion for FY 2003 with annual adjustments, based on the Thrifty Food Plan.

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Provisions	1996-2001 farm and food legislation	2002 Farm Bill
Commodity distribution programs provide needy persons with access to a more nutritious diet.		

The Emergency Food Assistance Program (TEFAP) provides for the purchase and distribution of commodities to the needy, primarily through food banks and soup kitchens.	The 1996 Farm Act required the Secretary to use $100 million annually to purchase commodities for TEFAP, and authorized up to $50 million to be used in administration of the program and distribution of commodities. Funding was authorized through FY 2002.	Mandatory funding for TEFAP commodity purchases under the Food Stamp Act is increased to $140 million each year beginning in FY 2002. In addition, authorizations for direct and indirect costs related to processing, storing, transporting, and distributing commodities (including commodities contributed by farmers through gleaning programs) are increased to $60 million.
Commodity Supplemental Food Program (CSFP)	The 1996 Farm Act reauthorized various discretionary food distribution programs, including the Commodity Supplemental Food Program (CSFP).	CSFP is reauthorized through FY 2007. The administrative funding formula is modified to provide a specific reimbursement per caseload slot, subject to annual adjustment. The Secretary cannot prohibit use of any food safety technology approved or allowed by USDA or the Department of Health and Human Services when acquiring commodities for commodity distribution programs and other domestic feeding programs.

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Provisions	**1996-2001 farm and food legislation**	**2002 Farm Bill**
Community food security provisions		
Community food security grants	The 1996 Farm Act established new authority for Federal grants to support development of Community Food Projects. Funding of $2.5 million per year was authorized through FY 2002. Grants have been awarded annually to projects designed to: • Increase access of low-income households to fresher, more nutritious food supplies; • Increase self-reliance of communities in providing for their own food needs; and • Promote comprehensive responses to local food, farm, and nutrition issues.	Annual funds of up to $5 million are authorized for Community Food Projects for FY 2002-07. The definition of qualifying projects is expanded to include those that meet specific local needs through infrastructure development, long-term planning, and/or innovative marketing activities. Up to $200,000 annually of the authorized funding can be used to contract with a nongovernment organization to develop and recommend programs for addressing common community issues such as loss of farms and ranches, rural poverty, welfare dependency, hunger, job training, and promotion of self-sufficiency for individuals and communities.
Farmers' Market Nutrition Programs	The WIC Farmers' Market Nutrition Act of 1992 mandated USDA to help participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to obtain fresh fruits and vegetables from farmers' markets. Legislation in 1994 authorized $10.5 million for the program in FY 1995 and "such sums as necessary" for FY 1996-98. Legislation in 1998 reauthorized the program through FY 2003. The 2002 Agricultural Appropriations Act allocated $10 million for the program in FY 2002, with provision for an additional $15 million at the Secretary's discretion.	The additional funding for the WIC Farmers' Market Nutrition Program shall be available through the Commodity Credit Corporation (CCC) in the amount of $15 million until expended.
	USDA instituted the Senior Farmers' Market Nutrition Program in January 2001, targeted at low-income seniors, using funding under CCC authorities.	Funding levels of $5 million in FY 2002 and $15 million a year through FY 2007 are made available to implement and expand the Senior Farmers' Market Nutrition Program.

Locally produced foods	No similar provisions.	The Secretary is directed to encourage schools participating in the National School Lunch and School Breakfast Programs to purchase locally produced foods. Annual funding of $400,000 for FY 2003-07 is authorized to provide startup grants for up to 200 institutions.

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Provisions	1996-2001 farm and food legislation	2002 Farm Bill
Miscellaneous nutrition program provisions		
Use of commodities for domestic feeding programs	No similar provisions.	The Secretary is given authority to distribute excess commodities acquired in the conduct of CCC operations under Section 32 to any USDA program involving acquisition of commodities for a domestic feeding program. The Secretary is required to use a minimum of $200 million per year from Section 32 funds to purchase additional fruits, vegetables, and other specialty food crops. A minimum of $50 million per year is to be used exclusively for purchases of fresh fruits and vegetables through the Department of Defense Fresh Program for use by schools and institutions participating in school lunch and other child nutrition programs.
Pilot programs	No similar provisions.	Several pilot programs are authorized, including: • A pilot program to make free fruits and vegetables available in 25 schools in 4 States and on 1 Indian reservation; and • A pilot program in 5 States, not to exceed 4 years per State, to increase fruit and vegetable consumption and publicize related health promotion messages.

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2002 Farm Bill

Title V: Credit

Highlights	
Title V Credit Details & Analysis	Farm Service Agency (FSA) farm loan eligibility rules are relaxed to make more borrowers eligible for Federal farm credit assistance. Lending rules for beginning farmers and ranchers are modified to increase eligibility and provide more benefits. FSA lending procedures are changed to streamline delivery of farm loan programs.

Contents:

Key Provisions

- FSA farm loan programs
- Farm Credit System

Provisions	1996-2001 farm legislation	2002 Farm Bill

FSA farm loan programs. The Secretary can make or guarantee real estate loans, operating, and emergency loans to family-sized farms unable to obtain sufficient credit elsewhere on reasonable terms.	Provisions were waived through 2002 that had prevented borrowers from qualifying for new guaranteed operating loans after receiving either direct or guaranteed operating loans for a period of 15 years, and from qualifying for new direct operating loans after 7 years.	Eligibility time limits on guaranteed operating loans are waived through 2006. Borrowers with direct operating loans are eligible, case-by-case, for a one-time waiver for 2 additional years of eligibility. Native Americans whose farms or ranches are within the jurisdiction of an Indian Reservation may be exempt from eligibility limits on direct operating loans and also become eligible for 95% guarantees on operating loans instead of a 90% guarantee. USDA and State, county, or area committee employees become eligible for FSA farm loans.
	Borrower must have owned or operated a farm or ranch for at least 3 years to be eligible for a direct farm ownership loan. Use of direct farm ownership loans to refinance commercial debt was prohibited.	Borrowers must have participated in the operation of a farm or ranch for at least 3 years to be eligible for a direct farm ownership loan. Refinancing of commercial debt is allowed for direct farm ownership loans if the debt was incurred for a farm purchase while waiting for funding of an approved farm ownership loan application.
	Borrowers who had received FSA debt forgiveness under certain procedures may have been eligible for further direct or guaranteed loans, but only for annual operating expenses.	Borrowers having received debt forgiveness may also be eligible for new direct or guaranteed operating loans if forgiveness resulted from a declared major emergency or natural disaster. Beside areas designated as natural disasters, low-interest emergency loans are also available in areas under plant or animal quarantines.
	A 4% interest-rate reduction was available annually on up to $490 million of guaranteed operating loans through 2002.	A 4% interest-rate reduction program for guaranteed operating loans is made permanent, with 15% of the $750 million in annual authority set aside for beginning farmers until March 1 of each fiscal year.

FSA loans to beginning farmers	A limit on the amount of acreage beginning farmers could own and be eligible for farm ownership loans was set at 25% of the county median. Beginning farmers were eligible for farm purchase downpayment loans at 4% fixed rates for 10 years in amounts equal to the lesser of 30% of the sale price or of the appraised value. Farm property obtained by FSA was held for sale to beginning farmers for 75 days before being sold to others.	Acreage limit increases to 30% of county median for beginning farmers to be eligible for farm ownership loans. Beginning farmer downpayment loans at 4% fixed rates can be made for up to 15 years in amounts equal to the lesser of 40% of the sale price or of the appraised value. Beginning farmers have preference to buy FSA inventory farm property for 135 days before it is sold to others. Inventory properties are to be divided or combined to make them more suitable for these borrowers.
	No similar provisions.	Pilot program allows FSA to guarantee up to 5 owner-provided loans (land contracts for sale) per year through 2006 to beginning farmers purchasing a farm or ranch in at least 5 geographically diverse States.
	No similar provisions.	FSA may guarantee loans made under State beginning farmer loan programs that use small-issue agricultural bonds. (A change in the tax code is still required.)
FSA funding levels	Annual loan program authorization levels were set at $85 million for direct farm ownership loans, $500 million for direct operating loans, $750 million for guaranteed farm ownership loans, and $2.1 billion for guaranteed operating loans.	Annual loan program authorization levels set at $205 million for direct farm ownership loans, $565 million for direct operating loans, $1 billion for guaranteed farm ownership loans, and $2 billion for guaranteed operating loans.
Other FSA provisions	No similar provisions.	County committee involvement on farm loan decisions and procedures is reduced. A greater number of FSA employees provided the authority to handle farm loan decisions, provided they receive appropriate training.

	Lower documentation was required from lenders requesting loan guarantees in amounts up to $50,000.	Low-documentation procedures are available to lenders requesting loan guarantees in amounts up to $125,000.
	Secretary was to report to Congress on demand for and availability of credit in rural areas for agriculture, housing, and rural development. Study was to analyze how well the Farm Credit System, commercial banks, and Federal agencies fulfill rural credit demand.	Secretary is to undertake 2 1-year studies on FSA direct and guaranteed lending programs, reporting to Congress on effectiveness of the programs in meeting the credit needs of agricultural producers in an efficient and fiscally responsible manner.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Farm Credit System (FCS) is a combination of cooperatively owned financial institutions that specialize in providing rural housing loans, farmland loans and operating credit, and loans to farmer-owned supply, marketing, and processing cooperatives.	No similar provisions.	FCS associations and farm credit banks no longer must get prior permission from another FCS lender when participating in certain loans originated outside the lender's chartered territory. The Bank for Cooperatives is given greater authority to finance the import and export of farm supplies, agriculture-related equipment, agricultural processing equipment, and other capital goods used in storing and handling agricultural commodities or products. The FCS Insurance Corporation may recognize lower risks associated with assets that are guaranteed by government- sponsored enterprises when assessing insurance premiums on FCS lenders.

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USDA United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

Title VI:
Rural Development

Highlights	
Title VI Rural Development	Provides funding for rural areas to undertake strategic planning, feasibility assessments, and coordination activities with other local, State, and Federal officials. Provides funding for the backlog of pending applications for water and wastewater programs as well as new funding for broadband Internet services, value-added agricultural programs, rural business investments, and training for rural emergency personnel.

Contents:

Key Provisions

Provisions	1996-2001 farm legislation	2002 Farm Bill
Rural Community Advancement Program	The 1996 Farm Act streamlined and consolidated programs to provide a more focused Federal effort and encouraged additional decisionmaking at the State level. The new Rural Community Advancement Program (RCAP) became a vehicle for coordinating and implementing USDA rural development funding in 3 main areas: 1) community facilities, 2) water and waste facilities, and 3) business assistance.	RCAP continues, but the account structure, including the national reserve account, is eliminated.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Comprehensive and strategic regional development planning and implementation	Encouraged on a relatively small scale through the development of State strategic plans, the Empowerment Zone/Enterprise Community Program, the Rural Economic Area Partnership Initiative, and the Rural Community Development Initiative.	A Rural Strategic Investment Program is authorized to fund regional investment boards. The boards plan and implement comprehensive regional rural development strategies. Funding for this program is to come from the Commodity Credit Corporation (CCC).This provision also calls for a national conference on rural America. A Multijurisdictional Regional Planning Organizations Program is authorized to fund regional organizations that provide assistance to local governments and organizations involved in local development.
Regional authorities	New regional authorities were established in rural Alaska (the Denali Commission) in 1999 and in the Lower Mississippi Delta (the Delta Regional Authority) in 2000 to plan and fund development strategies in these regions.	The Northern Great Plains Regional Authority is authorized to plan and fund development strategies in that region. The Delta Regional Authority is reauthorized.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Water and waste facilities Details & Analysis	The authorization for water and waste facility grants was increased to $590 million per year in 1996 Farm Act.	The $590-million upper limit on the annual amount of water and waste facility grants is eliminated. Use of $360 million of CCC funds is authorized for a one-time reduction in the backlog of qualified, pending applications for grants and loans for water and waste disposal and emergency community water assistance. A provision allows for guaranteeing of bond-financed loans for water and waste disposal facilities, if permitted by modifications in the Internal Revenue Service code.
For very small communities	The Emergency Community Water Assistance Grant Program for Small Communities program was also authorized to spend $35 million in fiscal years 1996-2002. At least 50 percent of available funds were to be allocated to very small communities (under 3,000 population).	Changes are made affecting the Emergency Community Water Assistance Program, allowing grants to forestall imminent decline in water quality and quantity. Search grants are authorized for $51 million per year to assist very small communities (under 3,000 population) in preparing feasibility and environmental studies required to meet water and waste environmental standards.
For nonprofit organizations	Nonprofit organizations have been eligible to receive grants to provide technical assistance and training to rural communities.	Newly authorized programs include grants to nonprofits to capitalize revolving loans for water and waste disposal facilities; and grants to nonprofit organizations to finance homeowners' water well systems.
Circuit Rider Program	USDA's Rural Utilities Service has an existing program with the National Rural Water Association to provide Rural Water Circuit Rider Technical Assistance for operations of rural water systems.	Authorizes establishment of a Rural Water Circuit Rider Program, based on the current contract program, to provide technical assistance for daily operations of rural water systems.

For Alaskan and Native American communities	Direct loans and grants for water and waste facilities have been set aside for targeted communities, including rural Alaskan villages and Native American projects.	Grant programs are authorized for water systems for rural and native villages in Alaska, and for water and waste facilities for Native American communities.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Telecommunications programs	The Telemedicine and Distance Learning Program was reauthorized and streamlined in the 1996 Farm Act. Under this program, the Secretary could make grants and loans to assist rural communities with construction of facilities and services to provide distance learning and telemedicine services. Funding was authorized at $100 million annually.	The Telemedicine and Distance Learning Program was reauthorized without changes in substance or funding.
Broadband programs	Amendments to the Telemedicine and Distance Learning Program in 2001 authorized a Broadband Pilot Loan Program to provide funding for construction of facilities and systems providing broadband transmission services to rural consumers. $2 million in funding was provided from the Telemedicine and Distance Learning Program budget.	Grants, loans, and loan guarantees are authorized for the purpose of improving access to broadband telecommunications services in rural areas. The funds would be for construction, improvement, and purchase of equipment and facilities for rural broadband service in eligible communities. Eligible rural communities have no more than 20,000 inhabitants. The definition of broadband service would be reviewed regularly to take into account changes in technology. A total of $100 million of CCC funds is authorized to provide loans and loan guarantees to cover fiscal years (FY) 2002-07.
Local television access	The Launching Our Communities' Access to Local Television Act provided for a guaranteed loan program intended to facilitate access, on a technologically neutral basis, to signals of local television stations for households located in nonserved areas and underserved areas.	Authorizes $80 million in loan guarantees for the delivery of local broadcast television station signals to satellite television subscribers in unserved and underserved local television markets. The funds are available until December 31, 2006, without fiscal year limitation.
Rural telework	No similar provisions in previous legislation.	A new program would pay the Federal share of the cost of establishing and operating a national rural telework institute. Each grant may be up to $500,000. Authorizes $30 million for each fiscal year.
Rural E-Commerce Extension	No similar provisions in previous legislation.	A Rural Electronic Commerce Extension Program will be established. The program's goal is to expand and enhance e-commerce practices and technology to be used by rural small businesses and enterprises. Funding is authorized at $60 million per year.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
General business assistance programs	The Rural Business-Cooperative Service operates several business assistance programs. As of FY 2002, the largest in terms of budget authority were the Business and Industry Loan Program, the Intermediary Relending Program, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, Rural Business Opportunity Grants, and Rural Cooperative Development Grants.	The authorization level for Rural Business Opportunity Grants was increased from $7.5 million to $15 million per year. Rural Business Enterprise Grants, Rural Development Loans and Grants, and Rural Cooperative Development Grants are continued with minor modifications.

Rural Business Investment Program	No similar provisions in previous legislation.	A new Rural Business Investment Program is authorized to guarantee the funds raised by companies that make equity investments in rural businesses, with an emphasis on smaller businesses. This program also authorizes grants to pay for operational assistance to participating businesses. The program is authorized to receive $100 million through the CCC.
Venture Capital Demonstration Program	The 1996 Farm Act authorized a Rural Venture Capital Demonstration Program to guarantee loans made to rural businesses.	The Rural Venture Capital Demonstration Program was not extended.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Promoting value-added agriculture Details & Analysis	Existing USDA business loan programs provide financial assistance to various kinds of businesses, including value-added agricultural enterprises.	Rules were liberalized to allow value-added producers, firms, and cooperatives greater participation in the Rural Business and Industry Loan Program. Business and industry loans and guarantees will be allowed for more types of renewable energy systems, such as wind energy systems and anaerobic digesters. Value-added agriculture businesses would also be allowed to receive Rural Business Enterprise Grants.
Value-Added Agricultural Product Marketing Development	Value-Added Agricultural Product Marketing Development Grants Pilot Program received $20 million in FY 2001 but got no additional funding in FY 2002 to expand the market for value-added agricultural products. In 2001, an Agricultural Marketing Resource Center was created. It received $5 million to collect and disseminate information to value-added producers.	Value-Added Agricultural Product Marketing Development Grants were authorized to receive $40 million per year from the CCC, with eligibility liberalized to increase participation in the program. Using money authorized under this program, a new Agriculture Innovation Center Demonstration Program will be created to provide technical assistance, business and marketing planning, and other nonfinancial assistance to value-added businesses.
Alternative Agricultural Research and Commercialization	The Alternative Agricultural Research and Commercialization Corporation's revolving loan fund was established to help finance new industrial uses for agricultural products, but it received no appropriations after FY 1999.	Authorization is repealed for the Alternative Agricultural Research and Commercialization Corporation.
Farmworker training	No similar program in previous legislation.	A new program to train farmworkers in new technologies required for higher value crops is authorized for $10 million per year.
Delta region assistance	Special funding had been authorized to assist value-added business activity in the Delta region.	The Delta region is reauthorized to receive $7 million per year for animal nutrition technology development and value-added manufacturing.

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Provisions	1996-2001 farm legislation	2002 Farm Bill

Community facilities and related programs	As of 2002, the community programs administered by the Rural Housing Service included Community Facilities grants and loans/ guarantees.	Authorizes several new programs: the Rural Firefighters and Emergency Medical Personnel Training Program; Historic Barn Preservation grants to help States identify and preserve historic barns; and Community Facilities Grants to Tribal Colleges and Universities. New rules would reserve 10 percent of Community Facilities funds for child care until April 1 of each fiscal year. In addition, loan guarantees are allowed for bond-financed community facilities loans, if permitted by modifications in the Internal Revenue Service code.
National Rural Development Partnership	The National Rural Development Partnership and its State Rural Development Councils (which have operated without authorization since the early 1990s) assisted the coordination of USDA's rural development programs with other Federal and State programs affecting rural development.	Establishes the National Rural Development Partnership as a Federal program, setting new rules on how the partnership is run, and authorizing it for $10 million per year.
Fund for Rural America	Established the Fund for Rural America to augment existing resources for agricultural research and rural development. Funding was authorized for $100 million per year.	Not extended, but projects already funded will be completed.

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Updated date: May 22, 2002

2002 Farm Bill

Title VII:
Research and Related Matters

Highlights	
Title VII **Research and Related Matters**	Reauthorizes and establishes new agricultural research and extension programs. Extends previous funding provisions to fiscal year (FY) 2007, replacing dollar amounts with "such sums as are necessary to carry out" the research. Expresses the "sense of Congress" that agricultural research funding double over the next 5 years. Increases funding for the Initiative for Future Agriculture and Food Systems and increases program level from $120 million a year to $200 million annually in FY 2006. Establishes a biosecurity planning and response program. Establishes grant programs for biotechnology risk assessment research and biotechnology research on crops important for developing countries.

Contents:

Key Provisions

Provisions	1996-2001 farm legislation	2002 Farm Bill
Research and extension funding Details & Analysis		
Grants for Federal agencies and State Agricultural Experiment Stations (SAES)	Extended to fiscal year (FY) 1997 existing legislation that authorized $850 million annually for agricultural research. Authorized annually through FY 1997: • $310 million for research at State Agricultural Experiment Stations (SAES), • $460 million for extension education, • Approximately $200 million for other special programs (Food and Nutrition Education Program, etc.), and • $500 million for competitive grants. For FY 1998-2002, appropriations were authorized for all areas "as necessary," subject to funds specifically being provided in an appropriation act.	Most funding provisions in earlier U.S. code are amended in 2 ways: 1) they are extended to 2007, and 2) dollar amounts for authorized appropriations are replaced with "such sums as are necessary to carry out" the research indicated in a given section. Also includes a "Sense of Congress" that funding for agricultural research, which has been essentially constant for 20 years, should be doubled over the next 5 fiscal years. This would restore the balance between public and private research, and maintain the scientific base for food and agricultural advances.
Initiative for Future Agriculture and Food Systems (IFAFS) **competitive grant program**	1998 Agricultural Research, Education and Extension Reform (AREER) Act created the Initiative for Future Agriculture and Food Systems (IFAFS), funded at $120 million annually from FY 1998-2002.	IFAFS funding levels set at $120 million in FY 2004, $140 million in FY 2005, $160 million in FY 2006, $200 million in FY 2007, and $200 million in each year thereafter.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
High-priority research Details & Analysis		
IFAFS program initiatives	1998 AREER Act authorized IFAFS funds for critical emerging research related to: • future food production, • environmental quality/natural resource management, • farm income, and • activities carried out under the Alternative Agricultural Research and Commercialization Act. Also funded new initiatives through IFAFS on these priority areas: • food safety, • agricultural genome, • natural resource management, • agricultural biotechnology, • alternative commodity production, and • farm profitability. Other high priorities include: • partnerships for high-value agricultural product quality; • precision agriculture;	Adds "rural, economic, and business and community development" to critical emerging areas addressed by IFAFS.

	• biobased products; • crop diversification; • integrated research; • education and extension competitive grants program; • improve viability of small and medium size dairy, livestock, and poultry operations; and • research regarding diseases of wheat and barley.	
Precision farming provisions	1998 AREER Act authorized the Secretary of Agriculture to make competitive grants for research, education, or information dissemination related to precision agriculture. Defined precision agriculture, precision agriculture technologies, agricultural inputs, and systems research.	The scope of precision agriculture projects is expanded to include horticulture, energy inputs, and product variability.
Initiatives for competitive grants.	1998 AREER Act amended 1990 Farm Act (sec. 1672 e) to designate high-priority research and extension areas: • brown citrus aphid and citrus tristeza virus, • ethanol, • aflatoxin, • mesquite, • prickly pear, • deer tick ecology, • red meat safety, • grain sorghum ergot, • peanut market enhancement, • dairy financial risk management, • cotton, • methyl bromide, • potato, • wood use, • low-bush blueberry, • wetlands use, • wild pampas grass control, • food safety, • financial risk management, • ornamental tropical fish, • sheep scrapie, • gypsy moth, • forestry, and • tomato spotted wilt virus. Also included imported fire ant control and Formosan termite research and eradication. The 1996 Farm Act encouraged the use of remote sensing data and other data to anticipate potential food, feed, and fiber shortages/excesses and to assist farmers with planting decisions.	Adds additional research areas including: • genetically modified agriculture products, • wind erosion, • crop loss modeling, • land use management, • water and air quality, • revenue and insurance tools, • agrotourism, • harvesting productivity for fruits and vegetables, • nitrogen fixation, • agricultural marketing (extension grants for education and outreach), • private land and the environment, • livestock research, • plant gene expression, • animal infectious diseases, • program to combat childhood obesity, • integrated pest management • beef cattle genetics, • dairy pipeline cleaner, • development of publicly held plant and animal varieties, and • sugarcane genetics. The Assistive Technology Program for farmers with disabilities is added to ensure new applicants receive full consideration for these grants.
Bovine Johne's Disease Control Program	No similar provisions.	Establishes a Bovine Johne's Disease Control Program for research, testing, and evaluation of programs for control and management. Authorizes appropriations as deemed necessary.
Karnal bunt research	No similar provisions.	Karnal bunt is added to the diseases of wheat, triticale, and barley research.

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Provisions	1996-2001 farm legislation	2002 Farm Bill

Research management		
Methyl bromide alternatives under the planned phaseout Details & Analysis	1998 AREER Act designated methyl bromide as a high-priority research and extension area (see above). Specific activities designated were: • developing and evaluating chemical and nonchemical alternatives, and use- and emission-reduction strategies, for pre-planting and postharvest uses of methyl bromide; and • transferring the results of the research for use by agricultural producers. "Sense of Congress" that the Secretary should use a substantial portion of Agricultural Research Service (ARS) methyl bromide research funding for research on real field conditions, especially pre-planting and post-harvest conditions, to expedite the development and commercial use of methyl bromide alternatives. 1996 Farm Act stated the "Sense of the Congress" that the Department should continue to make methyl bromide alternative research and extension activities a high priority.	Amends the Plant Protection Act (Title IV of the Agricultural Risk Protection Act of 2000) giving the Secretary power to authorize methyl bromide treatments required by State, local, or tribal authorities to prevent the introduction, establishment, or spread of plant pests or noxious weeds as official controls or requirements. (As a result, these treatments might be exempt from the methyl bromide phaseout.) Requires USDA to review such requests and make a determination within 90 days. Treatments cannot be classified as official controls or requirements unless no registered, effective, and economically feasible alternative is available. Establishes a program to make such determinations and requires a registry listing authorization be published before November 9, 2002. USDA must also establish a program to identify alternatives and to initiate research programs to develop alternatives for uses currently lacking registered, effective, economically feasible alternatives.
Pest and noxious weed loss compensation	2000 Plant Protection Act allowed non-USDA Federal Government officials, such as OMB, to review USDA decisions to carry out the Act, including those to compensate growers for economic losses resulting from actions to address emergencies caused by plant pests or noxious weeds.	Amends the 2000 Plant Protection Act to limit non-USDA Federal Government officials to no longer than 60 days to review USDA decisions to carry out the Act, including decisions to compensate for economic losses from actions to address emergencies caused by plant pests or noxious weeds.
Joint requests for proposals to reduce duplication of research	No similar provisions.	Authorizes and encourages USDA to jointly issue requests for proposals (RFPs), peer review proposals, and award grants with other Federal agencies to reduce duplication of research and administrative functions.
Competitive grant management	Building on 6 "high-priority areas" detailed in previous legislation, the 1998 AREER Act authorized specialized competitive research and extension grants. The Secretary could make competitive grants to support research and extension activities specified by the legislation, in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board.	The Secretary determines national and multi-State research (and research transfer) needs in consultation with the National Agricultural Research, Extension, Education and Economics Advisory Board by July 1 for the following fiscal year.
Agricultural Research Service (ARS) review	No similar provisions.	The Agricultural Research Service (ARS) must undergo a comprehensive review of its purpose, efficiency, effectiveness, and impact on agricultural research. Secretary will appoint a task force, to report before June 2003.
Indirect costs	1998 AREER Act set 19% cap for indirect costs charged to competitive agricultural research, education, or extension grants through Research, Education, and Extension agencies.	Provides exception to 19% indirect cost cap for Small Business Act competitive grants.

Agricultural research facility funding	1996 Farm Act appropriated such funds as necessary, as approved by the Secretary. 50% of funding required from non-Federal sources.	The Secretary may make competitively awarded "Research Equipment Grants" of $500,000 or less per institution, for special research equipment to colleges, universities, and SAES engaged in food and agricultural science. Appropriates necessary sums through FY 2007. Purchases through these grants cannot be charged as indirect costs for Federal grants or accounting purposes.
Advisory boards for research, extension, and education to the USDA research system	Consolidated 3 advisory boards (a review board, a joint council, and an extension advisory board) to create the National Agricultural Research, Extension, Education, and Economics Advisory Board. The Secretary was authorized to appoint 30 members with specifically designated expertise to represent a broad array of agricultural interests. The Board was charged with reviewing and providing consulting on national research, education, economic, and extension policies for the Secretary and Land Grant institutions.	Requires the National Research, Extension, Education, and Economic Advisory Board to review policy and provide expertise to House and Senate committees related to agriculture and forestry. Adds an additional Board member from a non-Land Grant institution. Adds USDA agencies to the list of groups from which the Advisory Board shall solicit opinions.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Bioterrorism / biosecurity		
Planning and response programs	No similar provisions.	Establishes programs, authorizing such funds as are necessary, for each of FY 2002-07. Funds are to be appropriated for agricultural research, education, and extension activities related to reducing the vulnerability of the U.S. food and agricultural system to chemical or biological attack. Emphasizes long-term partnerships to enhance U.S. biosecurity, including planning, training, outreach, and research activities related to vulnerability analyses, incident response, and detection and prevention technologies. Funds can also be awarded through competitive grants. "Sense of Congress" that funding for ARS, Animal and Plant Heath Inspection Service (APHIS), and other USDA agencies with biosecurity responsibilities be increased as necessary to improve research and response to bioterrorism and animal and plant diseases.
Research facilities	No similar provisions.	Establishes a program to expand and upgrade security at agricultural research facilities to enhance security of U.S. agriculture against bioterrorism threats. The Secretary can competitively award grants for expansions or security upgrades to colleges and universities. Grants cannot exceed $10 million to any recipient in any fiscal year, and are limited to 50% Federal cost-share.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Biotechnology		
Risk assessment research	No similar provisions.	Authorizes a Cooperative State Research, Education and Extension Service (CSREES) and ARS grant program on the environmental effects of biotechnology, including research to help regulators develop long-term policies concerning the introduction of genetically engineered animals, plants, and microorganisms into the environment. Funding priority given to: • appropriate management practices to minimize physical and biological risks associated with genetically engineered animals, plants, and microorganisms; • methods for monitoring the dispersal of genetically engineered animals, plants, and microorganisms; • characteristics, rates, and methods of gene transfer that may occur between genetically engineered animals, plants, and microorganisms and related wild and agricultural organisms; • relative impacts of animals, plants, and microorganisms modified through genetic engineering to other types of production systems; and • other areas of research to further the section's purpose. Requires the Secretary to consult with APHIS and the National Agricultural Research, Extension, Education, and Economics Advisory Board, and coordinate with the Environmental Protection Agency. Appropriates sums as are necessary, and requires at least 2% of outlays for grants.
Research and development for developing countries	No similar provisions.	Establishes a competitive grants program through the Foreign Agricultural Service for research and development in agricultural biotechnology for developing countries. Eligible grantees include universities with an agriculture or biosciences curriculum, nonprofit organizations, or consortia of for-profit and agricultural institutions. Funds biotechnology to develop crops for developing countries. Priority projects include using biotechnology to: • enhance the nutritional content of agricultural products, • increase the yield and safety of agricultural products, • increase the yield of agricultural products that are drought- and stress-resistant, • extend the growing range of crops, • enhance the shelf-life of fruits and vegetables, • develop environmentally sustainable agricultural products, and • develop vaccines to immunize against life-threatening illnesses and other medications that can be administered by consuming genetically engineered agricultural products. Authorizes funds as are necessary for each of FY 2002-07.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Other research provisions		
Industrial products	Extended grants for research on production and marketing of alcohols and industrial hydrocarbons from agricultural commodities and forest products.	Extends to FY 2007 research on agricultural commodities and forestry products as sources of alcohols and industrial hydrocarbons. Adds "animal fats and oils" to list of potential sources of industrial hydrocarbons.
Alternative crops and new commercial products	Added additional authority to research for supplemental and alternative crops to include research on the development of new commercial products from natural plant materials.	Extends alternative crops language to FY 2007. Adds plant gene expression research for application to alternative crops.
Environmental and natural resources research and extension priorities	1998 AREER Act set wetlands use and forest land use policies and multiple-use forest management research as high-priority research and extension initiatives.	Adds the following high-priority research and extension initiatives: • wind erosion research, • land use management tools research, • water and air quality research, • research on private land use and the environment, and • integrated pest management research.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Organic agriculture		
Competitive grants and research priorities	1998 AREER Act authorized the Secretary to make competitive grants to support research and extension activities for organically grown and processed agricultural commodities to: • facilitate the development of organic agriculture production and processing methods, • evaluate potential economic benefits to producers and processors who use organic methods, and • explore international trade opportunities for organically grown and processed agricultural commodities.	Funding totals $3 million annually, out of "funds not already appropriated." New features for organic agriculture research include: • using advanced genomics, field trials, and other methods to identify desirable traits, • classical and marker-assisted breeding to develop public varieties optimized for organic systems, • identifying marketing and policy constraints on the expansion of organic agriculture, and • advanced onfarm research of organic farms, including production and socioeconomic conditions.
Data collection and research	No similar provisions.	Includes segregated data on the production and marketing of organic agricultural products in ongoing data collection on agricultural production and marketing. Facilitates access by research and extension professionals, farmers, and others to organic research conducted outside the U.S. Requires the Secretary to report within 1 year on research and promotion of organic agricultural products.

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Provisions	1996-2001 farm legislation	2002 Farm Bill

Rural development		
Competitive grants research	The 1996 Farm Act established the Fund for Rural America for rural development activities, including research, education, and extension. Established competitive grants for research on: • Increasing international competitiveness, efficiency, and farm profitability; • Reducing economic and health risks; • Conserving and enhancing natural resources; • Developing new crops, new crop uses, and new agricultural applications of biotechnology; • Enhancing animal agricultural resources; • Preserving plant and animal germplasm; • Increasing economic opportunities in farming and rural communities; and • Expanding locally owned, value-added processing. The 1996 Act authorized $100 million in funding annually for FY 1997-99. 1998 AREER Act reduced Fund for Rural America (FRA) funding from $100 million to $60 million per year, and provided funding for FY 1998-2002.	Repeals Fund for Rural America, but adds an amendment to the 1996 Farm Act that further prioritizes funding under the Competitive, Special, and Facilities Research Grant Act to colleges, universities, or research foundations maintained by a college or university that rank in the lowest one-third of funding for such institutions. Although the FRA has been repealed, IFAFS now contains a high-priority research initiative addressing "rural, economic, and business and community development." (See IFAFS provisions above.)
Beginning farmer and rancher development program	No similar provisions.	Establishes a training, education, outreach, and technical assistance competitive grants program for beginning farmers or ranchers (who have not operated a farm or operated a farm for 10 years or less). Provides 3-year grants, with matching funds, for local and regional training, education, outreach, and technical assistance initiatives. Collaborative State, tribal, local, or regionally based network or partnership of public or private entities are eligible. Funds will be set aside specifically for limited-resource farms, socially disadvantaged farms, or farmworkers wishing to farm. Authorizes necessary funds for each of FY 2002-07.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Education and administration of Land Grant institutions		
Education, including resident instruction and distance education	No similar provisions.	Establishes a grant program to promote and strengthen teaching programs of higher education in the food and agricultural sciences at institutions of higher education using digital network technologies. Covers institutions in the insular areas of the U. S. (Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau). The Secretary may establish a matching fund

		requirement. Authorizes necessary funds for each of FY 2002-07.
Carryover funds for Land Grant institutions	Restricted carryover from 1 fiscal year to the next to 5% of funds allocated to an institution.	Remaining balance of unexpended funds to Land Grant institutions may be carried over to the next fiscal year only.
1994 Institutions	No similar provisions.	Adds provisions affecting 1994 institutions, specifically a technical amendment for name changes and appropriation of funds, and establishment of 1994 institution eligibility for competitive grants program.
1890 Institutions	Provided grants of $15 million annually to upgrade agricultural and food sciences facilities at 1890 Land Grant colleges, including Tuskegee University. Matching funds requirement for 1890s institutions were set at 50% for 2002 and subsequent fiscal years. This requirement could be waived by the Secretary.	Increases grants to upgrade agricultural and food sciences facilities at 1890 Land Grant colleges, including Tuskegee University, to $25 million annually. Revises matching funds requirement for research and extension activities with funding formulas intended to increase the matching requirement for 1890s institutions to 100% by FY 2007. This requirement can be waived by the Secretary.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Miscellaneous provisions		
Repeals and terminations	National Advisory Board on Agricultural Weather established in 1990. Task Force on the 10-year strategic plan for agricultural research facilities was to be established not less than 6 months after enactment of the 1996 Farm Bill. Pesticide Resistance Study and Expansion of Education Study were established in 1985.	Repeals the National Advisory Board on Agricultural Weather, intended to advise the Director of the Agricultural Weather Office. Repeals the Task Force on the 10-year strategic plan for agricultural research facilities, and its review responsibilities. Repeals the Pesticide Resistance Study and the Expansion of Education Study. Certain Schedule A appointments are terminated.
Youth grants	No similar provisions.	Appropriates $8 million in grants for Youth Organizations (e.g., 4H, Boy/Girl Scouts, and Future Farmers of America).
Senior Scientific Research Service	No similar provisions.	Establishes a Senior Scientific Research Service within USDA.

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Updated date: May 22, 2002

2002 Farm Bill

Title VIII: Forestry

Title VIII Forestry	The USDA Forest Service web site contains information on forestry programs.

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- Title II: Conservation
- Title III: Trade
- Title IV: Nutrition
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- **Related USDA Agencies**
- Farm Service Agency
- Foreign Agricultural Service

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2002 Farm Bill

Title IX: Energy

Highlights	
Title IX Energy	Establishes new programs and grants for procurement of biobased products to support development of biorefineries; to educate the public about benefits of biodiesel fuel use; and to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems. Reauthorizes and broadens the bioenergy program.

Key Provisions

- New programs and grants
- Biomass research and development and Bioenergy Program

Contents:

Provision	1996-2001 farm legislation	2002 Farm Bill

Federal procurement of biobased products	No similar provisions.	Establishes a new program for purchase of biobased products by Federal agencies, modeled on the existing program for purchase of recycled materials. A voluntary biobased labeling program is included. Mandates funding of $1 million annually through the Commodity Credit Corporation (CCC) for fiscal years (FY) 2002-07 for testing biobased products.
Biorefinery grants	No similar provisions.	Establishes a competitive grant program to support development of biorefineries to convert biomass into multiple products such as fuels, chemicals, and electricity. For FY 2002-07, appropriations are authorized as necessary to implement this provision.
Biodiesel Fuel Education Program	No similar provisions.	Establishes a competitive grant program to educate government and private entities with vehicle fleets, as well as the public, about the benefits of biodiesel fuel use. Program is funded at $1 million annually through the CCC for FY 2003-07.
Energy Audit and Renewable Energy Development Program	No similar provisions.	Authorizes a competitive grant program for entities to administer energy audits and renewable energy development assessments for farmers, ranchers, and rural small businesses. For FY 2002-07, appropriations are authorized as necessary to implement this provision.
Renewable energy systems and energy efficiency improvements	No similar provisions.	Establishes a loan, loan guarantee, and grant program to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems and making energy efficiency improvements. Provides CCC funding of $23 million annually for FY 2003-07.
Hydrogen and fuel cell technologies	No similar provisions.	The Secretaries of Agriculture and Energy are directed to enter into a memorandum of understanding regarding hydrogen and fuel cell technology applications for agricultural producers and rural communities. The Secretary of Agriculture is required to disseminate information on these technologies to agricultural producers and rural communities.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Biomass research and development	The Biomass Research and Development Act of 2000 directed the Secretaries of Agriculture and Energy to cooperate and to coordinate policies and procedures that promote research and development leading to the production of biobased industrial products.	Extends the termination date to September 30, 2006. Provides $5 million of CCC funds for FY 2002 and $14 million annually for FY 2003-07.

Bioenergy Program	The Secretary of Agriculture makes payments through the CCC to eligible producers to encourage increased purchases of eligible commodities (energy feedstocks) for the purpose of expanding production of bioenergy and supporting new production capacity. Payments to eligible producers are based on the increase in quantity of bioenergy they produce during a fiscal year over the quantity they produced during the preceding fiscal year.	Reauthorizes program and broadens the list of eligible feedstocks to include animal byproducts and fat, oils, and greases (including recycled fats, oils, and greases). The Secretary is required to use up to $150 million annually for FY 2003-06.
Renewable Energy Development Loan and Grant Program	Existing USDA business loan programs provide financial assistance to various kinds of businesses, including value-added agricultural enterprises.	Business and industry loans and guarantees will be allowed for more types of renewable energy systems, such as wind energy systems and anaerobic digesters. Business and industry loan provisions are covered in Title VI.

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Title X: Miscellaneous

Highlights	
Title X Miscellaneous	Modifies crop insurance and organic agriculture programs. Includes new provisions on country-of-origin labeling, animal health and welfare, and some support for specialty commodities.

Key Provisions

- Crop insurance and disaster assistance
- Country-of-origin labeling
- Specialty crops
- Animal and plant protection
- Food safety
- Organic agriculture

Contents:

Provisions	1996-2001 farm legislation	2002 Farm Bill
Crop insurance and disaster assistance		

Crop insurance is available for a wide variety of crops, but not always in each locality where a crop is grown. Premiums are federally subsidized.	Beginning with the 1997 crop year, dual delivery of crop insurance by the Farm Service Agency and private insurance agents was eliminated in States (or portions of States) that had adequate access to private crop insurance providers. Supplemental ad hoc assistance in 1999 and 2000 provided additional insurance subsidies.	No changes to basic program.
	Agricultural Risk Protection Act of 2000 (ARPA) provided an additional $8.2 billion for insurance premium subsidies for FY 2001-05. ARPA raised premium subsidies with the goal of increasing insurance participation and encouraging use of higher coverage levels. ARPA also set revenue insurance subsidies at the same premium subsidy rates as for yield insurance.	ARPA provision (scheduled to go into effect in 2006) that allowed selection of continuous levels, rather than coverage level at fixed intervals, was eliminated.
Adjusted Gross Revenue (AGR) Pilot Crop Insurance Program	The Risk Management Agency initiated a pilot AGR insurance program in 1999 to offer coverage for crops for which traditional crop insurance is not available. Insurance coverage under AGR, based on Adjusted Gross Revenue on Internal Revenue Service Schedule F, covers gross revenue from all farm commodities. AGR was initially offered in selected counties in 5 States; its availability was increased in 2001 to 17 States. In 2002, it was available in these 17 States.	Requires that AGR Pilot Program be continued through at least 2004 in the counties where it was offered in 2002. Requires that at least 8 counties in California and at least 8 counties in Pennsylvania be added to the pilot program in 2003.
Study feasibility of producer indemnification from government-caused disasters	No similar provisions.	The Secretary of Agriculture is required to conduct a study of the feasibility of expanding crop insurance and noninsured crop assistance coverage to include disaster conditions caused primarily by Federal action restricting access to irrigation water.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Country-of-origin labeling Details & Analysis	Federal law (the Tariff Act of 1930 as amended, the Federal Meat Inspection Act as amended, and other legislation) requires most imports, including many food items, to bear labels informing the "ultimate purchaser" of their country of origin. Generally, the "ultimate purchaser" is the last U.S. person who received the article in the form in which it was imported.	Requires retailers to inform consumers of the country of origin at the final point of sale for covered commodities. Food-service establishments are exempted. The Secretary is required to issue guidelines for voluntary country-of-origin labeling by September 30, 2002. The Secretary is required to promulgate mandatory regulations by September 30, 2004.

Coverage	Retail-ready packages—e.g., a can of Danish ham, a slab of Dutch cheese, and shrink-wrapped English cucumbers—each have to carry a country-of-origin label. In contrast, if the article is substantially transformed by a U. S. processor or manufacturer, that processor or manufacturer is considered the ultimate purchaser. For example, meat and other items are not required to carry a country-of-origin mark after cutting or processing in the U.S. Current Food Safety and Inspection Service (FSIS) regulations allow *voluntary* labeling of fresh beef products using terms such as "U.S.A. Beef," and "Fresh American Beef" (products born, raised, and slaughtered in the U.S.), or "Product of the U.S.A." (products that, at a minimum, have been prepared in the U.S.).	Covered commodities are muscle cuts of beef, lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities (fresh fruits and vegetables as defined by the Perishable Agricultural Commodities Act); and peanuts. For covered meat to have a U.S. country-of-origin label, it must be exclusively from an animal that is born, raised, and slaughtered in the U.S. Provides new seafood labeling responsibilities to USDA, while all other seafood labeling responsibilities remain with the Food and Drug Administration. The label must distinguish between farm-raised and wild-harvest seafood products.
Content and placement of labels	U.S. customs laws require each imported article produced abroad to be marked for the ultimate purchaser in a conspicuous place as legibly, indelibly, and permanently as the nature of the article permits.	The required country-of-origin information is provided to consumers by a label, stamp, mark, placard, or other clear and visible sign on the commodity or on the package, display, holding unit, or bin containing the commodity.
Compliance and verification	Customs laws require that if the article is not properly marked at the time of importation, a marking duty equal to 10% of the customs value of the article be assessed. FSIS regulations on voluntary labeling require that all such geographic claims be substantiated before label approval through records documenting adherence to a producer's operational protocol, and through testimonials and affidavits.	Provides for compliance audit trails and requires participants in the marketing chain to supply information to retailers. Retailers may be fined up to $10,000 for willfully failing to comply. The Secretary "shall not use a mandatory identification system to verify the country of origin..." but may use "...as a model certification programs in existence."

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Specialty crops		
Market loss assistance for apple producers	Ad hoc emergency payments were made to apple producers in 2000 and 2001.	Provides $94 million of Commodity Credit Corporation (CCC) funds for fiscal year (FY) 2002 to make payments to apple producers who suffered market losses during crop year (CY) 2000. The maximum quantity of apples for which producers on a farm are eligible for payments is 5 million pounds.
Fruit and vegetable domestic promotion program	No similar provisions.	A new $10-million-per-year cost-share pilot program is established to create demonstration projects aimed at increasing fruit and vegetable consumption and promoting healthy eating.
Purchase of specialty crops for schools and military service institutions	USDA purchases commodities for school lunches and for service institutions. Purchase of fruits and vegetables was not specified.	Requires the Secretary to purchase at least $200 million in fruits, vegetables, and other specialty food crops.

Cranberry Acreage Reserve Program	No similar provisions.	Authorizes $10 million for a Cranberry Acreage Reserve Program. The program entails purchase of permanent easements on wetlands or on buffer strips adjacent to wetlands that are environmentally sensitive and have been or are currently used for cranberry cultivation.
Market loss assistance for onion producers	No similar provisions.	Provides $10 million of CCC funds as a grant to the State of New York to support onion producers in Orange County who suffered losses to onion crops during 1 or more CY 1996-2000.

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Provisions	1996-2001 farm legislation	2002 Farm Bill
Animal and plant protection		
Animal health protection provisions consolidate and enhance authority of the Secretary relating to protection of animal health.	No similar provisions.	The Secretary may prohibit or restrict entry of any animal or related material if necessary to prevent spread of any livestock pest or disease. The Secretary may also prohibit or restrict exports if necessary to prevent the spread of livestock pests or diseases from or within the U. S. The Secretary has express authority to hold, seize, treat, or destroy any animal, as well as to limit interstate livestock movement. The Secretary shall compensate owners based on fair market value of destroyed animals and related material. The Secretary may also take measures to detect, control, or eradicate any pest or disease of livestock.
Commercial fisheries failure	No similar provisions.	The Secretary, in consultation with the Secretary of Commerce, can make funds available for emergency disaster relief to the commercial fishery industry in the Northeast. Funds would be used to reduce fishing capacity in the Northeast by buying up fishing permits. The program terminates in May 2003.
Market names for catfish and ginseng	No similar provisions.	The term "catfish" (for labeling and advertising purposes) is restricted to fish within the family *Ictaluridae*. For labeling or advertising of herbs or herbal ingredients, the term ''ginseng'' may only be considered to be a common or usual name for any herb or herbal ingredient that is derived from a plant classified within the genus *Panax*.
Animal welfare provisions	No similar provisions.	Provisions of the Animal Welfare subtitle clarify definitions for animals covered under the Animal Welfare Act, prohibit interstate movement of animals for animal fighting, and include a "Sense of Congress" that the Secretary should fully enforce the Humane Methods of Slaughter Act.

Penalties for violations of the Plant Protection Act	The Plant Protection Act of 2000 defined USDA's authorities and responsibilities concerning plant protection, including actions to prevent the introduction and interstate movement of alien plant pests. It amended and superceded provisions in 10 laws, providing 1 statutory framework. It defines criminal and civil violation.	Increases criminal penalties for persons who knowingly destroy records, move pests in commerce, or commit multiple violations of the Plant Protection Act.

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Provisions	**1996-2001 farm legislation**	**2002 Farm Bill**
Food safety		
Animal health research	Mandated that animal health and disease research should focus on protecting humans from animal diseases that can be transmitted to humans, as well as other objectives.	Scientific studies allowed on transmission of spongiform encephalopathy in deer, elk, and moose, and chronic wasting disease.
Non-ambulatory animals	No similar provisions.	The Secretary shall investigate and submit a report to Congress on non-ambulatory animals (downed livestock that are too sick or injured to stand), promulgate regulations, and enforce them.
Food Safety Commission	No similar provisions.	Establishes a national Food Safety Commission that will make specific recommendations to improve food safety. The 15 commission members will be appointed by the President, and will include consumers, food scientists, food industry representatives, and health professionals, but no more than 3 Federal employees.
Irradiation	No similar provisions. The Federal Food, Drug, and Cosmetic Act defined misbranded (improperly labeled) food, but did not specify which foods could be labeled as "pasteurized."	The term "pasteurization" is redefined to include other processes for eliminating microbial pathogens besides heat treatment, potentially allowing foods treated with irradiation, high pressure, or ultraviolet light to be labeled as pasteurized. The Secretary of Health and Human Services will issue a final rule to regulate labeling of irradiated foods. Until the rule is issued, proposed labels will be promptly reviewed.
Biotechnology education	No similar provisions.	The Secretary will implement a public education program to provide information about the safety of foods produced using biotechnology. Scientific data from the program will be collected and made available.

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Provisions	**1996-2001 farm legislation**	**2002 Farm Bill**
Organic agriculture Details & Analysis		

Organic provisions	The Agricultural Risk Protection Act of 2000 authorized cost-share assistance for organic certification to producers in not more than 15 States that have a historically low participation rate in the Federal crop insurance program.	Establishes a National Organic Certification Cost-Share Program to assist producers and handlers of agricultural products in obtaining certification under the National Organic Program established under the Organic Foods Production Act of 1990. Provides $5 million in FY 2002, to remain available until expended. Maximum Federal cost share is 75% annually with up to $500 paid to an individual producer or handler.
Exemption from commodity assessments	No similar provisions.	Farmers who produce and market solely 100% organic products and do not produce any nonorganic products are exempt from assessments under commodity promotion laws.

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2002 Farm Bill

ERS Analysis: Selected Provisions

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2002 Farm Bill

ERS Analysis: Direct Payments

Contents:

Key Changes

Fixed direct payments (DP) replace production flexibility contract (PFC) payments (sometimes referred to as AMTA payments). Payment rates for wheat, corn, barley, grain sorghum, oats, upland cotton, and rice are fixed in the 2002 Farm Act. Soybeans, other oilseeds, and peanuts are also covered under new rules established in the 2002 Farm Act.

Summary of Provisions

Under this new program, farmers and eligible landowners receive annual DPs. The amount of the payment is equal to the product of the payment rate of the applicable base crop, the payment acres (85 percent of base acres), and the payment yield for the farm. For example, the payment for an individual corn farmer is

DP_{corn} = (payment rate)$_{corn}$ x (payment yield)$_{corn}$ x ([Base acres]$_{corn}$ x 0.85)

To receive payments on crops covered by the program (wheat, corn, grain sorghum, barley, oats, rice, upland cotton, soybeans, other oilseeds, and peanuts), a producer enters into annual agreements for crop years 2002-07.

Farmers have two options for designating base acres:

- Choose base acres equal to contract acreage for the commodity that would otherwise have been used for 2002 PFC payments plus average oilseed plantings in crop years (CY) 1998-2001, so long as base acres do not exceed available cropland, or
- Update base acres to reflect the 4-year average of acres planted, plus those "prevented from planting" due to weather conditions, during CY 1998-2001.

Each producer must select one of the two options to apply to all covered commodities for both direct payments and counter-cyclical payments. Base acres for peanuts can be determined separately, so long as total base acres do not exceed available cropland. Payment acres are equal to 85 percent of the base acres.

Owners of farms will have a one-time opportunity to select a method for determining base acreage. An owner who fails to make an election shall be considered to have selected 2002 PFC contract acres and, for oilseed base, the 4-year average of oilseed plantings.

Farmers are given almost complete flexibility in deciding which crops to plant. Participating producers are permitted to plant all cropland acreage on the farm to any crop, except for some limitations on planting fruits and vegetables. The land must be kept in agricultural uses (which includes fallow), and farmers must comply with certain conservation and wetland provisions.

Program payment yields are unchanged for those crops previously covered under the PFC program. For soybeans and other oilseeds, which were added to the program, payment yields are the farm's average yields for 1998-2001, multiplied by the national average yield for 1981-85, divided by national average yield for 1998-2001. Peanut payment yields are based on the farm's average yields for 1998-2001.

Direct Payment Rates

Commodity	Unit	Payment rate
Wheat	Bushel	$0.52
Corn	Bushel	$0.28
Grain sorghum	Bushel	$0.35
Barley	Bushel	$0.24
Oats	Bushel	$0.024
Upland cotton	Pound	$0.0667
Rice	Hundredweight	$2.35
Soybeans	Bushel	$0.44
Other oilseeds	Pound	$0.008
Peanuts	Ton	$36.00

Direct payments for the 2002 crop are to be made as soon as practicable after enactment of the Farm Act. For CY 2003-07, payments are to be made no sooner than October 1 of the year the crop is harvested. Advance payments of up to 50 percent can be made beginning December 1 of the calendar year before the year when the covered commodity is harvested.

The payment limit on direct payments is $40,000 per person, per crop year, and the three-entity rule is retained. Under the three-entity rule, an individual can receive a full payment directly and up to a half payment from two additional entities. Producers with adjusted gross income of over $2.5 million, averaged over each of 3 years, are not eligible for payments unless more than 75 percent of adjusted gross income is from agriculture.

Economic Implications

Fixed direct payments are not tied to production of specific crops, the amount of production, or the price of the crop. With planting flexibility, farmers are not confined to producing crops for which they are receiving direct payments. They could receive a payment for corn, but in any given year, for example, plant soybeans on the acres in which they are receiving corn payments. Thus, farmers' planting decisions are based on expected market prices and variable costs of production.

The economic impacts for DPs are similar to those for production flexibility contract payments under the 1996 Farm Act. DPs increase farm income. Since PFC payments increased producer wealth and could have facilitated additional investment, PFC payments likely led to slightly higher crop production (U.S. Farm Program Benefits: Links to Planting Decisions and Agricultural Markets). However, since producers have the option of updating base payment acres in 2002 from 1996 levels, and since new crops have been added to the program, farmers may have an incentive to continue producing crops and/or to expand production in order to maintain a production history in anticipation of future opportunities to expand payment acres.

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2002 Farm Bill

ERS Analysis: Counter-Cyclical Payments

Key Changes

Counter-cyclical income support payments are a new program. This program was developed to provide an improved counter-cyclical income safety net to replace most ad hoc market loss assistance payments that were provided to farmers during 1998-2001. Payments are based on historical production and are not tied to current production.

Summary of Provisions

Under this new program, counter-cyclical payments (CCP) are available for covered commodities whenever the effective price is less than the target price. The payment amount is equal to the product of the payment rate, the payment acres (85 percent of base acres), and the payment yield.

For example the payment for an individual corn farmer is determined as

$$\text{Payment rate}_{corn} = (\text{target price})_{corn} - (\text{direct payment rate})_{corn} - (\text{higher of commodity price or loan rate})_{corn}$$

$$\text{CCP}_{corn} = ([\text{Base acres}]_{corn} \times 0.85) \times (\text{payment yield})_{corn} \times (\text{payment rate})_{corn}$$

To receive payments on crops covered by the program (wheat, corn, grain sorghum, barley, oats, rice, upland cotton, soybeans, other oilseeds, and peanuts), a producer enters into annual agreements for crop years 2002-07. At enrollment, producers must select between two options for determining base acres and between three options for determining payment yield.

Contents:

Farmers have two options for designating base acres:

- Choose base acres equal to contract acreage for the commodity that would otherwise have been used for 2002 PFC payments plus average oilseed plantings in 1998-2001, so long as base acres do not exceed available cropland, or
- Update base acres to reflect the 4-year average of acres planted, plus those "prevented from planting" due to weather conditions, during the 1998-2001 crop years.

Each producer must select one of the two options to apply to all covered commodities for both direct and counter-cyclical payments. Base acres for peanuts can be determined separately, so long as total base acres do not exceed available cropland. Payment acres are equal to 85 percent of base acres for all covered crops.

Owners of farms will have a one-time opportunity to select a method for determining base acreage. An owner who fails to make an election shall be considered to have selected 2002 PFC contract acres and, for oilseed base, the 4-year average of oilseed plantings.

Farmers are given almost complete flexibility in deciding which crops to plant. Participating producers are permitted to plant all cropland acreage on the farm to any crop, except for some limitations on planting fruits and vegetables. The land must be kept in agricultural uses (which includes fallow), and farmers must comply with certain conservation and wetland provisions.

Three options are available to farmers to determine program payment yields for each individual crop that apply only for counter-cyclical income support payments:

- Use current program yields,
- Update yield by adding 70 percent of the difference between program yields and the farm's average yields for the period 1998-2001 to program yields, or
- Update yield to 93.5 percent of 1998-2001 average yields.

Target Prices			
Commodity	**Unit**	**2002-03**	**2004-07**
Wheat	Bushel	$3.86	$3.92
Corn	Bushel	$2.60	$2.63
Grain sorghum	Bushel	$2.54	$2.57
Barley	Bushel	$2.21	$2.24
Oats	Bushel	$1.40	$1.44
Upland cotton	Pound	$0.724	$0.724
Rice	Hundredweight	$10.50	$10.50
Soybeans	Bushel	$5.80	$5.80
Other oilseeds	Pound	$0.098	$0.101
Peanuts	Ton	$495.00	$495.00

Counter-cyclical payments for the crop shall be made as soon as practicable after the end of crop year for the covered commodity. A payment of up to 35 percent shall be made in October of the year when the crop is harvested. A second payment of up to 70 percent minus the first payment shall be made after February 1. The final payment shall be made as soon as practicable after the end of the crop year.

The payment limit on counter-cyclical payments is $65,000 per person, per crop year, and the three-entity rule is retained. Under the three-entity rule, an individual can receive a full payment directly and up to a half payment from each of two additional entities. Producers with adjusted gross income over $2.5 million, averaged over each of 3 years, are not eligible for payments unless more than 75 percent of adjusted gross income is from agriculture.

Economic Implications

CCPs support and stabilize farm income when commodity prices are less than target prices. The basis for the distribution of CCP benefits may affect producers' expectations of how future benefits will be disbursed. Payments that are linked to past production may lead to expectations that benefits in the future will be linked to then-past, but now-current, production. Such expectations can thereby affect current production decisions. For example, farmers may not fully use planting flexibility to move from historically planted and supported crops if they expect future farm programs to permit an updating of their base acreage, which forms the foundation for payments. Instead, farmers would have incentives to build a planting history for program crops, thereby constraining their response to market prices. Similarly, use of nonland inputs that affect current yields may be influenced if farmers expect that future farm legislation will permit an updating of payment yields. In addition, since CCPs are based on current market prices, producers may view the payments as a risk-reducing income hedge.

For either case, updating acreage bases or updating payment yields, economic efficiency in production is reduced because producers would not be fully responding to signals from the marketplace, but instead would be responding to market signals augmented by expected benefits of future programs and future program changes

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2002 Farm Bill

ERS Analysis:
Marketing Assistance Loans and Loan Deficiency Payments (LDPs)

Contents:

Key Changes

Marketing loan provisions are added for peanuts, wool, mohair, and honey. Loan rates for wheat, feed grains, and upland cotton are increased from previously legislated maximums. Loan rates for soybeans and other oilseeds are reduced from previously legislated maximums. Loan rates are fixed in legislation.

Summary of Provisions

The Farm Service Agency (FSA) administers commodity loan programs with **marketing loan provisions** for wheat, rice, corn, grain sorghum, barley, oats, upland cotton, soybeans, other oilseeds, peanuts, mohair, wool, honey, small chickpeas, lentils, and dry peas through the Commodity Credit Corporation (CCC). Commodity loan programs allow producers of designated crops to receive a loan from the Government at a commodity-specific loan rate per unit of production by pledging production as loan collateral. After harvest, a farmer may obtain a loan for all or part of the new commodity production.

Commodity loans may be repaid in three ways:

- At the loan rate plus interest costs (CCC interest cost of borrowing from the U.S. Treasury plus 1 percentage point),
- By forfeiting the pledged crop to the CCC at loan maturity, or
- At the alternative loan repayment rate.

Loan program benefits can also be taken directly as loan deficiency payments.

When market prices are below the loan rate, farmers are allowed to repay the commodity loans at a lower loan repayment rate. **Marketing loan repayment rates** are based on local, posted county prices (PCP) for wheat, feed grains, and oilseeds, or on the prevailing world market prices for rice and upland cotton. PCPs are calculated (and posted) by the Government each day the Federal Government is open, except for other oilseeds, which are calculated weekly. Prevailing world market prices for rice and upland cotton are also calculated on a weekly basis. When a farmer repays the loan at a lower PCP or prevailing world market price, the difference between the loan rate and the loan repayment rate, called a **marketing loan gain**, represents a program benefit to producers. In addition, any accrued interest on the loan is waived. When a marketing loan gain is received on a given collateralized quantity, that quantity is not eligible for further loan benefits.

Alternatively, eligible farmers may choose to receive marketing loan benefits through direct **loan deficiency payments (LDP)** when market prices are lower than commodity loan rates. The LDP option allows the producer to receive the benefits of the marketing loan program without having to take out and subsequently repay a commodity loan. The LDP rate is the amount by which the loan rate exceeds the posted county price or prevailing world market price and thus is equivalent to the marketing loan gain that could alternatively be obtained for crops under loan. When an LDP is paid on a portion of the crop, that portion cannot subsequently be used as collateral for another marketing loan or LDP.

Marketing Assistance Loan Rates			
Commodity	**Unit**	**2002-03**	**2004-07**
Wheat	Bushel	$2.80	$2.75
Corn	Bushel	$1.98	$1.95
Grain sorghum	Bushel	$1.98	$1.95
Barley	Bushel	$1.88	$1.85
Oats	Bushel	$1.35	$1.33
Upland cotton	Pound	$0.52	$0.52
Rice	Hundredweight	$6.50	$6.50
Soybeans	Bushel	$5.00	$5.00
Other oilseeds	Pound	$0.096	$0.093
Peanuts	Ton	$355.00	$355.00
Graded wool	Pound	$1.00	$1.00
Nongraded wool	Pound	$0.40	$0.40
Mohair	Pound	$4.20	$4.20
Honey	Pound	$0.60	$0.60
Small chickpeas	Hundredweight	$7.56	$7.43
Lentils	Hundredweight	$11.94	$11.72
Dry peas	Hundredweight	$6.33	$6.22

Producers who elect to use acreage planted to wheat, barley, oats, or triticale for the grazing of livestock are eligible to receive "graze-out" payments in lieu of loan deficiency payments. The payment quantity is determined by multiplying the acreage grazed times the payment yield for direct payments for that covered commodity on the farm. LDPs for triticale use the grazing payment rate and payment yield for wheat on the farm. If there is no wheat yield on the farm, the payment will be constructed based on yields on comparable wheat farms.

The **payment limit** on marketing loan gains and loan deficiency payments is $75,000 per person, per crop year. The three-entity rule is retained. Under the three-entity rule, an individual can receive a full payment directly and up to a half payment from each of two additional entities. Producers with adjusted gross income over $2.5 million, averaged over 3 years, are not eligible for payments, unless more than 75 percent of adjusted gross income is from agriculture.

Commodity certificates can be purchased at the posted county price for wheat, feed grains, and oilseeds or at the effective adjusted world price for rice or upland cotton. The certificates are available for producers to use immediately in acquiring crop collateral pledged to CCC for a commodity loan. These provisions enable producers who are facing payment limits an opportunity to benefit from the lower loan repayment rates.

Economic Implications

When commodity prices are below commodity loan rates, loan benefits augment market receipts. The ERS report Analysis of the U.S. Commodity Loan Program with Marketing Loan Provisions shows that impacts of marketing loans vary year by year, depending on the absolute and relative magnitudes of expected crop-specific marketing loan benefits. When prices are low, marketing loans can create incentives to produce specific crops. With marketing loan benefits ranging from around $5 billion to over $8 billion in 1999-2001, total acreage planted to the eight major field crops was estimated to have increased by 2-4 million acres annually as a result.

Cross-commodity effects of supply response to relative returns (including marketing loan benefits), however, result in acreage shifts among competing crops, which can lead to reductions in plantings of some crops in some years. Most impacts occur in years when there are marketing loan benefits, with little effect in subsequent years when prices rise high enough to eliminate marketing loan benefits.

The 2002 Farm Act increases loan rates for wheat and feed grains, while lowering the loan rates for soybeans and other oilseeds from their caps. At the margin, these loan rate changes would shift plantings toward wheat and feed grains when commodity prices are low, compared with leaving loan rates at their caps under the 1996 Farm Act.

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United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Dairy Programs

Contents:

Key Changes

Market loss payments are a new program developed to provide a price safety net program and to replace ad hoc market loss assistance payments that were provided to milk producers in 1999, 2000, and 2001. The Northeast Dairy Compact was not reauthorized.

Summary of Provisions

Two major Federal dairy programs continue, with a new dairy market loss program added:

- Milk price support program consisting of
  - A support purchases program,
  - The Dairy Export Incentive Program, and
  - Dairy market loss payments,
- Federal milk marketing orders

Under the 2002 Farm Act, the **milk support purchase** program, which had been operating year-to-year recently, again becomes a multiyear program. The milk support price equals $9.90 per hundredweight (cwt). The Commodity Credit Corporation (CCC) will buy, at support purchase prices, any butter, cheddar cheese, or nonfat dry milk that is offered to it and meets specifications. The support purchase prices are set to ensure that the price of manufacturing milk averages at least the milk support price of $9.90 per cwt. The Secretary has authority to adjust the product purchase price if deemed necessary.

The **Dairy Export Incentive Program (DEIP)** pays cash bonuses that allow dairy product exporters to buy U.S. products and sell them abroad when international prices are below domestic prices. DEIP removes products from the domestic market, helps develop export markets, and plays an important role in milk price support. The DEIP quantities and dollar amounts are subject to World Trade Organization restrictions under the Uruguay Round Agreement on Agriculture.

The 2002 Farm Act establishes a national **Dairy Market Loss Payments (DMLP) Program** to provide a price safety net for dairy producers. A monthly direct payment is to be made to dairy farm operators if the monthly Class I price in Boston (Federal Order 1) is less than $16.94 per cwt. Payments are to be made on up to 2.4 million pounds of milk per year per organization (based on 2001 U.S. average data, which is the production from about 132 cows). The number of producers per operation does not affect its limit.

Federal milk marketing orders are intended to help establish and maintain orderly marketing conditions for both milk producers and dairy product consumers. A classified pricing system and pooling are the two key elements of milk marketing orders. Milk marketing orders define the relationship between prices of fluid and manufactured dairy products and a geographic price structure, sometimes called the price surface. The 1996 Farm Act called for several changes in the milk marketing order system, including consolidation of the then existing 31 orders. There are currently 11 Federal milk marketing orders. The 2002 Farm Act did not change milk marketing orders.

Economic Implications

A simple example illustrates the general features of DMLPs. A direct payment to milk producers is triggered when the Class I milk price in Boston is less than $16.94 per cwt. The amount of the payment, on a per-cwt basis, is calculated as 45 percent of the difference between $16.94 and the Boston Class I price.

Using an actual example, the Class I price in Boston in May 2002 was $14.51 per cwt. A per-cwt direct payment of $1.09 (0.45 x [$16.94 - $14.51]) is in order. This rate is then multiplied by the farmer's payment quantity for the month. The payment is made no matter where the producer is located, how the producer's milk is used, or what price was actually received for the milk produced.

The DMLP will stabilize and generally enhance producer revenue and it will tend to increase production. However, increased marginal production incentives will only be for those producers selling less than the 2.4-million-pound limit. These farmers account for less than one-third of the milk supply. Other producers will view the payment as income support and will react to DMLPs much like field-crop producers react to counter-cyclical payments.

For More Information...

- Milk Pricing in the United States—Contains details on price support and marketing orders.

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Updated date: June 26, 2002

United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Peanuts

Contents:

Key Changes

The 2002 Farm Act substantially revamped the peanut program. Under previous legislation, the peanut program was a two-tier price support program based on nonrecourse loans. Production for domestic edible consumption was limited to an annually established quota designed to uphold prices at the $610-per-ton quota loan rate. Nonquota (additional) peanut production was permitted only for export or domestic crush and was eligible for an "additional" loan rate of $132 per ton (in 2001). Under the 2002 Farm Act, the marketing quota system is eliminated and peanuts are treated similarly to "program" crops, such as grains and cotton—with identical marketing loan provisions available to all peanut producers. Farmers no longer have to own or rent peanut marketing quota rights to produce for domestic edible consumption. Compensation (a buy-out) is provided to quota holders for elimination of the peanut quota system. All farmers with a history of peanut production during 1998-2001, whether quota holders or not, are eligible for fixed direct payments and counter-cyclical payments based on an established target price.

Summary of Provisions

A marketing assistance loan program is available for peanut producers—with or without a history of peanut production—for any quantity of peanuts produced on the farm. The peanut loan rate is fixed at $355 per ton. Producers can pledge their stored peanuts as collateral for up to 9 months and then repay the loan at a rate that is the lesser of 1) $355 per ton plus interest or 2) a USDA-determined repayment rate designed to minimize loan forfeiture, government-owned stocks, and storage costs. Alternatively, the producer may forgo the marketing loan and opt for a loan deficiency payment (LDP) at a payment rate equal to the difference between the loan rate and the loan repayment rate.

For producers with a history of peanut production, a direct payment of $36 per ton of eligible base-period (1998-2001) production is available. Eligible production would equal the product of average or assigned base-period yields (with the option of substituting average 1990-97 county yields for up to 3 of the base years) and 85 percent of base-period acres (payment acres) planted to peanuts (with provisions for prevented plantings). These payments are made regardless of current prices or the actual crop planted, so long as the farm remains in approved agricultural uses.

Producers with base acreage are also eligible to receive a counter-cyclical payment (CCP) when market prices are below an established target price of $495 per ton minus the $36 per ton direct payment. These payments are not related to current production, so long as the farm remains in approved agricultural uses. The payment rate is the difference between the target price and the "effective price," calculated as follows:

Payment rate = (target price) - (direct payment rate) - (higher of peanut market price or loan rate)

The total counter-cyclical payment to each eligible producer equals the product of the payment acres (85 percent of base acres), the program payment yield, and the specified payment rate:

CCP = 0.85 x (base acres) x (payment yield) x (payment rate).

Owners of peanut quota under prior legislation will receive a quota buy-out as compensation for the loss of quota asset value. Payments may be made in five annual installments of $0.11 per pound ($220 per short ton) during fiscal years 2002-06, or the quota owner may opt to take the outstanding payment due in a lump sum. Buy-out payments are based on the quota owner's 2001 quota, regardless of temporary leases or transfers of quota, so long as the person owned a farm eligible for the peanut quota. Continued eligibility for compensatory payments remains with the established quota owner regardless of future interest in the farm or whether the person continues to produce peanuts.

Economic Implications

Production incentives created by the new programs will vary among different types of producers. Broadly speaking, those producers who primarily produced quota peanuts (those marketed for domestic edible consumption) will likely face lower prices for their peanuts, but they will receive quota buy-out, direct, and (depending on market prices) counter-cyclical payments. Production incentives for these producers will now be guided by the higher of market prices or the new $355 per ton loan rate, rather than by the old $610 per ton quota loan rate. Producers whose variable costs of peanut production exceed market prices plus any marketing loan benefits would be expected to switch to other crops or idle the land.

A second broad group of producers would be those who were previously growing additional peanuts. These producers were likely receiving an export or domestic crush price higher than the additional loan rate and probably will be able to cover their variable production costs. To the extent that domestic market prices or the new peanut loan rate exceeds prices they received under the previous system, these producers would likely to increase production. Revenues for these producers would also be augmented by direct payments and potential (depending on market prices) CCPs, since they also have a production history. Similarly, producers who previously rented quota rights from quota-holders may maintain some peanut production, if market prices or the peanut loan rate exceed their variable costs (which would no longer include a rental fee for the right to sell quota peanuts).

A third group would be new producers with no history of peanut production. The new legislation may result in these producers switching to peanuts if they perceive market prices plus marketing assistance loan benefits as resulting in higher net returns compared with other crops. Some of these producers may also receive direct and (depending on market prices) counter-cyclical payments on other crops for which they have established base acreage.

As with other program crops, direct support payments and counter-cyclical payments to peanut producers are contingent on historical acreage but not on current production, while marketing loan provisions are linked to current production. Analysis of marketing loans for other crops indicates that the program can create incentives to maintain production at a level higher than would occur in the absence of the program, and that relative loan rates between crops can be an important determinant of cropping patterns when prices are below loan rates. Decoupled (direct) payments create minimal incentives to increase production. (See U.S. Farm Program Benefits: Links to Planting Decisions and Agricultural Markets.)

The basis for the distribution of CCP benefits may affect producers' expectations of how future benefits will be dispersed. Payments that are linked to past production may lead to expectations that benefits in the future will be linked to now-current production. Such expectations can thereby affect current production decisions. Since CCPs are based on current market prices, producers may view the payments as an income hedge when electing to produce peanuts.

For More Information...

- Peanut Consumption Rebounding Amidst Market Uncertanties—Provides an overview of the peanut sector.

For more information, contact: Edwin Young **or** Erik Dohlman

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United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Sugar

Contents:

Key Changes

The Secretary of Agriculture is directed to operate the U.S. nonrecourse sugar loan program, to the maximum extent possible at no cost to the Federal Government. Specifically, the Secretary is to avoid forfeiture to the Commodity Credit Corporation (CCC) and the attendant costs for purchasing and storage. To facilitate inventory management, the 2002 Farm Act gives USDA the authority to accept bids from sugarcane and sugarbeet processors to obtain raw cane sugar or refined beet sugar from CCC inventory in exchange for reduced production. Additionally, the Secretary is directed to establish flexible marketing allotments for sugar producers.

The Act terminates marketing assessments on sugar, as well as penalties for loan program forfeiture. The Act specifies that all refined sugars derived from either sugarbeets or sugarcane are substitutable under the Refined Sugar Re-Export Program and the Sugar-Containing Products Re-Export Program.

Summary of Provisions

The two main elements of U.S. sugar policy are the price support loan program and the tariff-rate quota (TRQ) import system.

The loan program for sugar processors supports the U.S. price of sugar. Unlike most other commodity programs, sugar loans are made to processors and not directly to producers. This is because sugarcane and sugarbeets, being bulky and very perishable, must be processed into sugar before they can be traded and stored. To qualify for loans, processors must agree to provide a part of the loan payment to producers, in proportion to the amount of the loan value accounted for by the sugarbeets and sugarcane the producers deliver.

The purpose of the TRQ system is to ensure an adequate supply of sugar at reasonable prices for both consumers and producers. On June 1 of each year, the U.S. Trade Representative, along with USDA, must calculate used and unused portions of the TRQ for each quota-holding country and may reallocate unused quota to qualified quota holders. U.S. commitments under international trade agreements, including the North American Free Trade Agreement (NAFTA), affect the level and allocation of the TRQs. The United States also operates the Refined Sugar and Sugar-Containing Products Re-Export Programs to support U.S. refiners' competitiveness in global markets.

Among the other key program provisions are the following:

- The 2002 Farm Act continues the rate for loans to processors of domestically grown sugarcane at 18 cents per pound and the rate for loans to processors of domestically grown sugarbeets at 22.9 cents per pound for refined sugar. Processors may obtain loans for "in-process" sugar and syrups at 80 percent of the loan rate. The processor cannot be required to notify USDA of the intention to forfeit the sugar under loan.

- Flexible marketing allotments are determined by subtracting the sum of 1.532 million short tons, raw value (STRV) and carry-in stocks of sugar (including CCC inventory), from USDA's estimate of sugar consumption and reasonable range of carryover stocks at the end of the crop year. USDA is required to estimate factors affecting allotment quantities no later than August 1 before the beginning of each crop year, through 2007. USDA is required to re-estimate these factors as necessary, but "no later than the beginning of each of the second through fourth quarters of the crop year."

- The overall marketing allotment quantity is divided between refined beet sugar (54.35 percent) and raw cane sugar (45.65 percent). For cane sugar, Hawaii and Puerto Rico are jointly allotted 325,000 STRV. Allocations for mainland cane sugar producing States are assigned based on past marketings of sugar, the ability to market sugar in the current year, and past processing levels. Beet sugar processors are assigned allotments based on their sugar production for the 1998-2000 crop years. The 2002 Farm Act provides for a number of contingencies that could require reassignment of allotments during the crop year.

- USDA's authority to operate sugar marketing allotments is suspended if USDA estimates that sugar imports for domestic human consumption will exceed 1.532 million STRV. This will have the effect of reducing the overall allotment quantity. Marketing allotments would remain suspended until imports have been restricted, eliminated, or otherwise reduced to, or below, the 1.532-million level.

Economic Implications

Flexible marketing allotments are likely to provide more effective price support throughout the marketing year. When allotments are in effect, processors who have expanded marketings in excess of the rate of growth in domestic sugar demand will have to postpone sale of some sugar and either store it at their own expense or sell it for uses other than domestic food use. Without allotments, price support comes from forfeiting sugar under CCC loan in the fourth quarter (July-September) of the fiscal year. The forfeiture withdraws sugar from the market, thereby reducing excess sugar supply and helping to support the market price of sugar.

Cost of storing excess production is shifted from the Government to the industry. (However, the 2002 Farm Act requires that CCC establish a sugar storage facility loan program to assist processors who want to construct or upgrade storage and handling facilities.)

Under the 2002 Farm Act, USDA efforts to reduce sugar production should prove more effective. USDA has authority to exchange CCC-owned sugar for reductions in acreage prior to planting. Previously, USDA relied on "cost-reduction options" in the 1985 Farm Security Act for authority to implement payment-in-kind diversion programs that withdrew already-planted area from harvest.

Because the loan forfeiture penalty was eliminated, the support price was effectively increased, and this could increase the likelihood of forfeitures. Elimination of the loan forfeiture penalty and of marketing assessments could increase returns to growers and processors.

Much attention will be on potential sugar imports entering from Mexico at the high-tier tariff rate under NAFTA. Although the May 2002 USDA projection of these imports is only 10,000 STRV in fiscal year 2003, there are strong economic incentives for additional imports from Mexico. World raw sugar futures prices (No. 11 New York Contract) for 2003 are in the range of 6 cents per pound, and the NAFTA high-tier tariff on raw sugar drops to 7.56 cents per pound on January 1, 2003. Assuming other normal marketing costs, it is likely that Mexican importers would find the U.S. market attractive when U.S. raw sugar prices are at or above 17 cents per pound.

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2002 Farm Bill

ERS Analysis: Conservation Programs

Contents:

Key Changes

The 2002 Farm Act increases funding for almost every existing agri-environmental program. Overall spending for conservation and environmental programs will rise by 80 percent to a projected 10-year total of $38.6 billion, according to Congressional Budget Office (CBO) estimates (based on the April 2002 baseline). While continuing and expanding the programs that retire environmentally sensitive land from crop production, the 2002 Act emphasizes programs that support conservation on land in production, including livestock operations. New programs, including the Conservation Security Program (CSP) and the Grassland Reserve Program, further expand the objectives and role of agri-environmental policy.

Summary of Provisions

Under the 2002 Farm Act, producers can choose from a wide range of voluntary conservation and environmental programs designed to protect a wide range of resources. Like the three previous farm acts, the 2002 Act continues the trend of increasing the size and scope of agri-environmental programs. While programs that support better conservation and environmental management on working land have accounted for less than 15 percent of Federal conservation expenditures over the past 15 years, they receive more than 60 percent of the $17.1-billion increase in conservation spending.

These existing programs get acreage or funding increases:

- The **Conservation Reserve Program (CRP)** offers annual payments and cost sharing to establish long-term, resource-conserving cover on environmentally sensitive land. The acreage cap is increased from 36.4 million acres to 39.2 million acres. Funding is through the Commodity Credit Corporation (CCC). CBO estimates increased spending of $1.5 billion over 10 years.
- The **Wetlands Reserve Program (WRP)** provides cost sharing and/or long-term or permanent easements for restoration of wetland on agricultural land. The acreage cap is increased from 1.075 million acres to 2.275 million acres. The Secretary of Agriculture is required (to the greatest extent practicable) to enroll 250,000 acres per year. Funding is through the CCC. CBO estimates increased spending of $1.5 billion over 10 years.
- The **Environmental Quality Incentives Program (EQIP)** provides technical assistance, cost sharing, and incentive payments to assist livestock and crop producers with conservation and environmental improvements. EQIP is slated to receive $5.8 billion in CCC funding for fiscal years (FY) 2002-07 and a total of $9 billion over 10 years. Funding is phased up to $1.3 billion annually by FY 2007, compared with annual funding of roughly $200 million per year under the 1996 Farm Act. Additional CCC funding of $250 million over FY 2002-07 is provided for ground and surface water conservation. An additional $50 million (to be made available as soon as practical) is allocated to water conservation activities in the Klamath Basin.

- The **Wildlife Habitat Incentives Program** provides cost sharing to landowners and producers to develop and improve wildlife habitat. Total CCC funding of $360 million is mandated over FY 2002-07, ranging from $15 million in FY 2002 to $85 million in FY 2005-07, and a total of $700 million over 10 years.
- The **Farmland Protection Program (FPP)** provides funds to State, tribal, or local governments and private organizations to help purchase development rights and keep productive farmland in agricultural use. Total CCC funding of $597 million is mandated over FY 2002-07, ranging from $50 million in FY 2002 to $125 million in FY 2004-05, and totaling $985 million over 10 years.

New programs will also receive significant funding while expanding the overall scope of USDA conservation programs:

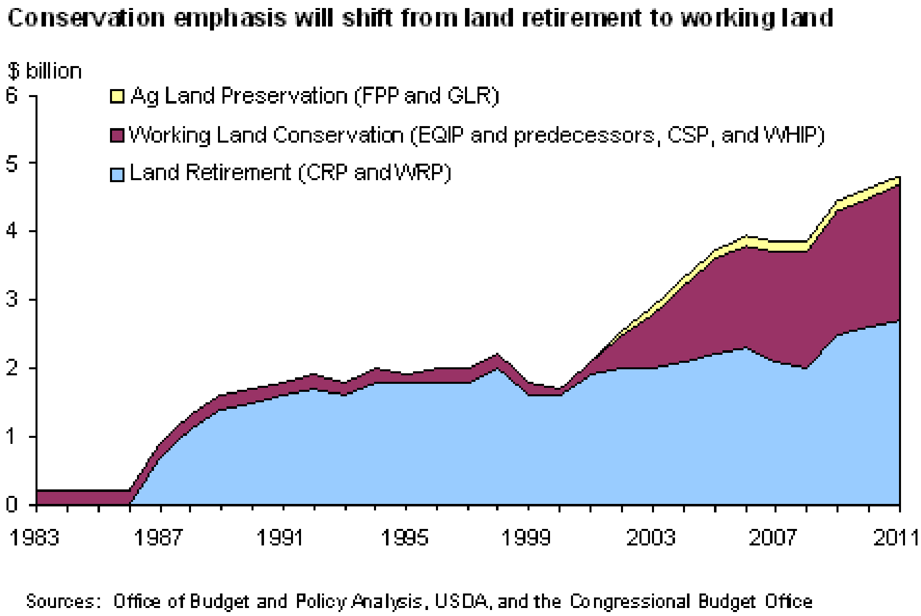
- The **Conservation Security Program** will provide payments to producers for maintaining or adopting a wide range of structural and/or land management practices that address a variety of local and/or national resource concerns. CSP will be funded through the CCC. CBO estimates spending of $369 million for FY 2003-07 and $2 billion over 10 years.
- The **Grassland Reserve Program** will protect up to 2 million acres of grassland. CCC funding of up to $254 million is available.

Economic Implications

Funding shifted toward working land—The increase in funding for conservation on working agricultural land is large relative to the increase in funding for land retirement. Past conservation funding had been skewed toward land retirement and the funding shift is a major change in conservation program emphasis. EQIP and the new Conservation Security Program are slated to receive new funding of $11 billion over 10 years, compared with a combined increase of $3 billion for CRP and WRP over the same period. This change may lead to a broader array of options and greater flexibility for producers to develop conservation strategies that deliver agri-environmental gains at the lowest possible cost. Greater overall funding should increase the overall level of conservation effort on farms, providing higher benefits from increased environmental quality to consumers.

Increase in land retirement to emphasize wetlands—Land retirement programs, principally CRP and WRP, are also expanded. The 2002 Act expands authority for land retirement by a total of 4 million acres, an increase of nearly 11 percent over current authority. A significant share of the increase will be devoted to wetland restoration as the WRP enrollment cap more than doubles, increasing from 1.075 million acres to 2.275 million, an increase of 1.2 million acres. In the CRP, 500,000 acres of the 2.8-million-acre increase in the acreage cap could be used to enroll farmed wetlands and associated buffer acreage. Increased land retirement could affect commodity production and prices. Because these programs are voluntary and not commodity-specific, the subsequent commodity output, price, and environmental effects will depend on which producers bid and how bids are selected for CRP or WRP enrollment.

Farmland Protection will receive a major funding increase—FPP will receive 10-year funding of $985 million, which represents a nearly twenty-fold increase over the $53.4 million provided since 1996. The cap on enrolled acreage is removed. How much land is ultimately preserved, and the location of that land, depends on a number of factors. FPP money is expended through States, local governments, and private organizations that pay at least 50 percent of the cost of purchasing development rights, so it will protect farmland where those programs or organizations exist. Like CRP and WRP, FPP is a voluntary program, so the location and extent of enrollment—and ensuing environmental benefits—will depend on who submits bids and how these bids are selected for enrollment.



For More Information...

- ERS Conservation and Environmental Policy Briefing Room—Covers a range of conservation and environmental policy topics and programs including CRP, EQIP, and wetland policy.
- Q&As on CRP, EQIP and other conservation programs
- Agri-Environmental Policy at the Crossroads: Guideposts on a Changing Landscape
- Development at the Urban Fringe and Beyond: Impacts on Agriculture and Rural Land
- Wetlands and Agriculture: Private Interests and Public Benefits
- Agricultural Resources and Environmental Indicators—Section 6 includes chapters on major conservation and environmental programs.

For Program Agency Information...

- Farm Service Agency—Administers the Conservation Reserve Program, the Conservation Reserve Enhancement Program and other conservation programs.
- Natural Resources Conservation Service—Administers the Environmental Quality Improvement Program, Wetland Reserve Program, Wildlife Habitat Improvement Program, Farmland Protection Program, and other conservation programs.

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2002 Farm Bill

ERS Analysis:
Land Retirement Programs

Land retirement programs remove land from crop production. In exchange for retiring land, producers receive rental or easement payments plus cost sharing and technical assistance to aid in the establishment of permanent cover. Economic use of the land is limited.

Land retirement has dominated Federal agricultural conservation spending since 1985. In fiscal year (FY) 2000, 90 percent of cash conservation payments made directly to producers were associated with land retirement, including rental and easement payments and cost sharing for establishment of permanent cover. Roughly 50 percent of *all* USDA conservation spending since 1985 has been for land retirement. Overall, USDA conservation spending also includes cost sharing and technical assistance for non-land retirement activities, public works, and a range of other administrative, data collection, and research activities. Nearly all Federally funded land retirement occurs in the context of two programs—the Conservation Reserve Program (CRP) and the Wetland Reserve Program (WRP).

Key Changes

The CRP acreage cap is increased from 36.4 million acres to 39.2 million acres. The Congressional Budget Office (CBO) estimates increased spending of $1.5 billion over 10 years over April 2002 baseline spending (i.e., spending anticipated without the program change).

The WRP acreage cap is more than doubled, increasing by 1.2 million acres—1.075 million acres to 2.275 million. The Secretary of Agriculture is required (to the greatest extent practicable) to enroll 250,000 acres per year. CBO estimates increased spending of $1.5 billion over 10 years.

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Summary of Provisions

- The **Conservation Reserve Program** offers annual payments and cost sharing to establish long-term, resource-conserving cover on environmentally sensitive land. To participate, producers submit bids that specify practices to be used (e.g., grass, trees, wildlife habitat, filter strips) and the annual rental payment and cost sharing they are willing to accept for establishing these practices. Bids are ranked for selection using the Environmental Benefits Index (EBI), which incorporates six environmental factors (including soil erosion, water quality, and wildlife habitat) and contract cost. Contracts are for 10 to 15 years.
- The **Wetlands Reserve Program** provides cost sharing and/or long-term or permanent easements for restoration of wetlands on agricultural land. Permanent easements account for 70 percent of enrolled acreage. Wetlands can also be restored under 30-year easements or under 10-year agreements that provide only restoration cost sharing. When selecting among proposed restoration sites, restoration of wetland wildlife habitat is emphasized. Landowners retain land ownership and rights to recreational uses, such as hunting and fishing.

Economic Implications

A total of 34.9 million acres are currently enrolled in CRP and WRP. The 2002 Farm Act expands authority for land retirement by a total of 4 million acres, an increase of nearly 11 percent over current authority. At present, an additional 2.6 million acres of previously available CRP enrollment is unused authority. Thus, existing authority for additional land retirement is 6.6 million acres, about 19 percent of current enrollment.

In addition to potential environmental benefits, retiring more land from crop production can help reduce commodity supply and help support commodity prices. The effect of retiring additional acres, however, will be modest—6.6 million acres is roughly 2 percent of harvested cropland. Because these programs are voluntary and not commodity-specific, enrollment and subsequent commodity output, price, and environmental effects will depend on who bids and how bids are selected. About 60 percent of currently enrolled acreage is in the Great Plains (ERS-defined Farm Resource Regions of the Prairie Gateway and Northern Great Plains, with about 30 percent of acreage in each region). If this pattern is maintained, a majority of new acres will be enrolled in the Plains, so that commodity supply and price effects could be more significant for crops grown in these regions (e.g., wheat).

Between 1.2 and 1.7 million acres of the new authority will be devoted to wetland restoration. The WRP enrollment cap will increase by 1.2 million acres. In the CRP, 500,000 acres of the 2.8-million-acre increase in the acreage cap could be used to enroll farmed wetlands and associated buffer acreage. Wetlands provide significant environmental benefits. Because land restored to wetland tends to be less productive than other cropland, the potential commodity supply and price effects of enrolling this land are likely to be quite small.

For More Information...

- ERS Conservation and Environmental Policy Briefing Room—Covers a range of conservation and environmental policy topics and programs, including CRP, EQIP, and wetland policy.
- Q&As on land retirement and other conservation and environmental programs
- Economic Valuation of Environmental Benefits and the Targeting of Environmental Programs: The Case of the CRP
- Wetlands and Agriculture: Private Interests and Public Benefits
- Agricultural Resources and Environmental Indicators—Section 6 includes chapters on major conservation and environmental programs.

For Program Agency Information...

- Farm Service Agency—Administers the Conservation Reserve Program (CRP), the Conservation Reserve Enhancement Program (CREP) and other conservation programs.
- Natural Resources Conservation Service—Administers the Environmental Quality Improvement Program (EQIP), Wetland Reserve Program (WRP), Wildlife Habitat Improvement Program (WHIP), Farmland Protection Program (FPP), and other conservation programs.

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United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Working Land Conservation

Working land conservation programs support adoption and maintenance of land management and structural conservation practices on agricultural land, including cropland, grazing land, and in some cases, forest land.

Key Changes

Funding is significantly increased through expansion of existing programs and creation of new programs. Roughly $5.7 billion in Commodity Credit Corporation (CCC) funding is available over the next 6 years (2002-07) for the Environmental Quality Incentives Program (EQIP), Wildlife Habitat Incentives Program (WHIP), and Conservation Security Program (CSP). More than $12 billion is available over 10 years (2002-11).

EQIP's focus on livestock producers increases, with 60 percent of funding earmarked for livestock producers, up from 50 percent in the 1996 Farm Act. Limits on the size of participating livestock operations, which excluded operations with more than 1,000 animal units, are eliminated. Payments are limited to a total of $450,000 per operation over the 6-year life of the Act. Participating livestock operations are required to develop a comprehensive nutrient management plan.

EQIP will also put greater emphasis on water conservation. A new, separate fund for ground and surface water conservation activities is established within EQIP.

Changes in EQIP's procedures for assessing contract offers include the following:

- Priority areas are eliminated.
- Maximization of environmental benefits per dollar of program expenditure is no longer required, although "optimization of environmental benefits" is cited as a purpose of the program.
- "Bidding down" is eliminated. For contract offers with comparable environmental values, the Secretary of Agriculture cannot assign higher priority to an application based only on a lower bid (for cost sharing) from the operator.
- Higher priority can be given to producers who 1) use cost-effective conservation practices and 2) address national conservation priorities.

Contents:

Summary of Provisions

- The **Environmental Quality Incentives Program** provides technical assistance, cost sharing, and incentive payments to assist livestock and crop producers with conservation and environmental improvements. Cost sharing (up to 75 percent) or incentive payments can be provided for a wide range of practices, including nutrient management, livestock waste handling, conservation tillage, terraces, and filter strips. EQIP is unique in its heavy focus on livestock producers.
- The newly created **Conservation Security Program** will provide payments to producers for maintaining or adopting

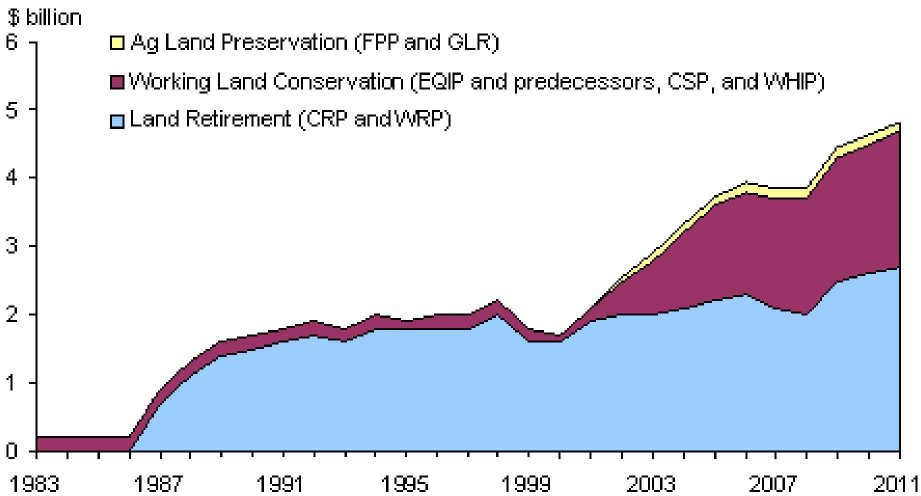
structural and/or land management practices that address a wide range of local and/or national resource concerns. As with EQIP, a wide range of practices can be subsidized. But CSP will focus on land-based practices and specifically excludes livestock waste-handling facilities. Producers can participate at one of three tiers; higher tiers require greater conservation effort and offer higher payments. The lowest cost practices that meet conservation standards must be used.

- The **Wildlife Habitat Incentives Program** provides cost sharing to landowners and producers to develop and improve wildlife habitat.

Economic Implications

Funding for conservation on working agricultural land is increasing relative to funding for land retirement. Because past conservation funding focused on land retirement, increased funding for working land constitutes a significant change in overall conservation program emphasis. EQIP and the newly initiated CSP are slated to receive new funding of $11 billion over 10 years. The Congressional Budget Office estimates that increasing CRP and WRP acreage caps will increase land retirement spending by $3 billion over the same period (from the April 2002 baseline). Expansion of working land programs will make a broader array of conservation options available to a larger group of producers. The increase in the number of programs available may provide the flexibility needed to develop conservation systems that deliver agri-environmental gains at the lowest possible cost.

Conservation emphasis will shift from land retirement to working land



Sources: Office of Budget and Policy Analysis, USDA, and the Congressional Budget Office

Changes in EQIP bid assessment procedures, however, may reduce the overall level of environmental benefit per dollar of program expenditure. Although "optimization of environmental benefits" is cited as a purpose of the program, the requirement to maximize environmental benefits per dollar of program expenditure is eliminated. Eliminating priority areas will make it more difficult to target EQIP funds to areas with the greatest environmental need. The ability of producers to enhance prospects for enrollment and reduce program cost by lowering bids (bidding down) is eliminated, increasing the cost of some contracts. CSP does not allow benefit-cost targeting.

EQIP's heavy focus on livestock operations and removal of limits on the size of eligible livestock operations may help assist larger livestock operations in complying with proposed Clean Water Act regulations governing animal waste management in large confined animal feeding operations. Greater funding for working land conservation will also aid a wide range of producers in complying with possible requirements related to total maximum daily loads for watersheds under Clean Water Act regulations currently being formulated by the U.S. Environmental Protection Agency.

Finally, the large increase in funding for working land conservation may have impacts beyond the farm sector. As participating producers adjust production practices to comply with program requirements, demand could increase for various inputs (e.g., manure handling equipment), agriculture-related services (e.g., crop consultant services), and technical assistance (which can now be provided by private companies that are certified by the Secretary).

For More Information...

- ERS Conservation and Environmental Policy Briefing Room—Covers a range of conservation and environmental policy topics and programs, including EQIP.
- Q&As on EQIP, CRP and other conservation programs
- Agri-Environmental Policy at the Crossroads: Guideposts on a Changing Landscape
- Confined Animal Production and Manure Nutrients

- Agricultural Resources and Environmental Indicators—Section 6 includes chapters on major conservation and environmental programs.

For Program Agency Information...

- Farm Service Agency—Administers the Conservation Reserve Program, the Conservation Reserve Enhancement Program, and other conservation programs.
- Natural Resources Conservation Service—Administers the Environmental Quality Improvement Program, Wetland Reserve Program, Wildlife Habitat Improvement Program, Farmland Protection Program, and other conservation programs.

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2002 Farm Bill

ERS Analysis: Farm Service Agency Farm Loan Programs

Contents:

Key Changes

Eligibility time limits on Farm Service Agency (FSA) direct and guaranteed farm operating loans can be waived for a period of time, and more farmers can qualify for FSA emergency loan financing. Interest-rate assistance on guaranteed operating loans is made permanent, and annual authorized loan amounts increase. Beginning farmer and rancher programs are enhanced. Lending procedures are streamlined, including raising the threshold for which lenders can submit reduced documentation on loan guarantee applications.

Summary of Provisions

More FSA lending resources are focused on beginning farmers and ranchers by modifying program benefits, by targeting more loan funding to these borrowers, and by increasing opportunities to purchase farm property held by FSA. Authority is granted to guarantee owner-financed farm purchase loans to beginning farmers on a pilot basis and to guarantee State beginning farmer loans (a change in the tax code is still required to make this change operational).

Annual funding for FSA guaranteed and direct farm loan programs is set at $3.8 billion. Interest rate assistance program for guaranteed operating loans is made permanent and annual authority for the program rises from $490 million to $750 million. The Secretary of Agriculture is required to study the effectiveness of FSA farm loan programs in meeting the needs of producers in an efficient and fiscally responsible manner.

FSA farm loan eligibility rules are relaxed to make more borrowers eligible for Federal farm credit assistance. Eligibility time limits on direct and guaranteed operating loans are waived to allow for longer access to FSA farm loan programs. The definition of an emergency is changed to include plant or animal quarantines. USDA employees become eligible for FSA farm loans.

Changes are made to FSA farm loan programs to streamline their delivery. County committee involvement in loan decisions is reduced, and a greater number of employees are given authority to handle lending decisions. Low-document loan processing on guaranteed loan requests was increased from $50,000 to $125,000.

The Farm Credit System is provided greater authority to finance the export and import of agricultural-related equipment and goods.

Economic Implications

Most changes to Federal credit policies are relatively minor. Changes to FSA farm loan programs focus more resources on beginning farmers and ranchers, while eligibility rule changes will make more borrowers eligible for Federal farm credit assistance. The changes could boost demand for FSA farm loan programs somewhat. The 2002 Farm Act sets annual lending levels close to that experienced in recent years, so the level of Government support to farm credit markets does not change significantly. While farm bills authorize levels of lending for FSA farm loan programs, actual expenditures are set annually by appropriations bills.

Changes to the authorities of the Farm Credit System will allow somewhat greater authority to provide financing of agricultural products and agricultural-related machinery and processing equipment abroad.

For More Information...

- Agricultural Income and Finance (AIS) Outlook
- Farm Loan Programs

For more information, contact: Ron Durst

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2002 Farm Bill

ERS Analysis: Water and Waste Disposal Programs

Contents:

USDA's Rural Utility Service (RUS) finances rural water and waste disposal facilities through loans and grants. These and other water-related programs are included in the Rural Community Advancement Program.

Key Changes

The $590 million limit on annual authorizations for water and waste facility grants would be eliminated. This change allows appropriation levels to rise over current levels for existing programs.

Funding of $360 million is authorized from Commodity Credit Corporation for a one-time reduction in the backlog of qualified, pending applications for grants and loans for water and waste disposal and emergency community water assistance. This funding would help RUS programs administer to the growing list of communities seeking assistance.

A new program of Search Grants is authorized at $51 million per year to assist very small communities (under 3,000 population) in preparing feasibility and environmental studies required to meet water and waste environmental standards.

Summary of Provisions

The authorization for Search Grants covers fiscal years (FY) 2002-07. Before awarding Search Grants to communities, the State's rural development director would establish and consult with an Independent Citizens Council, and the State rural development director would also consult with the State's environmental protection director. Eligibility requires that the communities demonstrate inability to obtain sufficient funding from traditional sources to complete legally mandated feasibility or environmental studies.

Other newly authorized programs include the following:

- Grants to nonprofits to capitalize revolving loans for water and waste disposal facilities are authorized at $30 million per year for FY 2002-07. The purpose is to provide financing for predevelopment costs and short-term costs for replacement of equipment, small-scale extension services, or other small capital projects not part of regular operations and maintenance activities.
- Grants to nonprofit organizations to finance homeowners' water well systems are authorized at $10 million per year for FY 2003-07. To be eligible for assistance, individuals cannot have household incomes above the State nonmetropolitan median.

Programs reauthorized include the following:

- Grants for water systems of rural and native villages in Alaska are authorized at $10 million per year for FY 2002-07.

- Grants for Native American tribes are authorized for each fiscal year. This among includes $30 million for grants, plus $20 million in grants for Indian tribes as defined in section 4 of the Indian Self-Determination and Education Assistance Act, plus $30 million for loans.
- A Rural Water Circuit Rider Program will provide technical assistance to rural communities and is authorized at $15 million per year, beginning in FY 2003 and continuing each fiscal year thereafter. RUS already funds a circuit rider program operated by the National Rural Water Association.

The Emergency and Imminent Community Water Assistance Program (formerly the Emergency Community Water Assistance Program) now allows grants to forestall imminent decline in water quality and quantity, as well as to meet emergency needs of water systems. Between 3 and 5 percent of the funds appropriated under section 306(a)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926a) will be reserved for this program until July 1 of each year. In addition, the program is authorized to receive $35 million per year for FY 2003-07.

Another provision allows for the guarantee of bond-financed loans for water and waste disposal facilities in the event the Internal Revenue Service code is modified.

Economic Implications

Water and waste disposal systems play an important role in rural communities, not only in maintaining a healthy community and a clean environment but also in providing basic infrastructure required to develop economically. As more is known about water's relationship to health, greater investments are required to ensure a healthy community. However, the per-person cost of these public investments in water system improvements is relatively high in rural areas because these areas tend to have small systems that do not achieve economies of scale. In addition, rural communities tend to have lower incomes than urban communities, so they are less able to afford the investments required. Increased Federal funding of rural water systems should help to meet the growing public and private demands for safe and clean water in rural communities.

For More Information...

- Rural Utility Service—For information on USDA water and wastewater disposal programs and how to apply for these programs.
- ERS Infrastructure and Rural Development Policy Briefing Room—For information on the importance of water systems to rural areas and the cost of operating and improving these systems, recommended readings, and related links.

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USDA United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Value-Added Agriculture

Contents:

Value-added agriculture encompasses methods used to increase the value obtained from agricultural production, such as manufacturing processed food that sells at a higher price than raw commodities. The term can also apply to nonfood items created from agricultural commodities, such as processed wood or fuel.

USDA's Rural Business-Cooperative Service operates several programs that have helped to finance development of rural businesses, including value-added agriculture. These programs include the Business and Industry Loan and Loan Guarantee Program, which assists businesses of all types located in rural areas, and the Value-Added Product Marketing Grant Program, which focuses on assistance to value-added businesses and cooperatives.

Summary of Provisions

Rules were liberalized to allow value-added cooperatives greater participation in the **Rural Business and Industry (B&I) Program**. Under the previous rules, B&I loan guarantees were more limited in size of loan and location of the value-added agriculture establishment, and individual farmers and ranchers were not eligible for assistance. The new rules allow for larger B&I loan guarantees (up to $40,000) for value-added cooperatives located in rural areas and up to $25,000 for those headquartered in metropolitan areas, provided they are within 80 miles of the agricultural producers involved in the operation.

Individual farmers and ranchers may now obtain B&I loans and guarantees to buy stock in a value-added cooperative. Intangible assets, such as trademarks, patents, and brand names, may be considered when evaluating eligibility of agricultural cooperatives for loan guarantees. Existing B&I loans to cooperatives may be refinanced. In addition, B&I loans and guarantees will be allowed for more types of renewable energy systems, such as wind energy systems and anaerobic digesters. Value-added agriculture businesses would also be allowed to receive Rural Business Enterprise Grants.

A program providing **training for farm workers in new technologies** required for higher value crops is authorized for $10 million per year for fiscal year (FY) 2002-07. Eligible organizations include nonprofits or a consortium of nonprofits, agribusinesses, State and local governments, agricultural labor organizations, farmer or rancher cooperatives, and community-based organizations with the capacity to train farmworkers.

A grant program assisting the **Lower Mississippi Delta** region is reauthorized at $7 million per year for FY 2002-07. These funds would assist the development of state-of-the-art technology in animal nutrition (including research and development of the technology) and development of value-added manufacturing to relieve severe economic conditions in the Delta.

Value-Added Agricultural Product Marketing Development Grants, last funded as a pilot program in FY 2001, are once again authorized, now at $40 million per year, with eligibility liberalized to increase participation in the program. The funding would come from Commodity Credit Corporation funds for FY 2002-07. This program awards competitive grants to independent producers or to agricultural producer groups, farmer or rancher cooperatives, and majority-controlled producer-based business ventures. The grants assist in developing business plans and strategies that would create viable marketing opportunities for value-added agricultural products.

The **Agriculture Innovation Center Demonstration Program** is authorized to provide technical assistance, business and marketing planning, and organizational, outreach, and development assistance to increase the viability, growth, and sustainability of value-added agricultural businesses. USDA would make grants to eligible entities to establish the centers, and USDA would provide the centers with research and technical services. From the funds authorized for the Value-Added Agricultural Product Marketing Development Grant program, the demonstration program will receive a minimum of $3 million in FY 2002 and $6 million in each of FY 2003 and FY 2004. This demonstration program is in addition to the already-existing Agricultural Marketing Resource Center, which was funded previously.

Authorization is repealed for the Alternative Agricultural Research and Commercialization Corporation, which has not been funded in recent years.

Some Title IX provisions covering energy may also be viewed as contributing to value-added agriculture.

Economic Implications

Proponents of value-added agriculture programs expect that locating these activities in rural areas will result in rural areas receiving a larger share of the jobs and income earned in the process of converting raw farm products to consumer-ready products. The Value-Added Agricultural Product Marketing Development Grant Program supports these activities by providing planning grants for developing business strategies and marketing strategies to facilitate production and sale of the final products. This support differs from the subsidies and direct and subsidized loans provided for programs under other Titles. Direct Federal support for these programs started only with the 1996 Farm Act, so the programs have had little time to demonstrate the viability and sustainability of value-added agriculture in rural areas. Program experience with value-added agriculture projects has been insufficient to determine if these planning grants are sufficient support. Furthermore, rigorous economic research on the viability of such investments is scant.

For More Information...

- For information about USDA programs that benefit value-added agriculture, including information on availability of funding and how to apply, contact the Rural Business-Cooperative Service.
- Special issue of *Rural America*—For research on value-added agriculture.
- Special issue of Rural Conditions and Trends—Further information on rural value-added industries.

For more information, contact: Gerry Schluter

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Updated date: June 26, 2002

2002 Farm Bill

ERS Analysis:
Research and Extension Funding

Contents:

Key Changes

he 2002 Farm Act replaces specific dollar amounts with "such sums as are necessary to carry out" agricultural research, research at State agricultural experiment stations (SAES), extension education, other special programs (Food and Nutrition Education Program, etc.), and competitive grants. The programs are extended to FY 2007. Highlights include:

- Funding levels for the Initiative for Future Agriculture and Food Systems (IFAFS) are raised to $120 million in fiscal year (FY) 2004, $140 million in FY 2005, $160 million in FY 2006, $200 million in FY 2007, and $200 million in each year thereafter.
- Twenty new High-Priority Research and Extension Initiative areas are added to the 24 existing areas, including 5 new areas in natural resources and the environment. A Bovine Johne's disease control program and a program on Karnal Bunt research are added.
- Biosecurity, biotechnology risk assessment, and biotechnology research and development for developing country programs are added.

Summary of Provisions

Agricultural research is funded by the Federal Government through a variety of mechanisms. Federal intramural research is conducted by the Agricultural Research Service (ARS). The Federal Government helps fund agricultural research at State agricultural experiment stations through four major mechanisms:

- Formula funds allocated equally to all States by formula;
- Competitive grant funds allocated by panels of relevant scientific peers after consideration of research proposals submitted to the review panel;
- Special grants provided to SAES, other public institutions, and individuals to study problems of concern to USDA, as specifically designated by Congress; and
- Cooperative agreements between USDA agencies that perform research and SAES.

While farm acts authorize certain levels of USDA funds to be used for particular programs, actual expenditures are set annually by agricultural appropriations acts. In the Research Title, appropriated amounts have often differed substantially from those authorized. Several grant programs authorized in earlier Research Titles were not appropriated the funds that were expected. In recent years, Congress has also tended to fund more grants specified by members of Congress than the broader grant programs requested by the Administration.

Economic Implications

Most studies have been consistent in finding high rates of return (40 to 60 percent) for public investment in agricultural research and development (R&D). These rates emerge regardless of the level of aggregation (individual commodities or more aggregate measures) or geographical area considered. Some evidence suggests a higher rate of return to science-oriented (basic) R&D than to applied R&D.

Calls for changes in the U.S. agricultural research system date back to influential reports published by the National Academy of Sciences (in 1972) and the Rockefeller Foundation (in 1982). These reports recommended shifting to more basic biological research and shifting from formula funding to competitive grants. The 1977 Farm Act established a competitive grants program, which the USDA Competitive Research Grant Office first began in 1978. The 1990 Farm Act extended competitive grants with the National Research Initiatives for Food, Agriculture and Environment (NRI).

Over the last 20 years, the levels of Federal funding (adjusted for inflation) through formula funds for the States have declined, and the levels of competitive grant funding have increased. Competitive grants have tended to go to top-ranked biology and agricultural science programs, States with large agricultural sectors, and States with large numbers of agricultural scientists. However, competitive grants still comprise only 15 percent of USDA-funded, State-level research. Formula funds, based on (among other things) the number of farms and percentage of rural population in a State, continue to be the largest single Federal source of SAES funding. The focus of SAES research did not change significantly, in part because other funding instruments counteracted the influence of competitive grants towards basic research.

Discrepancies between authorized and appropriated funding levels for the competitive grants program have been particularly notable. For example, the 1996 Farm Act authorized $500 million annually in competitive grants, but in recent years only about $60 or $70 million in competitive grants through the NRI have been awarded annually.

Congressional agricultural authorizing committees included several new competitive grant initiatives starting with the 1996 Farm Act, such as the Fund for Rural America program, which included competitively awarded research, extension, and education grants. The 1998 Agricultural Research, Extension, and Education Reform Act created the Initiative for Future Agriculture and Food Systems (IFAFS) Program, which set up competitively awarded research, extension, and education grants to address critical emerging agricultural issues. Appropriations committees have sometimes attempted to block these programs, which effectively halted programs (notably the IFAFS program). However, in some years, the funds have eventually been released.

For More Information...

- ERS Agricultural Research and Productivity Briefing Room—Covers background material, recommended readings, questions and answers, and data.
- Agricultural Research and Development: Public and Private Investments Under Alternative Markets and Institutions—This report provides an overview of the issues surrounding agricultural research and development.
- Competitive Grants and the Funding of Agricultural Research in the U.S.—Findings of ERS researchers on the use of different instruments, and factors influencing the share of competitive grants received.

For more information, contact: Kelly Day-Rubenstein **or** Paul Heisey

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Updated date: September 5, 2002

2002 Farm Bill

ERS Analysis:
High-Priority Research Programs

Key Changes

Twenty new High-Priority Research and Extension Initiative areas are added to the 24 existing areas, including 5 new areas in natural resources and the environment. A Bovine Johne's disease control program and a program on Karnal Bunt research are added.

Economic Implications

Congress influences the direction of public agricultural research with member-specified grants in the appropriation process (known as earmarks). However, recent farm acts have included increasing numbers of "high-priority research areas" that have also restricted the competitive grants programs, which were originally designed to fund fundamental, science-driven research. Some new high-priority research areas are highly specific compared with the intended broader purpose of competitive grants programs. For example, specific areas, such as "dairy pipeline cleaning" and "agrotourism," may be difficult to address under broad research solicitations.

For More Information...

- Agricultural Research and Development: Public and Private Investments Under Alternative Markets and Institutions—This report provides an overview of the issues surrounding agricultural research and development.
- Competitive Grants and the Funding of Agricultural Research in the U. S.—Findings of ERS researchers on the use of different instruments, and factors influencing the share of competitive grants received.

Contents:

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2002 Farm Bill

ERS Analysis: Methyl Bromide

Contents:

Key Changes

The 2002 Farm Act adds a provision directing the Secretary of Agriculture to determine whether to authorize methyl bromide treatments required by State, local, or tribal authorities to prevent the introduction, establishment, or spread of plant pests or noxious weeds as official controls or requirements.

Economic Implications

New provisions for use of methyl bromide within the Research Title deal with exemptions from phasing out methyl bromide use. The use of methyl bromide, a fumigant, is being phased out worldwide under the Montreal Protocol and in the United States under the Clean Air Act. However, use for quarantine and preshipment treatments, which are identified by a national authority, is exempt from the phaseout.

It was unclear under the Montreal Protocol whether methyl bromide treatments required by State, local, or tribal authorities to prevent the introduction, establishment, or spread of plant pests or noxious weeds would be included in the exemption. The 2002 Farm Act empowers the Secretary to authorize methyl bromide treatments required by State, local, or tribal authorities as official controls or requirements, which might exempt them from the methyl bromide phaseout under the Montreal Protocol and Clean Air Act. The agricultural nursery industry sought this change because some States, such as California, and other authorities require treatments to prevent the spread of pests through nursery stock.

For More Information...

- Agricultural Chemicals and Production Technology Briefing Room: Q&A: What are the implications of the methyl bromide phase-out?
- Economic Implications of the Methyl Bromide Phase-out—This report provides an overview of the issues surrounding phase-out of methyl bromide under the Montreal Protocol.

For more information, contact: Kelly Day-Rubenstein **or** Paul Heisey

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Updated date: September 5, 2002

USDA United States Department of Agriculture
Economic Research Service
The Economics of Food, Farming, Natural Resources, and Rural America

2002 Farm Bill

ERS Analysis: Organic Agriculture Provisions

Contents:

Key Changes

The 2002 Farm Act contains several first-time research and technical assistance provisions to assist organic crop and livestock producers with production and marketing. The Act authorizes $15 million in new funding for advanced organic production systems research and $5 million for a national cost-share program to help defray the costs of certification incurred by organic crop and livestock producers. For the first time, organic producers who produce and market only organic products will be allowed an exemption from paying conventional marketing assessments.

Summary of Provisions

Several provisions directly affect the U.S. organic sector:

- The Organic Agriculture Research and Extension Initiative authorizes $3 million per year in new mandatory appropriations in fiscal years (FY) 2003-07. Funds will be used to administer competitive research grants, largely through USDA's Cooperative State Research, Education, and Extension Service. Research is to focus on determining desirable traits for organic commodities; identifying marketing and policy constraints on the expansion of organic agriculture; and conducting advanced research on organic farms, including production, marketing, and socioeconomic research.
- Other research and extension provisions for organic agriculture that are authorized, but not mandated, include data development on organic agricultural production and marketing; facilitated access to organic research conducted outside the United States for research and extension professionals, farmers, and others; and a mandated report on the need for additional funding for research and promotion of organic agricultural products.
- A National Organic Certification Cost-Share Program is established to assist producers and handlers of agricultural products in obtaining certification under the National Organic Program established under the Organic Foods Production Act of 1990. The program provides $5 million in FY 2002 to remain available until expended. The maximum Federal cost share is 75 percent annually, with payments up to $500 per producer or handler.
- Certified organic producers who produce and market only organic products and do not produce any conventional or nonorganic products are exempt from paying an assessment under any commodity promotion law. Organic growers had concerns about paying assessments that did little or nothing to market organic products. Methods for improving the treatment of certified organic agricultural products under Federal marketing orders will be evaluated as part of the research and extension provisions authorized under the Farm Act.

Several other provisions in the 2002 Farm Act indirectly affect organic crop and livestock producers. Processes used to produce agricultural commodities (including organically produced products) are now included in the definition of products that qualify for value-added market development grants. Several of the conservation assistance programs may interest organic farmers, and one—Agricultural Management Assistance—now specifically mentions organic farming among the practices that qualify for assistance to mitigate risk through market diversification and resource conservation practices.

Economic Implications

Organic farming has been one of the fastest growing segments of U.S. agriculture in recent years, but it is building on a small base and faces numerous production and marketing obstacles to more widespread adoption. The Organic Agriculture Research and Extension Initiative is designed to fund projects that address these obstacles. The organic production and marketing data initiatives can make price discovery less costly and improve market efficiency, and may assist farmers, processors, food manufacturers, and others in making sound economic investment decisions in the food and agriculture sector.

The organic farm structure differs substantially from the U.S. agriculture industry as a whole, with fruits, vegetables, and other high-value specialty crops making up a much larger proportion of this sector. The Conservation Security Program, which provides payments to producers for adopting or maintaining a wide range of management, vegetative, and land-based structural practices to address resource concerns, may interest organic farmers who commonly adopt these types of practices as part of their organic farming systems. Unlike most other Federal conservation programs, producers who grow specialty crops will be eligible to participate. The technical assistance features of the Conservation Security Program may be useful for organic farmers and those interested in transitioning to organic farming systems.

USDA promulgated final rules implementing the Organic Foods Production Act in December 2000. These rules require that all except the smallest producers and handlers be certified by a State or private agency accredited under the uniform standards developed by USDA. State and private certifier fees for inspections, pesticide residue testing, and other certification services represent an added expense for organic producers. In 2001, USDA established a certification cost-share program to help pay certifier fees in 15 States—Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming. The 2002 Farm Act's National Organic Certification Cost-Share Program provides funds that will complement this program, making organic growers in all States eligible for certification cost-share assistance. The maximum Federal cost share is 75 percent annually, with payments up to $500 per producer or handler. This would cover a substantial part of the certification costs of many organic farmers with small operations, who typically pay a smaller fee based on the sliding-scale fee structure that many certifiers have in place.

Federal research and policy initiatives often play a key role in the adoption of new farming systems in the United States. The research activities and technical assistance authorized by the 2002 Farm Act could encourage growth in the organic farm sector.

For More Information...

- ERS Organic Farming and Marketing briefing room—includes economic analyses about the growth in U.S. organic farmland during the 1990s, channels for organic food marketing, and consumer demand for selected organic foods.
- U.S. Organic Farming Emerges in the 1990s: Adoption of Certified Systems

For more information, contact: Catherine Greene

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2002 Farm Bill

ERS Analysis: Country-of-Origin Labeling

Key Changes

The 2002 Farm Act amends the Agricultural Marketing Act of 1946 to require retailers to inform consumers of the country of origin for covered commodities. The term "covered commodity" is defined as muscle cuts of beef, lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; and peanuts. Perishable agricultural commodities are defined as fresh fruits and vegetables.

The 2002 Act states, with few exceptions, a retailer may use a "United States country of origin" label if the product is from an animal that was exclusively born, raised, and slaughtered in the United States. In the case of farm-raised seafood, the product must be from fish hatched, raised, harvested, and processed in the United States. For wild seafood, it must be harvested in waters of, and processed in, the United States. Also, the label must distinguish between farm-raised and wild harvest seafood products. Peanuts and perishable agricultural commodities must be exclusively produced in the United States to carry that label. This Act gives new labeling responsibility to USDA for the country-of-origin labeling of fish, fruits, vegetables, and peanuts.

To convey country-of-origin information to consumers, retailers may use a label, stamp, mark, placard, or other clear and visible sign on the covered commodity, or on the package, display, holding unit, or bin containing the commodity at the final point of consumption. Food-service establishments—such as restaurants, bars, food stands, and similar facilities—are exempt.

The Secretary of Agriculture is directed to issue guidelines for voluntary labeling by September 30, 2002, and to promulgate requirements for mandatory labeling no later than September 30, 2004. The Secretary may require any person who prepares, stores, handles, or distributes a covered commodity for retail sale to maintain a verifiable recordkeeping audit trail. Suppliers are required to provide information to retailers indicating the country of origin of the covered commodity. The Secretary shall not use a mandatory identification system to verify country of origin but may use, as a model, certification programs already in place. The 2002 Act also provides enforcement procedures, including fines up to $10,000 for retailers willfully failing to comply.

Contents:

Summary of Current Requirements

Currently, Federal law—the Tariff Act of 1930 as amended, the Federal Meat Inspection Act as amended, and other legislation—requires most imports, including many food items, to bear labels informing the "ultimate purchaser" of their country of origin. Ultimate purchaser has been defined as the last U.S. person who will receive the article in the form in which it was imported. The law requires that containers (e.g., cartons and boxes) holding imported fresh fruits and vegetables, for example, must be labeled with country-of-origin information when entering the United States. If produce in the container is packed in consumer-ready packing and sold to the consumer, that item must already be labeled as well. Consumer-ready packages, such as grapes in bags or shrink-wrapped English cucumbers, although they are packed in a box, must have country-of-origin labels on each consumer-ready package. In contrast, a retailer may take loose produce out of a container and display it in an open bin, selling each individual piece of produce that has not been labeled. A placard or other labeling indicating country of origin is not required.

If the article is destined for a U.S. processor or manufacturer where it will undergo "substantial transformation," that processor or manufacturer is considered the ultimate purchaser. As a result, meat and other items have not been required to carry a country-of-origin mark after cutting or processing in the United States.

USDA's Food Safety and Inspection Service (FSIS) has issued regulations that allow *voluntary* labeling of fresh beef products—using terms such as "U.S.A. Beef," "Fresh American Beef" (products born, raised, and slaughtered in the United States), or "Product of the U.S.A." (products that, at a minimum, have been prepared in the United States). All FSIS approved labels, however, must be accurate, truthful, and not misleading. In addition, any claims made on the label must be supported through documentation.

Economic Implications

The 2002 Farm Act directs the Secretary to promulgate regulations for a mandatory labeling program by September 30, 2004. USDA's Agricultural Marketing Service (AMS) has been delegated this rulemaking responsibility. AMS will give the public opportunity to comment on the proposed requirements, including any costs associated with a mandatory country-of-origin labeling program.

Many of the economic implications of mandatory country-of-origin labeling rest in the recordkeeping and tracking systems that may have to be developed and maintained to verify country-of-origin labels. Costs may be incurred by meatpackers, processors, retail stores, international traders, and consumers. With meat labeling, for example, only meat from animals born, raised, and slaughtered in the United States can be considered U.S. product. Keeping track and verifying the source country of imported meat cuts, such as whole steaks, roasts, and chops, might be less difficult—and presumably less expensive—than verifying the source of mixed inputs in ground beef processed in the United States. Ground meats are often a mix of domestic and imported meats and trimmings.

Consumers may benefit through increased information at the point of purchase. U.S. producers could benefit if a "United States country of origin" label increases the demand for their products.

For More Information...

- The Economics of Food Labeling
- Traceability for Food Marketing and Food Safety: What's the Next Step?

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Updated date: June 21, 2002

2002 Farm Bill

The 2002 Farm Bill: Background Publications

USDA Policy Principles

- Food and Agricultural Policy: Taking Stock for a New Century

Farm-Sector Impacts

- The 2002 Farm Act: Provisions and Implications for Commodity Markets
- Decoupled Payments: Household Income Transfers in Contemporary U.S. Agriculture
- Decoupled Payments in a Changing Policy Setting
- Analysis of the U.S. Commodity Loan Program with Marketing Loan Provisions
- Higher Cropland Values from Farm Program Payments: Who gains?
- U.S. Farm Program Benefits: Links to Planting Decisions and Agricultural Markets
- Using Farm-Sector Income as a Policy Benchmark
- A Safety Net for Farm Households
- A Fair Income for Farmers
- Peanut Consumption Rebounding Amidst Market Uncertainties
- Will the Farm Act Get Pulses Racing?
- Weak Prices Test U.S. Sugar Policy
- Federal Milk Marketing Orders: Consolidation and Reform
- Milk Pricing in the United States
- Government Payments and the Farm Sector
- ERS Farm Typology for a Diverse Agricultural Sector
- CCC Net Outlays by Commodity and Function

Conservation

- Agri-Environmental Policy at the Crossroads: Guideposts on a Changing Landscape
- Agri-Environmental Payments: Rewarding Farmers for Environmental Performance
- USDA Conservation Programs: A Look at the Record
- Environmental Payments to Farmers: Issues of Program Design
- Environmental Policy and the WTO: Unresolved Questions
- Confined Animal Production and Manure Nutrients
- Farmland Protection Programs: What Does the Public Want?
- Wetlands and Agriculture: Private Interests and Public Benefits
- Development at the Urban Fringe and Beyond: Impacts on Agriculture and Rural Land
- Economic Valuation of Environmental Benefits and the Targeting of Conservation Programs: The Case of the CRP
- Domestic Conservation and Environmental Policies Affecting Agriculture

Trade

- Agricultural Policy Reform in the WTO—The Road Ahead
- Aligning U.S. Farm Policy with World Trade Commitments
- U.S. WTO Domestic Support Reduction Commitments and Notifications

Nutrition

- Welfare Reform and Food Assistance
- The Changing Food Assistance Landscape: The Food Stamp Program in a Post-Welfare Reform Environment
- Understanding the Food Stamp Benefit Formula: A Tool for Measuring the Component Effects

Credit

- Credit in Rural America
- Agricultural Income and Finance

Farms and the Rural Economy

- Farming's Role in the Rural Economy
- Rural America at the Turn of the Century: One Analyst?s Perspective
- Structural and Financial Characteristics of U.S. Farms: 2001 Family Farm Report
- America's Diverse Family Farms: Assorted Sizes, Types, and Situations
- How Important Are Farm Payments to the Rural Economy?
- Impact of Government Payments to Farm Varies by Level of Profitability and Household Income
- Falling Prices and National Farm Policy: The Northern Great Plains
- Farms, the Internet, and E-Commerce: Adoption and Implications
- Rural America, May 2001

Agricultural Research

- Agricultural Research and Development: Public and Private Investments Under Alternative Markets and Institutions
- Economic Issues in Agricultural Biotechnology
- Biotechnology Research: Weighing the Options for a New Public-Private Balance
- Agricultural Resources and Environmental Indicators, 2002—Agricultural Research and Development
- Economic Implications of the Methyl Bromide Phaseout

Organic Agriculture

- U.S. Organic Farming Emerges in the 1990s: Adoption of Certified Systems

Country of Origin Labeling

- Economics of Food Labeling
- Traceability for Food Marketing and Food Safety: What's the Next Step?

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Updated date: July 12, 2006

2002 Farm Bill

The 2002 Farm Bill: Glossary

A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | #

Acreage reduction program (ARP)—An annual land retirement system for wheat, feed grains, cotton, or rice in which participating farmers idled a crop-specific, nationally set portion of their crop acreage base. Farmers choosing to participate in this voluntary program were eligible for benefits such as Commodity Credit Corporation (CCC) commodity loans and deficiency payments, although no payments were made on the idled ARP land. The 1996 and 2002 Farm Acts did not reauthorize ARPs.

Additional peanuts—Under the peanut program prior to 2002, peanuts sold from a farm in any marketing year in excess of the amount of the farm's peanut poundage quota. The higher of two price support loan rate levels applied only to the quantity of peanuts within the annually determined poundage quota. Additional peanuts were eligible only for the lower price-support loan rate, the level of which was determined by the Secretary of Agriculture, taking into consideration the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets.

Adjusted world price, cotton (AWP)—As part of the upland cotton marketing assistance loan program, USDA calculates and publishes, on a weekly basis, what is known as the adjusted world price. The AWP is the prevailing world price for upland cotton, adjusted to account for U.S. quality and location. Producers who have taken out USDA marketing assistance loans may choose to repay them at either the lesser of the established commodity loan rate for upland cotton, plus interest, or the announced AWP for that week. The AWP for cotton also is used for determining Step 2 cotton program payments.

Aggregate measurement of support (AMS)—An index that measures the monetary value of the extent of government support to a sector. The AMS, as defined in the Agreement on Agriculture, includes both budgetary outlays as well as revenue transfers from consumers to producers as a result of policies that distort market prices. The AMS includes actual or calculated amounts of direct payments to producers (such as deficiency payments), input subsidies (on irrigation water, for example), the estimated value of revenue transferred from consumers to producers as a result of policies that distort market prices (market price supports), and interest subsidies on commodity loan programs

Agreement on Agriculture—The Uruguay Round Agreement on Agriculture reached in 1994 and implemented in U.S. law by the Uruguay Round Agreements Act of 1994 brings agricultural trade more fully under international trade rules and obligations. Under the Agreement, quantitative barriers to trade are converted to tariffs or tariff-rate quotas and then are reduced over time, and export subsidies and trade-distorting domestic support policies are reduced.

Agricultural Act of 1949—P.L. 89-439 (October 31, 1949), along with the Agricultural Adjustment Act of 1938, makes up the major part of the permanent law that mandates commodity price and farm income support. The original 1949 Act designated mandatory support for basic commodities and the following nonbasic commodities: wool and mohair, tung nuts, honey, Irish potatoes (excluded in the Agricultural Act of 1954), as well as milk, butterfat, and their products. Provisions of this law are often superseded by more current legislation. If the current legislation expires and new legislation is not enacted, the law reverts back to the permanent provisions of the 1949 Act.

Contents:

Agricultural Adjustment Act (AAA) of 1938—P.L. 75-430 (February 16, 1938) was enacted as a replacement for the farm subsidy policies found unworkable in the AAA legislation of 1933. The 1938 Act was the first to make price support mandatory for corn, cotton, and wheat to help maintain a sufficient supply in low production periods, along with marketing quotas to keep supply in line with market demand. It established permissive supports for butter, dates, figs, hops, turpentine, rosin, pecans, prunes, raisins, barley, rye, grain sorghum, wool, winter cover-crop seeds, mohair, peanuts, and tobacco for the 1938-40 period. Title V of the Act established the Federal Crop Insurance Corporation. The 1938 Act is considered part of permanent legislation for commodity programs and farm income support (along with the Commodity Credit Corporation Charter Act and the Agricultural Act of 1949). Provisions of this law are often superseded by more current legislation. If the current legislation expires and new legislation is not enacted, the law reverts back to the permanent provisions of the 1938 Act.

Agricultural and food science—Congress defines "agricultural and food science" as basic, applied, and developmental research, extension, and teaching activities in food and fiber, agricultural, renewable natural resources, forestry, and physical and social sciences.

Agricultural Market Transition Act (AMTA)—Title I of the 1996 Act allowed farmers who participated in the wheat, feed grain, cotton, and rice programs in any one of the previous 5 years to enter into 7-year production flexibility contracts for 1996-2002. Total production flexibility contract payment levels for each fiscal year were fixed. The AMTA allowed farmers to plant 100 percent of their total contract acreage to any crop, except for limitations on fruits and vegetables, and receive a full payment. Land had to be maintained in agricultural uses, including idling or conserving uses. Unlimited haying and grazing was allowed, as was the planting and harvesting of alfalfa and other forage corps—with no reduction in payments.

Agricultural use—Refers to cropland planted to an agricultural crop, used for haying or grazing, idled for weather-related reasons or natural disasters, or diverted from crop production to an approved cultural practice that prevents erosion or other degradation.

Amber box policies—An expression that developed during the General Agreement on Tariffs and Trade (GATT) trade negotiations using a traffic light analogy to rank policies. The traffic light analogy was that an amber policy be subject to careful review and reduction over time. Amber box policies include policies such as market price support, payments related to current production or prices, and input subsidies.

Base acreage (or crop acreage base)—A farm's crop-specific acreage of wheat, feed grains, upland cotton, rice, oilseeds, or peanuts eligible to participate in commodity programs under the 2002 Farm Act. Base acreage includes land that would have been eligible to receive production flexibility contract payments in 2002 and producers of other covered commodities (oilseed and peanut producers). Producers had the option to choose base acres to reflect contract acreage that would otherwise have been used for 2002 pfc payments or to update base acres to reflect the 4-year average of planted plus prevented from planting for the commodity during the 1998-2001 crop years. Producers must select one of the two options for all covered commodities, including oilseeds.

Bill Emerson Humanitarian Trust—A special wheat, corn, grain sorghum, and rice reserve of up to 4 million metric tons, to be used for humanitarian food aid purposes. The Trust was formerly the Food Security Commodity Reserve and the Food Security Wheat Reserve. The Africa: Seeds of Hope Act of 1998 allows the retention and use of funds from P.L. 480 reimbursements to purchase grain to replace supplies released from the reserve. The purchases are limited to no more than $20 million per fiscal year. CCC also is authorized to hold money as well as commodities in the reserve.

Commodity certificates—Payments issued by the Commodity Credit Corporation (CCC) in lieu of cash payments to participants in farm subsidy or agricultural export programs. Holders of certificates are permitted to exchange them for commodities owned by the CCC. Certificates were used not only to compensate program beneficiaries but also to reduce the large, costly, and price-depressing commodity surpluses held by the CCC during the mid-1980s.

Commodity Credit Corporation (CCC)—A federally owned and operated corporation within the USDA created to stabilize and support agricultural prices and farm income by making loans and payments to producers, purchasing commodities, and engaging in various other operations. The CCC handles all money transactions for agricultural price and income support and related programs.

Commodity loan rate—The price per unit (pound, bushel, bale, or hundredweight) at which the Commodity Credit Corporation provides commodity-secured loans to farmers for a specified period of time.

Competitive grants—Funds that are allocated by panels of relevant scientific peers after consideration of research proposals submitted to the review panel.

Conservation of Private Grazing Land Initiative—The 1996 Farm Act authorized a coordinated technical, educational, and related assistance program for owners and managers of non-Federal grazing lands, including rangeland, pasture land, grazed forest land, and hay land. The purpose of the program is to enhance water quality and wildlife and fish habitat, address weed and brush problems, enhance recreational opportunities, and maintain and improve the aesthetic character of non-Federal grazing lands.

Conservation plan—A combination of land uses and farming practices to protect and improve soil productivity and water quality and prevent deterioration of natural resources on all or part of a farm. Conservation plans for conservation compliance must be both technically and economically feasible.

Conservation practice—Any technique or measure used to protect soil and water resources, for which standards and specifications for installation, operation, or maintenance have been developed. Practices approved by the Natural Resources Conservation Service are compiled at each conservation district in its field office technical guide.

Conservation Reserve Enhancement Program (CREP)—This program was initiated following the 1996 farm bill. CREP is a State-Federal conservation partnership program targeted to address specific State and nationally significant water quality, soil erosion, and wildlife habitat issues related to agriculture. The program offers additional financial incentives beyond the CRP to encourage farmers and ranchers to enroll in 10-15 year contracts to retire land from production. CREP is funded through CCC.

Conservation Reserve Program (CRP)—Established in its current form in 1985 and administered by USDA's Farm Services Agency, this is the latest version of long-term land retirement programs used in the 1930s and 1960s. CRP provides farm owners or operators with an annual per-acre rental payment and half the cost of establishing a permanent land cover, in exchange for retiring environmentally sensitive cropland from production for 10-15 years. In 1996, Congress reauthorized CRP for an additional round of contracts, limiting enrollment to 36.4 million acres at any time. The 2002 Farm Act increased the enrollment limit to 39 million acres. Producers can offer land for competitive bidding based on an Environmental Benefits Index during periodic signups or automatically enroll more limited acreages in such practices as riparian buffers, field windbreaks, and grass strips on a continuous basis. CRP is funded through the Commodity Credit Corporation.

Conservation Reserve Program (CRP) Continuous Sign-up—This program was initiated following the 1996 farm bill. Continuous sign-up allows enrollment of land in riparian buffers, filter strips, grass waterways, and other high priority practices without competition. Eligible land is automatically accepted into the program. A total of 4 million acres (under the CRP acreage cap) are reserved for continuous sign-up enrollment.

Conservation Security Program (CSP)—This newly created program will provide payments to producers for maintaining or adopting structural and/or land management practices that address a wide range of local and/or national resource concerns. As with Environmental Quality Incentives Program, a wide range of practices can be subsidized. But CSP will focus on land-based practices and specifically excludes livestock waste handling facilities. Producers can participate at one of three tiers; higher tiers require greater conservation effort and offer higher payments. The lowest cost practices that meet conservation standards must be used.

Conservation Technical Assistance (CTA)—Since 1936, CTA, administered by USDA's Natural Resources Conservation Service (NRCS) and local conservation districts, has provided technical assistance to farmers for planning and implementing soil and water conservation and water quality practices. Farmers adopting practices under USDA conservation programs and other producers requesting assistance in adopting approved NRCS practices can receive technical assistance. In recent years, CTA has prepared conservation plans for highly erodible lands to help farmers maintain eligibility for USDA program benefits.

Conserving use acreage—Farmland diverted from crop production to an approved cultural practice that prevents erosion or other degradation. Though crops are not produced, conserving use is considered an agricultural use of the land.

Considered planted—Refers to a provision of the Agricultural Act of 1949 that was used to implement the base acreage and yield system for 1991-95 crops, a provision suspended by the FAIR Act of 1996. Acreage considered planted includes acreage idled for weather-related reasons or natural disasters, acreage devoted to conservation purposes or planted to certain other allowed commodities, and acreage USDA determines is necessary to include for fair and equitable treatment.

Contract acreage—Land voluntarily enrolled in a production flexibility contract (PFC) under the 1996 Farm Act. Land was eligible for the PFC enrollment if it had at least one crop acreage base for a contract crop that would have been in effect for 1996 under previous farm law, prior to its suspension by the 1996 Act. A farmer could voluntarily choose to reduce contract acreage in subsequent years. Upon leaving the Conservation Reserve Program, base acreage under previous farm law could be entered into a PFC. Otherwise, the maximum amount of contract acreage was established during the one-time signup for the PFC in 1996.

Contract crops—Crops eligible for production flexibility contract payments under Title I of the 1996 Act: wheat, corn, sorghum, barley, oats, rice, and upland cotton.

Cost-sharing—Payments to producers to cover a specified portion of the cost of installing, implementing, or maintaining a conservation (structural or land management) practice.

Counter-cyclical payment—Counter-cyclical payments are available to eligible commodities under the 2002 Farm Act whenever the effective commodity price is less than the target price. The effective price is equal to the sum of 1) the higher of the national average farm price for the marketing year, or the commodity national loan rate and 2) the direct payment rate for the commodity. The payment amount for a farmer equals the product of the payment rate, the payment acres, and the payment yield. Payments are considered counter-cyclical since they vary inversely with market prices.

Crop insurance—Insurance that protects farmers from crop losses due to natural hazards. A subsidized multiperil Federal insurance program, administered by the USDA's Risk Management Agency, is available to most farmers. Federal crop insurance is sold and serviced through private insurance companies. The Federal Government subsidizes a portion of the premium, as well as some administrative and operating expenses of the private companies. The Federal Crop Insurance Corporation reinsures the companies by absorbing the losses of the program when indemnities exceed total premiums. Various types of yield and revenue insurance products are available for major crops. Hail and fire insurance are offered through private companies without Federal subsidy.

Cropland—Land used primarily for the production of row crops, close-growing crops, and fruit and nut crops. It includes cultivated and noncultivated acreage, but not land enrolled in the Conservation Reserve Program. For details on land use of U.S. non-Federal lands, see USDA National Resources Conservation Services' National Resources Inventory.

Crop year (marketing year)—The 12-month period starting with the month when the harvest of a specific crop typically begins. The 1998 wheat crop year, for example, is June 1, 1998, through May 30, 1999. The amount harvested during this time is then considered the “1998 crop.”

Dairy Export Incentive Program—A program that offers subsidies to exporters of U.S. dairy products based on the volume of exports. The intent is to make the U.S. products more competitive in world markets, thereby increasing U.S. exports. The Commodity Credit Corporation receives export-price bids from exporters and makes the payments either in cash or through certificates redeemable for commodities. The program was originally authorized by the 1985 farm acts, and reauthorized by subsequent Acts. The 2002 Farm Act extends the program through 2007.

Decoupled payments—Government program payments to farmers that are not linked to the current levels of production, prices, or resource use. When payments are decoupled, farmers make production decisions based on expected market returns rather than expected government payments.

Deficiency payments—Direct government payments made prior to 1996 to farmers who participated in an annual commodity program for wheat, feed grains, rice, or cotton. The crop-specific payment rate for a particular crop year was based on the difference between an established target price and the higher of the commodity loan rate or the national average market price for the commodity during a specified time period. A deficiency payment to the farmer was calculated as the product of the payment rate, the farm's eligible payment acreage, and the farm's established program payment yield.

De minimis rule—The total aggregate measurement of support (AMS) includes a specific commodity support only if it equals more than 5 percent of its value of production for developed countries such as the United States. The noncommodity-specific support component of the AMS is included in the AMS total only if it exceeds 5 percent of the value of total agricultural output. The de minimis exemption for developing countries is 10 percent.

Direct payment—Fixed payments provided under the 2002 Farm Act for eligible producers of wheat, corn, barley, grain sorghum, oats, upland cotton, rice, soybeans, other oilseeds, and peanuts. Producers enroll annually in the program to receive payments based on payment rates specified in the 2002 Farm Act and their historic program payment acres and yields.

Disaster payment—Payments made to producers through existing or special legislation due to crop and livestock losses because of natural disasters such as floods, drought, hail, excessive moisture, or related conditions.

Diversion payment—See paid land diversion.

Environmental Quality Incentives Program (EQIP)—EQIP was established by the 1996 Farm Act as a new program to consolidate and better target the functions of the Agricultural Conservation Program, Water Quality Incentives Program, Great Plains Conservation Program, and Colorado River Basin Salinity Program. The objective of EQIP, like its predecessor programs, is to encourage farmers and ranchers to adopt practices that reduce environmental and resource problems through 5- to 10-year contracts. The program provides education, technical assistance and financial assistance, targeted to watersheds, regions, or areas of special environmental sensitivity identified as priority areas. The 1996 Farm Act called for half of EQIP funds to be devoted to conservation practices related to livestock production and for maximized environmental benefits per dollar expended. EQIP is designed to consider all sources of conservation funding from CRP, Wetland Reserve Program, other Federal programs, State or local programs, and nongovernmental partners. Proposed projects with greater funding from these sources receive more favorable scoring for EQIP funding. EQIP is run by Natural Resources Conservation Service and funded through Commodity Credit Corporation.

Erodibility Index (EI)—The natural erosion potential of a soil divided by the soil's tolerance level.

Export Enhancement Program (EEP)—Started in May 1985 under the Commodity Credit Corporation Charter Act to help U.S. exporters meet competitors' prices in subsidized markets. Under the EEP, exporters receive subsidies based on the volume of exports to specifically targeted countries. The program was reauthorized by the 1985 Farm Act and subsequent farm acts. The 2002 Act extends the program through 2007.

Farmed wetland—Farmed wetlands are wetlands that have been partially drained or are naturally dry enough to allow crop production in some years but otherwise meet the soil, hydrological, and vegetative criteria defining a wetland.

Farmland Protection Program (FPP)—Established in the 1996 Farm Act, FPP provides funding to State, local, or tribal entities with existing farmland protection programs to purchase conservation easements or other interests in order to keep agricultural land in farming. The goal of the program, run by Natural Resources Conservation Service, is to protect between 170,000 and 340,000 acres of farmland. Priority is given to applications for perpetual easements, although a minimum of 30 years is required.

Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) (P.L. 104-127)—The omnibus food and agriculture legislation (Farm Act) signed into law on April 4, 1996, that provided a 7-year framework (1996-2002) for the Secretary of Agriculture to administer various agricultural and food programs. The 1996 Act redesigned income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. Production flexibility contract payments were made available under Title I of the 1996 Act (see Agricultural Market Transition Act). Acreage reduction programs were suspended. Federal milk marketing orders were revised and consolidated under the Act. Program changes were also made for sugar and peanuts. Trade programs were targeted and environmental programs were consolidated and extended in the 1996 Act.

Federal Crop Insurance Program—A subsidized insurance program providing farmers with a means to manage the risk of crop losses resulting from natural disasters. With the Federal Crop Insurance Reform Act of 1994, coverage is classified as "catastrophic" (CAT) or "additional." CAT coverage guarantees 50 percent of a farmer's average yield, at 55 percent of the expected price, for a nominal processing fee. Additional coverage, sometimes called "buy-up," provides higher levels of coverage.

Federal milk marketing orders—Regulations issued by the Secretary of Agriculture specifying minimum prices that processors must pay for milk and other conditions under which milk can be bought and sold within a specified area. The orders classify and fix minimum prices according to the products for which milk is used. The 1996 Farm Act required consolidation of the Federal milk marketing orders into 10-14 regional orders, down from 33.

Flex acreage—See normal flex acreage and optional flex acreage.

Food, Agriculture, Conservation and Trade Act of 1990 (1990 Act) (P.L. 101-624)—Omnibus food and agriculture legislation signed into law on November 28, 1990, that provided a 5-year framework (1991-95) for the Secretary of Agriculture to administer various agricultural and food programs. Commodity programs were continued, with modifications, such as creation of optional flex acreage, making the programs more market oriented.

Food Security Act of 1985 (1985 Act) (P.L. 99-198)—Omnibus food and agriculture legislation signed into law on December 23, 1985, that provided a 5-year framework (1986-90) for the Secretary of Agriculture to administer various agricultural and food programs. The law provided for lower price and income supports, a dairy herd buy-out program, marketing loans and loan deficiency payments, and the Conservation Reserve Program.

Food Security Commodity Reserve—Renamed the Bill Emerson Humanitarian Trust, formerly the Food Security Wheat Reserve, a special wheat, corn, grain sorghum, and rice reserve of up to 4 million metric tons, to be used for humanitarian purposes. Created by the Agriculture Act of 1980 (P.L. 96-494), the reserve is generally used to provide famine and other emergency relief when commodities are not available under P.L. 480. The 1996 Farm Act expands the reserve to include corn, grain sorghum, and rice in addition to wheat, and makes other administrative changes.

Formula funds—Formula funds consist of funds allocated equally to all States and funds allocated by formula. The Amended Hatch Act (1955) established a formula for distributing Hatch Act funds based on (among other things) the number of farms and percentage of rural population in a State. In addition to Hatch funds, the McIntire-Stennis Act provided for research funds to State Agricultural Experiment Stations and forestry schools. Evans-Allan appropriations are formula funds granted to the 1890 Institutions and Tuskegee University. Animal Health and Disease Research funds are also administered by the Cooperative State Research, Extension, and Education Service of the USDA.

General Agreement on Tariffs and Trade (GATT)—An international agreement originally negotiated in 1947 to increase international trade by reducing tariffs and other trade barriers. The agreement provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion. The Uruguay Round Trade Agreement modified the code and the framework and established the World Trade Organization on January 1, 1995, to replace the institutions created by the GATT.

Grassland Reserve Program (GRP)—This newly established program will assist owners, through long-term contracts or easements, in restoring grassland and conserving virgin grassland. Up to 2 million acres of restored, improved, or natural grassland, rangeland, and pasture, including prairie, can be enrolled. Tracts must be at least 40 contiguous acres, subject to waivers. Eligible grassland can be enrolled under 10- to 30-year contracts or under 30-year or permanent easements.

Green box policies—Domestic or trade policies that are deemed to be minimally trade distorting and that are excluded from domestic support reduction commitments in the Uruguay Round Agreement on Agriculture. Examples are domestic policies dealing with research, extension, inspection and grading, environmental and conservation programs, disaster relief, crop insurance, domestic food assistance, food security stocks, structural adjustment programs, and direct payments not linked to production. Trade measures or policies, such as export market promotion, are also exempt (but not export subsidies or foreign food aid).

High-tier tariff rate—See over-quota tariff rate.

Highly erodible land (HEL)—Soils with an erodibility index (EI) equal to or greater than eight are defined as HEL. An EI of eight indicates that without any cover or conservation practices, the soil will erode at a rate eight times the soil tolerance level. Fields containing at least one-third or 50 acres (whichever is less) of HEL are designated as highly erodible for the purpose of Highly-Erodible Land Conservation Provisions.

Highly Erodible Land Conservation (Compliance and Sodbuster)—First established in 1985, this provision requires that farm program participants with highly erodible cropland develop and implement an approved conservation plan for their land to maintain program eligibility. Conservation compliance pertains to farming existing cropland but is commonly known as the Sodbuster provision when applied to newly planted cropland. Natural Resources Conservation Service certifies technical compliance, and USDA's Farm Services Agency administers changes in farm program benefits.

IFAFS—Initiative for Future Agriculture and Food Systems.

Incentive payments—Payments to producers in an amount or at a rate necessary to encourage producers to adopt one or more land management practices.

Initiative for Future Agriculture and Food Systems (IFAFS)—Research, extension, and education grants to address critical emerging agricultural issues related to 1) future food production, 2) environmental quality and natural resource management, or 3) farm income; and also for activities carried out under the Alternative Agricultural Research and Commercialization Act of 1990. IFAFS was a new initiative authorized in the Agricultural Research, Extension and Education Reform Act of 1998.

Land-Grant Institutions—Originally, Land-Grant Colleges and University were educational institutions that arose from or met the mission of the Land-Grant College Act of 1862, also known as the Morrill Act of 1862. The legislation provided funding for institutions of higher learning in each State. Each State received 30,000 acres of federal land per congressional representative. The land was intended for sale to provide an endowment for at least one college where the leading object was learning related to agriculture and the mechanical arts. The original act was supplemented through the years to provide additional funding for the Land Grant Institutions. Also, additional colleges and universities with land-grant status were established, and certain existing institutions have received land-grant status (see 1890s colleges/universities and 1994 Institutions).

Land management practice—A conservation practice that is carried out as part of production management. For example, nutrient or manure management, integrated pest management, irrigation management, tillage or residue management, and grazing management are land management practices.

Loan deficiency payments—A provision initiated in the Food Security Act of 1985 giving the Secretary of Agriculture the discretion to provide direct payments to wheat, feed grain, upland cotton, rice, or oilseed producers who agree not to obtain a commodity loan on their production for a particular crop year. Loan deficiency payments (LDP) continue to be available for all loan commodities except extra-long staple cotton. The LDP provision is applicable only if a marketing loan provision has been implemented; in which case a commodity loan may be repaid at a price less than the original loan rate (the repayment rate). The intent of these two provisions is to minimize the accumulation of stocks by the government, minimize the costs of government storage, and allow U.S. commodities to be marketed freely and competitively. The LDP payment amount is determined by multiplying the local marketing loan payment rate by the amount of the commodity eligible for a loan. The marketing loan payment rate at a point in time is the announced local commodity loan rate minus the then current local repayment rate for marketing loans.

Loan rate—See Commodity loan rate.

Market Access Program (MAP)—Formerly the Market Promotion Program, designed to encourage development, maintenance, and expansion of commercial commodity exports to specific markets. Participating organizations include nonprofit trade associations, state regional trade groups, and private companies. Fund authority is capped at $90 million annually for fiscal years 2002-07.

Market loss assistance payments—Payments authorized by emergency legislation in 1998-2001. Payments were made to recipients of production flexibility contract payments. Similar payments were also authorized for oilseed and dairy producers for selected years.

Marketing allotments—When in effect, provide each processor or producer of a specified commodity a specific limit on sales for the year, above which penalties would apply. Sugar allotments, for example, were authorized during 1991-95, suspended by the 1996 Farm Act, and reauthorized under the 2002 Farm Act.

Marketing assessments—A fee, or charge per unit of domestic production or sales, that producers, processors, or first purchasers must pay to the Government to help pay for commodity program costs.

Marketing loan program—Provisions first authorized by the Food Security Act of 1985 (P.L. 99-198) that allow producers to repay nonrecourse commodity loans at less than the announced loan rate whenever the world price or loan repayment rate for the commodity is less than the loan rate. Prior to 1985, commodity loans had to be repaid at the original loan rate, which often resulted in the accumulation of surplus commodities in Government inventories. Marketing loan provisions are aimed at reducing government costs of stock accumulation. Marketing loan provisions were originally mandated only for rice and upland cotton. The Secretary of Agriculture had the option of implementing marketing loans for wheat, feed grains, soybeans, and honey under the 1985 Farm Act and the subsequent farm acts. The 1996 Farm Act mandates that marketing loan provisions be implemented for feed grains, wheat, rice, upland cotton, and all oilseeds. The 2002 Farm Act established marketing loan provisions for peanuts, chickpeas, lentils, dry beans, wool, mohair, and honey.

Marketing orders—Federal marketing orders authorize agricultural producers in a designated region to take various actions to promote orderly marketing, such as influencing supply and quality and pooling funds for promotion and research. Marketing orders are initiated by the industry, but must be approved by the Secretary of Agriculture and by a vote among affected producers. Once approved, a marketing order is mandatory for all producers in the marketing order area. There are marketing orders for a number of fruits, nuts, and vegetables, and for milk.

Marketing year—See Crop year.

Milk marketing orders—See Federal milk marketing orders.

The National Research Initiatives for Food, Agriculture and Environment of 1990—The 1990 Farm Act extended the role of competitive grants within USDA by formalizing the competitive process via the National Research Initiatives for Food, Agriculture and Environment.

No net cost—A requirement that a price support program be operated at no cost to the Federal Government. The No-Net-Cost Act of 1982 required participants in the 1982 and subsequent tobacco programs to pay an assessment to cover potential losses in operating the tobacco price support program. A no-net-cost provision for sugar was initiated under the Food Security Act of 1985, suspended under the 1996 Farm Act, and reimplemented under the 2002 Farm Act.

Nonrecourse loan program—Provides commodity-secured loans to producers for a specified period of time (typically 9 months), after which producers may either repay the loan and accrued interest or transfer ownership of the commodity pledged as collateral to the Commodity Credit Corporation (CCC) as full settlement of the loan, without penalty. These loans are available on a crop year basis for wheat, feed grains, cotton, peanuts, tobacco, rice, and oilseeds. Sugar processors are also eligible for nonrecourse loans. Participants in commodity loan programs agree to store and maintain a certain quantity of a commodity as loan collateral, for which they receive loan funds from the CCC based on the announced commodity-specific, per-unit loan rate. The loans are called nonrecourse because, at the producer’s option, the CCC has no recourse but to accept the commodity as full settlement of the loan. For those commodities eligible for marketing loan benefits, producers may repay the loan at the world price (rice and upland cotton) or posted county price (wheat, feed grains, and oilseeds). Some commodity loans are recourse loans, meaning producers must pay back the loans in cash.

Nontariff barriers (NTB)-Any restriction, charge, or policy other than a tariff that limits access of imported goods. Examples of nontariff barriers include quantitative restrictions, mainly import quotas and embargoes; import licenses; exchange controls; some practices of state trading enterprises; and certain rules and regulations on health, safety, and sanitation. The Uruguay Round Agreement on Agriculture requires that NTBs be converted to bound tariffs and tariff-rate quotas and that sanitary and phytosanitary measures be based on sound science.

Normal flex acreage—A term given to the 15 percent of a farmer's acreage base that was not eligible for deficiency payments during 1991-95. Under planting flexibility provisions, however, producers were allowed to plant any crop on this normal flex acreage, except fruits, vegetables, and some other prohibited crops.

NRI—The National Research Initiatives for Food, Agriculture and Environment of 1990.

Oilseeds—Soybeans, sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed.

Olympic average—A 5-year average, dropping the highest and lowest values.

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)—A law covering a range of government budget issues that also amended the 1990 Farm Act to address budgetary concerns for 1991-95. It mandated a reduction in payment acreage equal to 15 percent of base acreage and established assessments on certain crop loans and incentive payments.

Optional flex acreage—A term given to an additional 10 percent of a farmer's acreage base in 1991-95 beyond the 15 percent normal flex acreage that farmers could choose to plant to crops other than the base program crop. Under the planting flexibility provision of the 1990 Farm Act, producers could choose to plant up to 25 percent of their base acreage for a specific crop to other CCC-specified crops (except fruits and vegetables) without a reduction in their base acreage. Optional flex acreage was eligible for deficiency payments when planted to the original program crop. However, no deficiency payments would be received on optional flex acreage if planted to another crop.

Other oilseeds—Sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed.

Over-quota tariff—The tariff applied on imports in excess of the quota volume. The over-quota tariff is greater than the in-quota tariff.

Paid land diversion—Programs that offered payments to producers for reduction of planted acreage of program crops, if the Secretary determined that planted acreage should be reduced more than under ARPs. Farmers were given a specific payment per acre idled. The idled acreage was in addition to an acreage reduction program. This program has continued to be authorized under the 1996 and 2002 Farm Acts.

Parity-based support prices—Commodity support prices (such as loan rates or commodity program purchase prices) whose level in a given year is mandated to be calculated in a way that will maintain the commodity's purchasing power at the level it had in the 1910-14 base period. Under "permanent provisions" of farm legislation (provisions that would automatically apply in the absence of current farm acts that suspended the permanent provisions), prices of some commodities would be supported at 50-90 percent of parity through direct government purchases or nonrecourse loans.

Payment acres—Equal to 85 percent of the base acres for calculating direct and counter-cyclical payments under the provisions of the 2002 Farm Act.

Payment limitation—The maximum annual amount of commodity program benefits a person can receive by law. Persons are defined under payment limitation regulations, established by USDA, to be individuals, members of joint operations, or entities, such as limited partnerships, corporations, associations, trusts, and estates, that are actively engaged in farming. The 2002 Farm Act sets payment limits at $40,000 per person per fiscal year for direct payments, sets a limit of $65,000 for counter-cyclical payments, and limits marketing loan benefits to $75,000. The three-entity rule limits the number of farms from which a person can receive program payments. Producers with adjusted gross income of over $2.5 million, averaged over 3 years, are not eligible for payments, unless more than 75 percent of adjusted gross income is from agriculture.

Payment yield (also called program yield)—Farm commodity yield of record (per acre), determined by a procedure outlined in legislation. Payment yields for direct payments are unchanged since 1985. Under the 2002 Farm Act, producers could update payment yields for counter-cyclical payments during the initial enrollment in 2002 by adding 70 percent of the difference between program yields for 2002 crops and the farm's average yields for the 1998-2001 to program yields, or by using 93.5 percent of 1998-2001 average yields.

Peanut poundage quota—The maximum quantity of peanuts that was eligible for the higher of two price support loan rates under legislation prior to 2002. The Food and Agriculture Act of 1977 (P.L. 95-113) initiated the current two-price poundage quota program for peanuts where a national poundage quota is established and each producer receives a share of the national total. Producers can market more than their quota, but only the quota amount is eligible for domestic edible use and for the higher of the two commodity loan rates. Over-quota marketings are called "additional peanuts" and can only be sold for export or processing (crush). Under the 1990 Farm Act, each year's national peanut poundage quota was set equal to estimated domestic use of peanuts for food products and seed, subject to a minimum 1.35 million tons. The 1996 Farm Act redefined the national poundage quota to exclude seed use and eliminated the 1.35-million-ton minimum. The 1996 Act also permits the sale, lease, and transfer of a quota across county lines within a State up to specified amounts of quota annually. This program was ended under the 2002 Farm Act.

Permanent legislation—Legislation that would be in effect in the absence of all temporary amendments (farm acts). These laws include provisions of the Agricultural Adjustment Act of 1938, the Commodity Credit Corporation Charter Act of 1948, and the Agricultural Act of 1949. They serve as the basic laws authorizing the major commodity programs. Generally, each new farm act amends the permanent legislation for a specified period.

Posted county price (PCP)—Calculated for wheat and feed grains for each county by USDA's Farm Service Agency, the PCP reflects price changes in major terminal grain markets (of which there are 18 in the United States) corrected for the cost of transporting grain from the county to the terminal. PCP is used under the marketing loan repayment provisions and loan deficiency payment provisions of the wheat and feed grains commodity programs. Rice and cotton use an adjusted world price as the proxy for local market prices.

Precision agriculture—An integrated information and production-based farming system designed to increase long-term, site-specific, and whole-farm production efficiencies, productivity, and profitability while minimizing unintended impacts on wildlife and the environment.

Prevented planting acreage—Land on which a farmer intended to plant a program crop or insurable crop but was unable to do so because of drought, flood, or other natural disaster. Used in the calculation of disaster payments and crop insurance indemnity payments.

Price support loans—See Nonrecourse loan program.

Production flexibility contract (AMTA) payments—Payments to farmers during 1996-2002 who enrolled "contract acreage," under Title I, Subtitle B of the 1996 Farm Act. The annual total amount was first determined for all contract crops combined (wheat, rice, feed grains, and upland cotton) and then allocated to specific crops based on percentage allocation factors established in the 1996 Act. Each participating producer of a contract crop received payments equal to the product of their production flexibility contract payment quantity and the national average production flexibility contract payment rate.

Production flexibility contract payment quantity—The quantity of production eligible for production flexibility contract payments under the 1996 Farm Act. Payment quantity is calculated as the farm's program yield (per acre) multiplied by 85 percent of the farm's contract acreage.

Production flexibility contract payment rate—The amount paid to farmers per unit of participating production under the 1996 Farm Act. A farm's contract acreage and farm program payment yield was established in 1996 during the sign-up period. A national average payment rate per unit for each crop was calculated each year based on the then total participating production (production flexibility contract quantity) and the total amount to be paid out for each crop, largely predetermined by the 1996 Act.

Program crops—Crops for which Federal support programs are available to producers, including wheat, corn, barley, grain sorghum, oats, extra long staple and upland cotton, rice, oilseeds, tobacco, peanuts, and sugar.

Program payment yield—The farm commodity yield of record (per acre), determined by a procedure outlined in legislation. Previous law allowed USDA to make individual farm program yields equal to the average of the preceding 5 years' harvested yield (dropping the highest and lowest yield years). This provision has not been implemented in recent years. Program yields continue to be frozen at 1985 levels.

Program yield—See payment yield.

Public Law 480 (P.L. 480)—Common name for the Agricultural Trade Development and Assistance Act of 1954, which seeks to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic progress in developing countries. Title I of P.L. 480, also called the Food for Peace Program, makes U.S. agricultural commodities available through long-term dollar credit sales at low interest rates for up to 30 years. Government donations for humanitarian food needs are provided under Title II. Title III authorizes "food for development" grants.

Recourse loan program—A provision allowing farmers or processors participating in Government commodity programs to pledge a quantity of a commodity as collateral and obtain a loan from the Commodity Credit Corporation (CCC), subject to the condition that the borrower must repay the loan with interest within a specified period. This provision is unlike the condition with nonrecourse loans whereby producers may settle their loans by giving the collateral to the CCC.

Revenue insurance—An insurance policy offered to farmers that pays indemnities based on revenue shortfalls. These programs are subsidized and reinsured by USDA's Risk Management Agency.

RFP—Request for Proposals.

SAES—State Agricultural Experiment Stations.

Safety net—A policy that ensures a minimum income, consumption, or wage level for everyone in a society or subgroup. It may also provide people (businesses) with protection against risks, such as lost income, limited access to credit, or devastation from natural disasters.

Section 32—Section 32 of Agricultural Adjustment Act Amendment of 1935 was enacted to widen market outlets for surplus agricultural commodities as one means of strengthening farm prices. Section 32 programs are financed by a permanent appropriation equal to 30 percent of the import duties collected on all items entering the United States under the customs laws, plus any unused balances up to $300 million. Most funds are annually transferred by appropriators to pay for child nutrition programs.

Section 416—A section of the Agricultural Act of 1949 that provides for the disposition of agricultural commodities held by the Commodity Credit Corporation to prevent waste. Disposal is usually carried out by donation of commodities to charitable groups and foreign governments.

Special grants—The Special Research Grants Act of 1965 created a mechanism for the distribution of funds to State Agricultural Experiment Stations, public institutions, and individuals to study problems of concern to USDA, as defined by Congress. Sometimes referred to as earmarked funds.

State Agricultural Experiment Stations (SAES)—SAES work with land-grant universities to carry out a joint research-teaching-extension mission. The Hatch Act of 1887 offered States the option of establishing stations to perform science-based research and acquire and disseminate information of use to the agricultural sector. Each State (as well as some territories) now has an SAES and some States have additional substations as well. The SAES cooperate closely with USDA.

Structural practice—A practice that involves a constructed facility, land shaping, or permanent vegetative cover. Examples include animal waste-management facilities, terraces, grassed waterways, contour grass strips, filterstrips, tailwater pits, permanent wildlife habitats, and constructed wetlands.

Target price—Prices established in the 2002 Farm Act used for calculating counter-cyclical payments (CCP) for wheat, corn, grain sorghum, barley, oats, rice, upland cotton, oilseeds, and peanuts. Target prices are fixed for 2002-03 and then raised to fixed levels for 2004-07, except for soybeans and rice, which remain at the 2002-03 levels. Prior to 1996, target prices were used to calculate deficiency payments.

Tariff-rate quota (TRQ)—An import restriction system based on tariffs and quantity quotas agreed to in the Uruguay Round Agreement on Agriculture. A certain quantity of imports, called the quota amount, is allowed to enter a country after payment of a relatively low tariff. A higher, over-quota tariff is imposed for imported quantities above the quota amount.

Three-entity rule—Limits the number of farms from which a person can receive program payments. Under the rule, an individual can receive a full payment directly and up to a half payment from two additional entities.

Thrifty Food Plan (TFP)—The TFP is one of four USDA-designed food plans specifying foods and amounts of foods to provide adequate nutrition. Used as the basis for designing Food Stamp Program benefits, it is the lowest cost food plan that can be priced monthly using the price data collected for the consumer price index. The monthly cost of the TFP used for the Food Stamp Program represents a national average of prices (four-person household consisting of an adult couple and two school-age children) adjusted for other household sizes through the use of a formula reflecting economies of scale. For food stamp purposes, the TFP as priced each June sets maximum benefit levels for the fiscal year beginning the following October.

Uruguay Round (UR)—The multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) during 1986-94, leading up to the Uruguay Round Agreement on Agriculture, among other provisions. The Agreement on Agriculture covers four areas: export subsidies, market (or import) access, internal (or domestic) supports, and sanitary and phytosanitary rules. The agreement was implemented over a 6-year period, 1995-2000.

Wetlands Conservation (Swampbuster)—First established in 1985, the so-called Swampbuster provision states that farmers or ranchers lose eligibility for farm program benefits if they produce an agricultural commodity on a wetland converted after December 23, 1985, or if they convert a wetland after November 28, 1990, and make agricultural production possible on the land. Natural Resources Conservation Service certifies technical compliance, and USDA's Farm Services Agency administers changes in farm program benefits.

Wetlands Reserve Program (WRP)—Congress authorized WRP under the 1985 Farm Act. Natural Resources Conservation Service administers the program in consultation with USDA's Farm Services Agency and other Federal agencies. WRP is funded through Commodity Credit Corporation and has an enrollment cap of 1,075,000 acres. Landowners who choose to participate in WRP may sell a permanent or 30-year conservation easement or enter into a 10-year cost-share restoration agreement to restore and protect wetlands. The landowner voluntarily limits future use of the land yet retains private ownership. USDA pays 100 percent of restoration costs for permanent easements and 75 percent for 30-year easements and restoration cost-share agreements.

Wildlife Habitat Incentives Program (WHIP)—The 1996 Farm Act created WHIP to provide cost-sharing assistance to landowners for developing habitat for upland wildlife, wetland wildlife, threatened and endangered species, fish, and other types of wildlife. Participating landowners, with the assistance of the Natural Resources Conservation Service district office, develop plans for installing wildlife habitat development practices and requirements for maintaining the habitat for the 5- to 10-year life of the agreement. Cost-share payments of up to 75 percent may be used to establish and maintain practices. Cooperating State wildlife agencies and nonprofit or private organizations may provide expertise or additional funding to help complete a project. WHIP funds are distributed to States based on State wildlife habitat priorities, which may include wildlife habitat areas, targeted species and their habitats, and specific practices.

World price (rice)—As part of the rice marketing assistance loan program, USDA calculates the world price for each class of milled rice (long grain, medium grain, and short grain) based on the prevailing world market price for each of the classes, modified to reflect U.S. quality and the U.S. cost of exporting milled rice. USDA sets this prevailing market price after reviewing milled rice prices in major world markets, and taking into account the effects of supply-demand changes, government-assisted sales, and other relevant price indicators. The steps for calculating and announcing the world prices are prescribed in more detail in Federal regulations.

World Trade Organization (WTO)—An international organization established by the Uruguay Round trade agreement to replace the institution created by the General Agreement on Tariffs and Trade, known as the GATT. The Uruguay Round trade agreement modified the code and the framework and established the WTO on January 1, 1995. The WTO provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion.

0,50/85-92 provisions—Refers to the so-called 50/85 and 50/92 provisions for rice and cotton and the 0/85 and 0/92 provisions for wheat and feed grains that were in effect in various forms from 1986 through 1995. Under these provisions, farmers could idle all or part of their permitted acreage, putting the idled land in a conserving use, and still receive deficiency payments for part of the acreage. A minimum planting requirement of 50 percent of maximum payment acreage was required in order to receive these payments in the case of rice and cotton.

1862 colleges/universities—The original land grant colleges and universities established by the Land Grant College Act of 1862 (see Land-Grant Institutions).

1890s colleges/universities—These institutions resulted from provisions of the second Morrill Act, which forbid racial discrimination in Land-Grant Colleges and Universities. States had the option of creating separate institutions to serve African-American students. The Southern States elected to have separate educational institutions, sometimes referred to as "historically black colleges and universities." While not a land-grant college, Tuskegee University traditionally has been associated with the African-American land-grant institutions. It was granted 25,000 acres of land by the U.S. Congress in 1899 and has espoused the land-grant philosophy throughout its history.

1994 Institutions—Land-Grant Institutions that traditionally served Native Americans. The Equity in Educational Land-Grant Status Act of 1994 conferred land-grant status for 29 tribal colleges that address agriculture and mechanical arts.

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