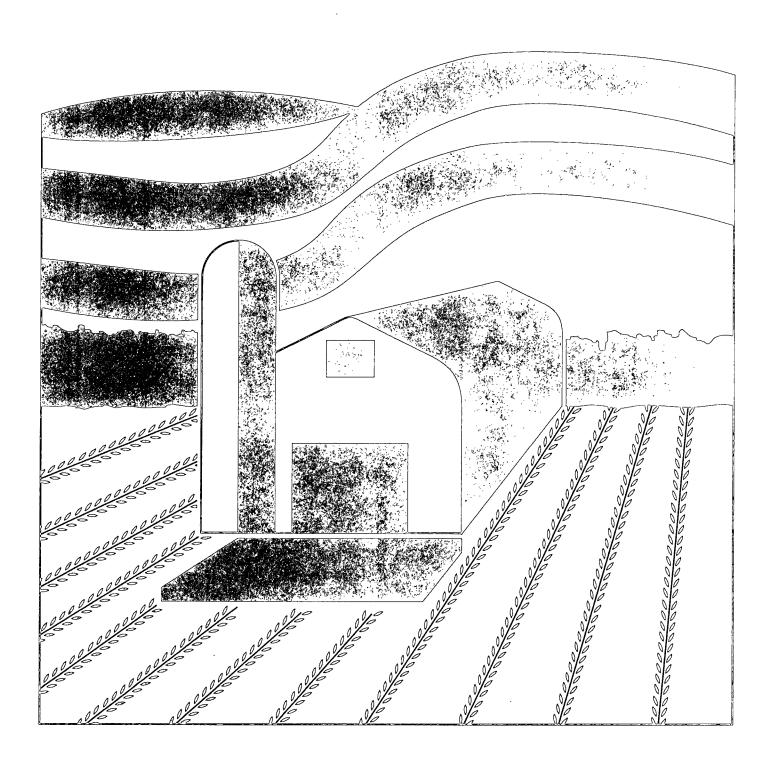


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Economic Research Service

Agriculture Information Bulletin Number 624 Provisions of the Food, Agriculture, Conservation, and Trade Act of 1990



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Provisions of the Food, Agriculture, Conservation, and Trade Act of 1990. Edited by Susan L. Pollack and Lori Lynch. Agriculture and Trade Analysis Division, Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin No. 624.

Abstract

The Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) establishes a comprehensive framework within which the Secretary of Agriculture will administer agricultural and food programs from 1991 to 1995. This report describes provisions of the 1990 Act as amended by the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508). Provisions for all major commodity programs, such as income and price support, are reported, as well as general commodity provisions, trade, conservation, research, food stamps, fruits, vegetables, and marketing, organic food standards, grain quality, credit, rural development, forestry, crop insurance and disaster assistance, and global climate change provisions.

Keywords: Program commodities, loan rates, target prices, acreage reduction, conservation, credit, agricultural trade, food stamps, agricultural research, organic food, grain quality, fruit and vegetable industry, forestry, crop insurance, disaster assistance, rural development, global climate change

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Summary

The Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) (1990 Act) establishes a comprehensive framework within which the Secretary of Agriculture will administer agriculture and food programs from 1991 through 1995. The 1990 Act amends various existing laws as well as adds new legislation to formulate various U.S. Department of Agriculture (USDA) programs. This legislation, as well as other legislation affecting agricultural programs, has been amended by the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) (the 1990 Budget Act). Following is a brief outline of the 1990 Act as amended by the 1990 Budget Act.

Program Commodity Provisions

Price support programs: Calculate basic loan rates as 85 percent of the 5-year moving average of producer prices, excluding high and low years. Further reductions up to 20 percent may be made for wheat and feed grains under certain conditions. Marketing loans are mandated for cotton, rice, and oilseeds and may be implemented at the Secretary of Agriculture's discretion for wheat, feed grains, and honey. Mandate a minimum loan rate for cotton, rice, soybeans, and minor oilseeds.

Income support programs: Minimum target prices set at 1990 levels. Deficiency payment calculations will change in 1994-95 due to the 1990 Budget Act. Beginning in 1994, the deficiency payment rate for wheat, feed grains, and rice will be calculated using the loan rate, the 12-month national weighted average market price, or the 5-month market price plus \$0.10 per bushel for wheat, \$0.07 for feed grains, or an appropriate amount that is fair and equitable in relation to wheat and feed grains for rice, and the target price.

Acreage Reduction Program (ARP): Authorizes ARP's and paid land diversions. ARP levels will be determined by the stocks-to-use ratio with minimum levels specified for 1991 crops. Permits zero ARP's. A zero ARP for oats is mandated for the 5-year period. The ARP level for each feed grain may be set separately. The 1990 Budget Act sets minimum ARP levels for wheat and other feed grains dependent upon stocks-to-use ratios and 1991 soybean quantities.

Planting flexibility provisions: Producers may plant any eligible commodity, except fruits and vegetables, on up to 25 percent of the crop acreage base. Producers will not receive deficiency payments on 15 percent of the crop base. On the remaining 10 percent of the flexible acreage, producers will receive deficiency payments only if they plant the original program crop. Producers' base history is preserved regardless of the eligible crop planted on flexible acres if they comply with the provisions of the programs.

Farmer-Owned Reserve (FOR): Continues FOR with new rules on entry and exit as well as when storage and interest subsidies will cease. The 1990 Act provides for maximum levels to be maintained in the FOR.

Cross-compliance: Cross-compliance cannot be imposed. On a farm, producers cannot build base if they are eligible to receive deficiency payments for any crop produced on that farm.

Trade Provisions

Food aid: Continues P.L. 480 with clear delineation of responsibility. USDA is responsible for administering Title I--Concessional Sales Program. The Agency for International Development (AID) is responsible for administering Titles II and III--the grant aids programs. Reauthorizes the Food for Progress and the Farmer-to-Farmer Programs. Establishes the Enterprise for the Americas Facility.

Cargo preference: Creates a new category of American Great Lakes vessels. Requires the Commodity Credit Corporation (CCC) to make port allocations for 50 percent of bagged, processed, or fortified commodities shipped under Title II of P.L. 480.

Export enhancement: Reauthorizes the Export Enhancement Program and requires 25 percent of funding to target high-value exports. The Market Promotion Program replaces the Targeted Export Assistance Program with expanded responsibilities.

Conservation Provisions

Sodbuster and swampbuster: Continue provisions to protect highly erodible land and wetlands from conversion and crop production. Provisions now apply to conserving use acreage. The 1990 Act also expands the list of program benefits that will be lost for any violation of provisions.

Agricultural Resources Conservation Program: Authorizes a new program to serve as an umbrella program for the Conservation Reserve Program, the new Wetlands Reserve Program, the new Water Quality Incentive Program, and the new Environmental Easement Program. The Conservation Reserve and Wetlands Reserve Programs seek to enroll 40-45 million acres by 1995. The Water Quality Incentive Program will enroll up to 10 million acres to improve water quality while continuing to produce crops.

Pesticide recordkeeping: Certified pesticide applicators must keep records of usage of certain restricted-use pesticides. The Secretary of Agriculture must survey these records and publish an annual report concerning pesticide use.

Other Provisions

Organic food standards: Establish national standards for organically produced foods.

Rural Development Administration: Establishes a new agency to consolidate USDA's rural development activities. The new agency will administer some programs currently under Farmers Home Administration (FmHA) and other programs that the Secretary of Agriculture deems appropriate.

Forestry: This is the first forestry title included in a "farm bill." This legislation establishes programs to protect and improve forest lands, to provide cost-share assistance, and to encourage urban forestry.

Provisions by Title

Title I--Dairy: Sets a \$10.10 per hundredweight (cwt) minimum support price for milk. Includes a trigger mechanism for altering the support price. The Secretary of Agriculture must recommend milk marketing adjustment programs but cannot recommend herd buyouts or reducing the support level below the minimum as options. The support price paid to producers is reduced 5 cents per cwt in 1991, and 11.25 cents per cwt in 1992-95. If producers do not increase milk marketings from a year earlier, they will receive a refund of the amount of the price reduction.

Title II--Wool and Mohair: Continues wool and mohair programs through 1995. Establishes payment limits per person for both programs. Establishes an assessment of 1 percent of incentive payments.

Titles III and IV--Wheat and Feed Grains: Continue price and income supports for wheat and feed grains through 1995. Authorize the Secretary of Agriculture to implement marketing loans, loan deficiency payments, targeted option payments, and inventory reduction programs. Continue the 0/92 program, under which the Secretary must permit planting of minor oilseeds on these acres.

Title V--Cotton: Continues price and income supports for both upland and extra-long staple cotton through 1995. Marketing loans and commodity certificate payments are mandated to make U.S. cotton more competitive. Continues the 50/92 program; the Secretary of Agriculture may permit planting of alternative crops on these acres. The Secretary must offer paid land diversion if upland cotton carryover is more than 8 million bales.

Title VI--Rice: Continues price and income supports for rice through 1995. Mandates marketing loans and commodity certificate payments to make U.S. rice more competitive in world markets. Continues the 50/92 program; the Secretary of Agriculture may permit planting of alternative crops on these acres.

Title VII--Oilseeds: Mandates price support loans for soybeans and for minor oilseeds for 1991-95. The Secretary of Agriculture must make marketing loans available and may offer loan deficiency payments (LDP). Establishes a 2-percent loan origination fee for marketing loans and LDP.

Title VIII--Peanuts: Continues the support for quota peanuts through 1995. The minimum quota is set at 1.35 million tons. The Secretary of Agriculture establishes the support rate for quota and additional peanuts. Establishes an assessment fee of 1 percent of the price support rate.

Title IX--Sugar: Continues the price support program for sugarcane and sugar beets through 1995. Mandatory domestic marketing controls are triggered if imports are projected to be lower than 1.25 million short tons. Establishes an assessment fee of 1 percent of the loan rate on processed sugar.

Title X--Honey: Continues the price support program for honey through 1995. The Secretary of Agriculture may implement marketing loans and loan deficiency payments. Decreases payment limits to \$200,000 in 1991, declining progressively to \$125,000 in 1994 and 1995. Establishes an assessment fee of 1 percent of the loan rate on all marketed honey.

Title XI--General Commodity Provisions: Continues same calculations for crop acreage base for wheat and feed grains; some modifications for cotton and rice. Establishes new planting flexibility provisions. Sets minimum program payment yields at 1990 payment levels. Limits deficiency and diversion payments received under wheat, feed grain, cotton, and rice programs to \$50,000 per person; \$75,000 for marketing loan gains, loan deficiency, and Findley payments; and sets an overall limit of \$250,000 per person.

Title XII--State and Private Forestry: Establishes new programs to protect and improve forest lands, encourage urban forestry activities, share costs with States, and promote tree planting.

Title XIII--Fruits, Vegetables, and Marketing: Establishes programs to accredit pesticide residue testing laboratories and to label products by country of origin for a 2-year pilot period. Requires evaluation of grade standards for effects on pesticide use.

Title XIV--Conservation: Expands the list of USDA program benefits lost to farmers who violate their conservation compliance plans, plant without a plan, plant on wetlands, or convert wetlands. Requires pesticide recordkeeping for restricted-use pesticides. Establishes new programs to ensure protection of environmentally sensitive lands, to give incentives to reduce water pollution, and to preserve wetlands. Establishes an Integrated Farm Management Program to assist producers in

adopting resource-conserving crop rotations. An Office of Environmental Quality is established to evaluate the effects of agricultural programs on the environment.

Title XV--Trade: Continues P.L. 480 concessional sales and donations. Creates a new Food for Development Program. Reauthorizes the Food for Progress Program (to assist middle-income countries and emerging democracies through private voluntary organizations, cooperatives, and nonprofit agricultural organizations), and the Farmer-to-Farmer Program (to assist developing countries, middle-income countries, and newly emerging democracies with new authority to include private agribusiness and nonprofit farm organizations). Establishes a new Enterprise for the Americas Facility to improve Latin American and Caribbean economies and environments. Creates a new category of American Great Lakes vessels for cargo preference provisions. Renames the Targeted Export Assistance Program to Market Promotion Program, and expands its responsibilities. Reauthorizes the Export Enhancement Program, the Export Credit Guarantee Program (GSM-102), and the Intermediate Export Credit Guarantee Program (GSM-103).

Title XVI--Research: Reauthorizes research, extension, and teaching programs through 1995. Authorizes research and training in sustainable agriculture. Establishes a new Alternative Agricultural Research Commercialization Center to assist research, development, and commercialization of new nonfood products, and a new Agricultural Weather Office to collect and disseminate weather information deemed useful to farmers.

Title XVII--Food Stamps and Related Provisions: Continues the Food Stamp and Commodity Distribution Programs through fiscal year 1995. Reauthorizes the Emergency Food Assistance Program and makes it no longer temporary. Promotes implementation of the electronic benefit transfer program.

Title XVIII--Credit: Shortens the time FmHA must hold farm property for sale to FmHA-eligible borrowers to 1 year. Imposes a lifetime cap of \$300,000 on writedowns and writeoffs per borrower. Some direct loan funding shifts to guaranteed loans; establishes an interest subsidy on certain guaranteed loans. Allows the Farm Credit System to extend credit to farmers who process or market agricultural products. Allows the Federal Agricultural Mortgage Corporation (Farmer Mac) to sell securities backed by pools of FmHA-guaranteed loans.

Title XIX--Agricultural Promotion: Authorizes assessment-funded research and promotion programs for soybeans, pecans, mushrooms, and limes. Amends the potato, cotton, honey, and wool promotion acts. Authorizes generic fluid milk promotion.

Title XX--Grain Quality: Establishes a USDA Committee on Grain Quality. Provides for improving the cleanliness of grain and for grade-determining factors related to soundness and purity of grain. The Federal Grain Inspection Service may prohibit the contamination of sound and pure grains. Requires aflatoxin testing of corn exported from the United States.

Title XXI--Organic Certification: Mandates the establishment of national standards for the production and handling of agricultural products produced using organic methods. USDA must issue regulations for production, handling, and residue testing of products labeled organic, as well as for permitted materials.

Title XXII--Crop Insurance and Disaster Assistance: Amends the crop insurance programs to strengthen the Federal Crop Insurance Corporation's Reinsurance Program and to allow private company experimentation. Continues prevented planting and reduced yield disaster payments.

Title XXIII--Rural Development: Creates a new Rural Development Administration to administer some of FmHA's programs and other activities at the Secretary of Agriculture's discretion. Authorizes two pilot programs, the Rural Investment Partnerships and the Rural Economic Development Review Panels, in up to five States each. Gives incentives to improve telecommunication linkages with rural communities, particularly linkages to health and educational institutions. Removes funding cap for water and waste loans.

Title XXIV--Global Climate Change: Establishes a program to assess effects of global climate change on agriculture and forestry. Establishes research institutes to promote tropical forest protection.

Title XXV--Other Related Provisions: Directs USDA to provide outreach and technical assistance to socially disadvantaged farmers and ranchers. Includes pet protection to prevent theft, a pseudorabies eradication study, crop-related reports, and a study of transportation of fertilizers and agricultural chemicals to farmers.