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What Is A Farm Bill?

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What Is A Farm Bill?

Summary

A farm bill is a collection of new laws and amendments to longstanding laws that sets the overall direction of federal food and farm policy for a specified number of years. Farm bills typically contain not only commodity price and income support provisions, but also provisions on agricultural trade, rural development, domestic food assistance, foreign food aid, conservation, crop insurance, farm credit, forestry, and agricultural research. The many issues covered by farm bills make it possible to form a broad coalition of support among common, and sometimes conflicting interests for policies and programs that individually might not be enacted.

The omnibus nature of farm bills attracts many diverse interests to debates: farmers and their organizations; farm input suppliers; commodity handlers, processors, and retailers; banks, insurers, and lending institutions; exporters and importers; scientists, researchers and educators; domestic and foreign consumers; low-income groups; environmentalists; and rural communities. The heart of most farm bills, however, is farm income and commodity price support policy.

Farm *income support programs* make payments to farmers to supplement their income without directly supporting commodity market prices. This type of support includes: (1) production flexibility contract (PFC) payments to wheat, feedgrain, cotton, and rice farmers; (2) loan deficiency payments for contract crops and oilseeds when market prices are lower than loan rates; (3) disaster relief payments; and (4) in recent years, ad hoc emergency "market loss payments." Commodity *price support programs* directly impact the price of commodities by setting minimum prices, restricting production or sales, and/or regulating imports. These include the milk, peanut, sugar, and tobacco programs. Some farmers also receive federal payments for taking environmentally sensitive land out of production, for example, under the conservation reserve program.

Many provisions in the current farm bill, the Federal Agriculture Improvement and Reform (FAIR) Act of 1996, are set to expire in 2002. Without a new farm bill by the end of 2002, many permanent commodity statutes incompatible with current national economic objectives, global trading rules, and Federal budget or regulatory policies would come back into effect. Other farm bill statutes without permanent authority would expire after those dates, and their continuation would be uncertain. The 107th Congress began a review of the 1996 farm law early in 2001. This early review reflects a desire to deal with persisting farm price and income problems by making changes to underlying farm policy, rather than relying on short term, ad hoc emergency farm aid measures, which has been the practice for the past several years. (For more detailed information on the upcoming farm bill and issues, see CRS Report RL30947, *Agriculture: Previewing the 2002 Farm Bill* and the CRS Electronic Briefing Book *Agriculture Policy and the Farm Bill* from the CRS Web site at [http://www.crs.gov/home.shtml].)

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What Is A Farm Bill?

Farm Bills

A farm bill is an omnibus legislative statute consisting of a collection of laws that sets the overall direction of U.S. agriculture policy for a specified number of years. It is directed toward providing a plentiful, safe and affordable supply of food and fiber through programs and policies designed to:

- maintain a stable domestic farm economy and promote U.S. agriculture products here and abroad;
- provide nutritious, safe, affordable food for consumers;
- Support the food needs of low-income Americans and those in underdeveloped nations;
- conduct research and provide extension and inspection services related to plant and animal production, protection, and disease prevention; and
- protect farmland and conserve natural resources and the environment.

What do you need to know about farm bills?

- Farm bills are about much more than farming and farmers. The 1990 farm bill (P.L.101-624) had 25 titles and was about 750 pages long. The 1996 farm bill (P.L.104-127) was less than half that size and contained 12 titles and some 300 pages. Nevertheless, both laws contained provisions covering commodity programs, forestry, conservation, trade, research, domestic and foreign food assistance, farm credit, crop insurance, rural development, and a miscellaneous section. [See table 1 in Appendix.]
- Farm bill programs are complex, tightly intertwined, and interactive. Changes to a program may have unintended or unavoidable consequences beyond those affecting the program itself. For example, a change in dairy support or grain policy has implications not only for dairy and grain farmers, cattlemen and feed producers, but also for food manufacturers, retailers, consumers, and federal domestic and international food assistance. Similarly, changes to farm payments and credit have consequences for the economies of farm dependent rural areas.
- The farm bill is not the only legislation that affects food and agriculture programs:

— The budget resolutions approved by the House and Senate that set baseline and future spending levels for agriculture will influence farm policy and funding decisions;

— Trade legislation and tax relief proposals have implications for agriculture and farmers;

— Agricultural appropriations legislation again may reach into farm policy-making, particularly if another multi-billion dollar farm aid package is contained in this annual funding measure.

— Legislation on trade agreements, including "fast track" authority establishing expedited rules for considering legislation implementing trade agreements, has implications for U.S. agriculture.

— Proposals affecting the food stamp and commodity donation programs normally are debated as part of farm bills, although they also have been part of past welfare reform legislation.

Why have an omnibus farm bill?

! Omnibus farm bills provide an opportunity for the Congress and Executive Branch to periodically review and redirect many federal policies and programs affecting farmers, consumers, rural areas, and the food and fiber sectors. [See Table 1, *Titles and Subtitles of the 1996 Farm Bill* at the end of this report.]

! As the number of farmers and farm workers engaged in production agriculture has declined, farm policymakers increasingly have sought support for farm programs from a wider array of interested parties. This has added provisions to farm bills that appeal to, among others, environmentalists, food and consumer groups, researchers and educational institutions, manufacturers and processors, trade organizations, financial institutions, and non-farm dependent rural and urban constituencies.

! Urban and suburban constituencies have become increasingly sophisticated and politically active in pursuing environmental, food safety and health concerns linked to agricultural production and processing practices. This has put pressure on farm legislators to expand federal farm policy beyond the farmgate.

Why is the 107th Congress likely to approve a new Farm Bill?

! A number of commodity support program provisions enacted in the 1996 farm bill are scheduled to expire in 2002, and many of the authorities under these provisions will either revert to earlier, permanent law, or terminate.

! Many permanent law provisions are incompatible with global trading rules, federal budget or regulatory policy, and the current structure of agriculture and the national economy. Some of these provisions are outdated and would be nearly impossible to implement or finance.

- Unlike the high price and market expansion period when the last farm bill was considered, the U.S. farm sector has suffered from generally weak markets for the past several years. Farm prices are expected to remain low as supply continues to outpace demand, and without further action by Congress farm income is expected to fall well below the high levels created by emergency farm aid laws passed in 1999 and 2000. Rather than continuing to rely on short-term relief measures, many would prefer to make countercyclical income support a permanent feature of farm policy.

What interest groups have a stake in the farm bill?

- **Farmers and farm and commodity organizations**. This would include the two largest farmer organizations, the American Farm Bureau and the National Farmers Union, as well as individual commodity producer groups (e.g., the National Association of Wheat Growers, National Corn Growers Association, National Cattlemen's Association, National Milk Producers Federation, the Rice Federation, etc.).

- **Industry.** This would include input suppliers (farm machinery, fertilizers, pesticides, etc.); manufacturers and processors (millers, crushers, and packers); the financial sector (banks, lending institutions, insurers, etc.); and the marketing sector (warehouse operators, freight carriers, exporters and importers), and the retail food industry.

- **Foreign Markets.** This would include foreign buyers, consumers, companies, competitors, trade groups, and foreign food aid recipients.

- **Domestic consumers.** This would apply to consumers of agricultural goods and their by-products, consumer, public health and nutrition organizations, and domestic food program recipients (e.g., those receiving food stamps, school meals, WIC food packages and other commodity assistance) and their advocates.

- **Environmentalists.** This would include organizations representing environmental and conservation concerns with an agricultural perspective (such as the Soil and Water Conservation Society and American Farmland Trust), as well as broader environmental interest groups (such as the Sierra Club and Environmental Working Group).

- **Scientists, Researchers, and Educators.** This includes many universities and land grant colleges, private and public researchers, scientists, and others working on new and improved products and their application, and public interest groups.

Commodity Programs

What commodities currently have support programs?

- Many commodities produced in America receive some form of federal support, but this support varies substantially by type and amount. Some commodities (e.g., food and feed grains, cotton, oilseeds, rice, peanuts, sugar and dairy products) receive direct payments or price support that is mandated by law. Other commodities (e.g., beef, poultry, fruits and vegetables) typically receive no direct payments or price support but may get assistance if there are disasters or special circumstances warranting government support (e.g. disaster relief, "market loss payments," or surplus removal to shore up prices).

- In 2000, the value of farm products totaled an estimated $196 billion; just over 49% from crops and 51% from livestock. About 30% of crop sales were from fruits, vegetables and tree nuts. The remaining 70% of crops – food grains and feed crops, oilseeds, tobacco, cotton and field crops, receive federal income and price support. About 20% of livestock production (primarily milk) receives federal support.

- The crops that have mandatory support are: feed grains (corn, sorghum, barley, oats), food grains (wheat, rice), oilseeds (soybeans, sunflower seed, safflower seed, rapeseed, canola, flaxseed, mustard seed), peanuts, sugar, cotton, and tobacco. The livestock commodities that have mandatory support are: dairy products, honey, wool, and mohair.

- The Secretary of Agriculture has discretionary authority to support the prices of all other commodities. This authority has been used cautiously and infrequently.

How do the commodity and farm income support programs work?

- **Production flexibility contract payments (or AMTA payments[1])**: Contract payments support farm income but do not support commodity market prices. Producers of wheat, feed grains, cotton and rice receive fixed annual payments, declining in amount each year after 1996 through 2002. Eligible farmers are free to produce any mix of crops (except fruits and vegetables). Each farm's level of contract payments is based on historical cropping and yields prior to 1996.There is a limitation of $40,000 per person per year on contract payments.

- **Marketing assistance loans and loan deficiency payments (LDPs)**: Marketing assistance loans and loan deficiency payments support the income of farmers producing a commodity but do not directly support the market price. For wheat, feed grains, cotton, rice, and oilseeds, farmers are allowed

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[1]Sometimes called AMTA payments because of the title of the farm bill they fall under - Title I, the Agricultural Market Transition Act (AMTA). This title covers farm commodity programs.

to repay nonrecourse commodity loans at market prices when prices are below loan rates, or they may receive loan deficiency payments (LDPs) in lieu of obtaining and repaying loans when prices are below the loan rate. Marketing loan provisions help the federal government avoid acquiring, storing, and disposing of commodities due to loan forfeitures. There is a limitation of $75,000 per person per year on marketing loan gains for a farm. (This limitation permits each person to receive payments for up to two additional farms at up to half the limit ($37,500) for each, and was doubled for 1999 and 2000 when low prices drove payments for some farmers above the limit.)

- **Nonrecourse price support loans:** The law requires that price support loans be made available at specific rates for sugar, peanuts, and tobacco. The harvested and stored commodities serve as collateral for the loans. If a farmer does not repay the commodity loans by the maturity date, the government takes title to the commodity as full payment of the loan and interest charges. In effect, the nonrecourse loan rate becomes the price guarantee for farmers and serves to support market prices because buyers must pay more than the loan rate to obtain the commodity.

- **Government purchases and disposal of surplus commodities:** Some commodity prices are supported by means of government purchases that reduce supply by storing stocks or channeling them into noncommercial outlets. The government disposes of its acquisitions through domestic and foreign food assistance programs, or through market sales when prices strengthen. Federal commodity purchases typically are done at the discretion of the Secretary of Agriculture when a determination of need is made.

- **Emergency farm payments:** Congress sometimes mandates emergency or *ad hoc* direct income support payments for specific commodities when market prices drop so low that established support programs are deemed inadequate.

How are commodity programs financed and how much do they cost?

- The Commodity Credit Corporation (CCC) is a wholly-owned government corporation chartered in 1933 to stabilize, support and protect farm income and prices. It is the financing institution for USDA's price and income support programs and export subsidies, and more recently for certain conservation programs (including the Conservation Reserve Program).

- Commodity program operations are financed through the CCC, which borrows money from the Treasury. CCC repays the Treasury from program revenues and congressional appropriations. [See Table 3 in the Appendix]

- Commodity programs are entitlements. Expenditures are based upon program rules and commodity market conditions. Eligible farmers are guaranteed legislatively-specified support based on these rules and conditions. [See Figure 2 in the Appendix]

- CCC annual net expenditures averaged about $3 billion during most of the 1970's, with modest variation. During the 1980s, spending variation was large. Net expenditures reached a high of $25.8 billion in FY1986 and then declined. From FY1990 through FY1998, CCC net expenditures averaged about $6.1 billion annually.

- In 1997-1998, market prices for major commodities dropped and have remained low, encouraging Congress to adopt several emergency income support and disaster loss measures that boosted CCC spending to record levels. CCC net expenditures totaled $32.3 billion for FY2000 and averaged $24 billion over the three years from FY1998 through FY2000. [See Tables 2 and 3 in the Appendix]

What about commodities that do not receive income or price support (e.g., meats, poultry, fruits, vegetables, horticulture, nuts, etc.)?

- Although producers of beef, pork, poultry, fruits, vegetables, nuts and nursery crops, etc., typically do not receive direct payments, the federal government supports activities that promote their production and marketing. Such support (also provided to most program commodities) includes: food inspection service to help ensure the safety of products, extension service field tests and other activities to help farmers improve quality and increase quantity; check-off and other market promotion programs; and disaster assistance to help growers affected by severe weather or natural disasters.

- Moreover, the government engages in programs that support agricultural producers through the use of public land for grazing, water programs in dry regions, natural resource and conservation, rural development (e.g., utilities, housing, grants, etc.), and agricultural research and education.

Conservation

What are the links between farm programs and conservation programs?

- Laws creating conservation programs were first enacted in the late 1930's in response to drought and the dust bowl conditions. Programs enacted after World War II focused on enhancing farm production by providing water to agriculture through small watershed and flood reduction projects. Pressure for a greater federal role in conservation heightened in the 1970's as evidence of unacceptably high erosion was occurring in the wake of dramatically expanded production for international markets.

- More recent farm bills have expanded conservation initiatives beyond erosion to include other environmental concerns, notably water pollution and quality, and wetlands and wildlife habitat loss, among other things.

- The 1996 farm law emphasized the importance of conservation policy by funding more than half of all conservation activities directly through the Commodity Credit Corporation, rather than by annual discretionary appropriations. Other program changes expanded environmental conditions for enrolling land in the CRP and conservation programs and activities (e.g., cost-sharing, wildlife, air quality, farmland protection, animal waste management).

- Farmers are required to adhere to conservation program requirements if they want to receive payments under most farm programs (known as conservation compliance). Moreover, farmers removing environmentally sensitive crop land from production under the conservation reserve program or wetlands reserve program, receive federal payments.

- Conservation spending under various federal agricultural statutes has become an increasingly important source of income to farmers, as well as a significant resource for conserving land and protecting the environment. Annual funding for it has grown from $1.6 billion to $3.6 billion over the past 15 years. [See Table 4 in the Appendix]

Agricultural Trade and Food Aid

How important is agricultural trade to farmers and the U.S. economy?

- In FY 2000 farm exports amounted to $50.9 billion, imports were $38.9 billion, and the trade balance was a positive $12 billion. A positive agricultural trade balance helps reduce the overall U.S. trade deficit [See figure 3 in the Appendix]

- Exports of higher valued commodities and processed products exceed those of bulk commodities. In FY 2000, 63 % of all agricultural exports were higher value items.

- Agricultural exports are important both to farmers and to the U.S. economy. Exports account for about 25% of gross farm receipts. Production from over a third of harvested acreage is exported. This includes an estimated 32% of wheat, 42% of rice, 33% of soybeans, 16% of corn, and 26% of cotton. According to the USDA, each $1.00 of agricultural exports stimulates another $1.30 in supporting activities. Agricultural exports generate an estimated 808,000 full-time civilian jobs, including 488,000 in the non-farm sector.

What is the role of the government in promoting agricultural exports?

- USDA operates four kinds of agricultural export and food aid programs that are authorized in the farm bill: export subsidies, market development programs, export credit guarantees, and foreign food aid.[See Table 5 in the Appendix] These include:

  Export subsidies. The Export Enhancement Program (EEP) largely has been used to subsidize wheat exports, while the Dairy Export Incentive Program (DEIP) subsidizes dairy products. EEP has been little used since 1995, while DEIP spending has been at the maximum allowed under U.S.

international commitments in the World Trade Organization (WTO) to curb the use of export subsidies.

Foreign market development. Through matching funds, USDA uses the Market Access Program (MAP) to help private firms and organizations and the Foreign Market Development or "Cooperator" Program (FMDP) to help commodity and producer organizations penetrate new markets;

Export credit guarantees. The CCC provides credit guarantees to private lenders who finance purchases by foreign customers. Short- and intermediate-term guarantees help reduce lender risks and thereby facilitate the use of credit.

Foreign food aid programs. Various statutory authorities make commodities available to mainly low-income countries in need of food. These include the P.L. 480 programs (titles II and III), and Section 416(b) of the Agricultural Act of 1949.

What programs and how much foreign food assistance does the United States provide?

- U.S. foreign food assistance is provided through the P.L. 480 programs (titles I, II and III), Section 416(b) of the Agricultural Act of 1949, and the Food for Progress program. Federal funding for these programs was just over $1.84 billion in FY2000. [See Table 5. *Agricultural Export and Food Aid Programs* in the back of this report.]

- **Title I of P.L. 480** provides long term, low interest loans to developing countries to purchase U.S. agricultural commodities. Administered by the USDA, its purpose is to promote export market development.

- **Title II of P.L. 480** provides for commodity donations for humanitarian purposes or for development programs. It is administered by the U.S. Agency for International Development (AID) and implemented mainly by private voluntary organizations, cooperatives, and international organizations like the World Food Program (WFP) of the United Nations.

- **Title III** provides for the use of donated commodities (or the use of local currencies from the sale of donated commodities) in development projects; it is also administered by AID.

- **Section 416(b) of the Agricultural Marketing Act of 1949** provides for commodity donations from surpluses held by the CCC. It is administered by USDA.

- **Food for Progress (FFP)**. Provides food aid to encourage the development of private enterprise in recipient countries. FFP is administered by USDA.

- **U.S. flag vessels**, under cargo preference laws, must be used to ship at least 75 % of food aid commodities, thus strengthening the U.S. maritime industry.

How do U.S. World Trade Organization (WTO) commitments affect domestic farm policy?

- Farm policy proposals considered for the next farm bill will be evaluated, in part, on their conformance to WTO rules, and possibly, on their accordance with the U.S. negotiating position in the second round of the WTO Uruguay Round trade negotiations

- The U.S. is committed to spend no more than $19.1 billion per year (the so-called aggregate measure of support, or AMS) on domestic farm support that is "trade-distorting," which is defined in detailed rules and procedures.

- Market-distorting policies (so-called "amber box") are those that are judged as most likely to distort production and trade and include, among other things, price support programs (e.g. dairy, peanuts, and sugar) and marketing loan program benefits and deficiency payments.

- "Blue-box" programs do not count in determining the AMS. These include production limiting programs providing a direct payment based on fixed areas or yields, or made on 85% or less of base level production. The 1996 farm law ended these kinds of farm support (e.g. target price deficiency payments and acreage set asides).

- "Green Box" policies are not counted toward the spending cap and cover policies judged to be the least market distorting: AMTA payments, disaster payments, CRP payments, farm credit , agricultural research, and food safety and inspection, for example.

How do U.S. WTO commitments affect export programs and food aid?

- The U.S. has made commitments to cut the quantities of subsidized exports and budgetary outlays for export subsidies.

- Export subsidies, like EEP and DEIP, are subject to reduction commitments.

- Spending on food aid and market development are not subject to WTO reduction commitments.

Domestic Food Programs

How do domestic food programs affect the farm bill?

- The federal government is expected to spend some $34.5 billion on domestic food programs in FY2001. The largest of these, the food stamp program, is funded at $18.2 billion. Together with the Puerto Rico Block grant ($1.3

billion) and several commodity donation programs, the food stamp program has been part of farm bills for many years.[2] [See Tables 6 and 7.]

- Food stamps increase food purchasing and consumption, thus increasing retail food sales and demand for farm products, and reducing the incidence of poor nutrition among low income populations. The program also helps poor families maximize their limited resources by freeing up a portion of their income for other necessities, such as housing.

- Commodity donation programs offer a non-commercial outlet to dispose of foods purchased by the USDA for farm income support and surplus removal reasons.

- The inclusion of food programs broadens the base of congressional support for omnibus farm legislation to include urban and non-farm rural constituencies. Food stamp programs operate in every county and city in the in the United States and served an average of 17.2 million low income persons in FY2000. There are 2.1 million farms (and some 4.7 million farm residents) in the U.S. and farming constitutes 10% or more of the economy of only 50 congressional districts, according to the USDA.

- Farm support programs can raise food prices and have a substantial impact on low-income consumers who spend a much higher proportion of their income on food than other consumers. Federal domestic food programs are affected when higher food prices reduce food stamp purchasing power, raise the cost of WIC food packages, and increase the cost of federally subsidized meals and milk served through child nutrition programs.

Rural Development

What is the relationship between rural development and agriculture policy?

- Farm policy has long been associated with rural development policy, although less so in recent years as fewer rural areas depend on agricultural production. In farm-dependent areas, farm support policies directly impact the well-being of farmers and their communities, which benefit from higher land values and financial stability brought by farm support programs. Changes that affect farm payments, credit, and land values have implications beyond the farm gate to local farm supply companies, banks, retail outlets, schools, and so on.

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[2]Other domestic food programs, such as child nutrition programs, and the special supplemental nutrition program for women, infants and children (WIC), normally are not part of farm bills, although commodity donations for them, or special programs, like the farmers market nutrition program under WIC, have been legislated from time to time as part of farm bills.

- The declining role of production agriculture in rural economies has led some to question how much farm payments benefit rural communities, and whether this type of large-scale farm assistance may divert attention from other activities that might better meet rural America's needs (in other words, alternative industry development, financing systems, and infrastructure support).

- The USDA is one of several federal agencies engaged in rural development activities, and operates rural development programs (notably through the Rural Utility Service, Rural Housing Service, and the Rural Business Cooperative Service). It is designated as the lead federal agency for coordinating and providing assistance to rural areas. Other federal agencies involved include the Departments of Commerce, Housing and Urban Development, Transportation, and the Environmental Protection Agency.

Selected Farm Bill Issues, 2001

Although the current farm bill provisions do not expire until the end of 2002, there is pressure to make changes to commodity program policy before that time to address the general weakness in agricultural markets and its implications for U.S. farm income. Current (May 2001) USDA projections show that farm prices are generally up from 2000. However, the USDA also projects that under current policy, and assuming no supplemental income payments or unexpected major global shortfall in production, net cash farm income in 2001 will be the lowest since 1994, and about $4 billion below the average of the 1990's.

Thus, current circumstances are quite different from 1994 and 1995 when the current farm bill was written. At that time prices for most commodities were reaching record highs, largely because of tight supplies and growing export demand. To many the time seemed propitious for a new approach to federal farm policy. Party control of the Congress had changed; the Congress was given responsibility for writing a farm bill (with guidance but no proposal from the Administration); there was pressure to reduce the federal budget deficit and control agriculture spending; and trade agreements were promoting more open markets and less market-distorting farm policies.

Title I of the 1996 law, the Agricultural Market Transition Act, offered an approach that seemed to address the changing times and conditions. In lieu of target price support and acreage set asides, it offered eligible farmers annual lump sum payments, declining in amount each year and based on previous production history. Farmers were given virtually full planting flexibility, a key difference from earlier price support programs that required planting specific crops to qualify for payments that were tied to market prices and often required taking acreage out of production. For the first two years after the farm bill, qualifying farmers received AMTA payments while also getting premium prices for their commodities, and there were few complaints. However, by 1998, prices for many major commodities had begun to fall, and in combination with natural disasters, farm income was declining. This happened for a number of reasons. Unusually good worldwide growing conditions had increased world supplies; demand slowed in the face of financial crises in two key markets for U.S. agricultural goods - Asia and Latin America; and the high value of the U.S. dollar relative to other currencies made U.S. products less competitive.

In 1999 and 2000, the Congress approved 5 emergency farm aid laws that added $29.6 billion to federal FY1999-2001 funding for agriculture. Although early signs of moderate recovery are indicated, USDA economists predict that the next few years are unlikely to see a strong rebound in farm prices and market income for major crops unless global crop output drops significantly. Farm cash receipts are expected to rise by roughly $4 billion between 2000 and 2001, but net cash income for farmers is projected to fall by some $5.7 billion, unless the Congress steps in to provide further assistance.

The following identifies some of the issues that are being discussed as the Congress prepares for the next farm bill. For more detailed information, see CRS Electronic Briefing Book, *Agriculture Policy and the Farm Bill*, and CRS Report RL30847, *Agriculture: Previewing the 2002 Farm Bill.*

Interim Farm Assistance

For the past several years, the Congress has approved multi-billion dollar ad hoc farm spending bills to help offset low commodity prices and declining farm income. Over $14.2 billion in additional agriculture spending was approved for FY2000 alone, bringing total direct farm payments (including CRP) for that fiscal year to a record $25.9 billion. Only about half that amount is projected to be available for FY2001, unless Congress acts to increase spending. Most farm groups have recommended that Congress continue *ad hoc* payments until more permanent countercyclical assistance can be legislated, and advocate FY2001 payments close to the total FY2000 level of support ($9-12 billion). Although short-term " countercyclical" payments have been popular among farm groups, the uncertainty over whether they would be available in coming years is a concern. Most farm policymakers agree that ad hoc payments at such high levels are unlikely to be achievable every year.

Countercyclical Farm Assistance

Most of the major commodity groups and farm organizations agree on the need to adjust farm policy to incorporate additional, automatic income or commodity support when farm prices fall. Not everyone agrees on how much support should be provided, who should receive it, and how it should be distributed. The federal cost of such assistance and WTO disciplines limiting certain kinds of support (e.g., price or income support) are important factors in this discussion. Most proposals advocate countercyclical payments when prices or farm receipts are below a specified threshold. Proposals vary as to whether payments should be tied to revenue or crop price; should be crop specific, or based on the "whole farm" production; and whether the measures should be calculated against national or state bases. Most proposals also advocate countercyclical income assistance to supplement AMTA payments (see below). The National Farmers Union would allow farmers to discontinue AMTA payments and instead receive countercyclical income assistance through a new marketing loan assistance program (see below) that ties payments to set loan rates and costs of production.

Production Flexibility Contract (or AMTA) Payments

Most, although not all, farmer organizations and program commodity groups advocate the continuation of "contract" or AMTA payments. Many also recommend that the total amount provided for these payments be increased (for example, to the 1999 level of $5.56 billion) and be guaranteed (i.e., not decline annually as past AMTA payments did). There also are proposals to add soybeans and minor oilseeds to the commodities eligible for AMTA payments, with the caveat that overall AMTA funding be increased commensurately to avoid reductions in payments to other crop producers. Thus far, only the National Farmers Union advocates ending AMTA payments, and replacing them with loan deficiency payments and supply management program (see below).

Marketing Loan Assistance

Nearly all of the commodity groups recommend that loan rates be raised. This would result in higher marketing loan gains for farmers and larger federal expenditures. Several groups suggest an inequity in the previous law because soybean rates were set so much higher than other program commodities, albeit because soybeans were not eligible for AMTA payments. Some propose the elimination of the cap on rates and removal of Secretarial discretion to set loan rates. Some also call for setting the loan rates at a specified percentage of a multi-year average; others establish specific rates, and call for a floor in marketing loan rates for all commodities (not just cotton, soybeans, and rice). There also have been discussions about adding other commodities to those eligible for marketing loan assistance (e.g., fruits and vegetables, dairy, etc.). Most of the marketing loan proposals would provide separate countercyclical income assistance, although some advocate replacing the marketing loan assistance program with a new counter-cyclical support program.

Price Supported Commodities

Programs using price support and/or production controls (e.g. milk, sugar, peanuts, and tobacco) continue to be criticized by some who object to paying higher prices than might otherwise be the case, and by those worried about the extent to which these programs distort markets and risk U.S. non-conformance with trade commitments. An issue for the Congress is whether to maintain the price support programs more or less as they are, or develop alternative support systems that are less market distorting. None of the commodity groups have suggested alternatives and most appear to support maintaining or expanding the existing support systems.

Non-supported Commodities

Traditionally, commodity groups (such as those representing livestock products, fruits, and vegetables) that do not receive price or income support have resisted, or at least not pushed for programs establishing this type of support for their producers. This is largely because many of these producers were reluctant to tie themselves to the federal conditions (e.g., acreage set asides, planting restrictions, etc) that in the past accompanied such federal support programs. However, as these producers deal with persistent low prices and increasing environmental regulations, the benefits of decoupled AMTA payments and counter-cyclical income relief may have growing appeal to some, although not to all. For example, the National Cattleman's Beef Association is on record as opposing any form of income or price support for beef. Other groups, such as pork producers, who received "market loss payments" under one of the emergency farm aid packages passed in the last Congress, have not taken formal positions on federal support. [3]

Green Payments

As the farm economy copes with oversupply and persistent low prices, interest is growing in resource and conservation options that might enhance farm income, reduce production, protect farm land, and help farmers with the costs of meeting environmental protection requirements. Among the proposals often discussed are the expansion of acreage under the Conservation Reserve Program (CRP), and broader, so-called "Green payments" that would reimburse farmers for practices that enhance land, water and air quality, and protect wildlife.

Acreage Diversion

The 1996 farm law eliminated annual cropland acreage set-asides. These had been used to reduce production and lessen or prevent price-depressing surpluses. Set-asides also often were used in the 1980's and early 1990's to control or reduce federal commodity program spending (by reducing the amount of acreage farmers could receive farm payments for). Proponents of this form of supply control contend that it prevents overproduction. Those opposed note that in a global market, acreage diversion is ineffective because it encourages offsetting increases in foreign production, and risks loss of markets. Nearly all farm groups oppose acreage set-asides. An exception is the National Farmers Union, which advocates voluntary acreage set-asides for crops and higher loan rates offered to farmers that participate. The NFU also supports an increase in acreage allowed to be enrolled in the CRP.

Commodity Reserve

Proponents of a government owned and/or farmer-owned commodity reserve contend that this would keep low price commodities out of the market until prices improve. This, it is asserted, would give farmers an incentive to store their crops until prices are higher. Opposition to reserves comes from those who believe that the availability of large amounts of a commodity in a reserve will have the opposite effect; that prices will stay low as long as there is a reserve supply overhanging the market. Except for the NFU, most farm and commodity groups oppose such reserves. The NFU recommends the creation of a government-owned commodity reserve and a farmer-owned-reserve that pays farmers for stocks held.

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[3] Pressure from trade agreements and negotiations to further reduce or eliminate price supports and production controls (e.g. for dairy, peanuts, etc.) also may generate interest among these groups in AMTA-like payments or countercyclical income support.

Payment Limits and Income Testing

Because the largest proportion of federal farm payments goes to big farms, there are frequent calls for some form of income testing or limits on the amount of federal aid a farmer can receive. The 1996 farm law did not employ an income test, but it did set annual limits on AMTA payments to individual farmers ($40,000) and on marketing loan assistance ($75,000).[4] Those in favor of payment limits contend that rich and successful farms do not need federal support, or at least do not need as much assistance as smaller farms. Opponents suggest that payment limits (and income tests) are punitive to those farmers who work hard and are efficient producers. Nearly all of the farmer and commodity groups oppose payment limitations and income targeting

Other Commodity Program Issues

Underlying the 1996 farm bill was the idea of ending many federal commodity programs so that market forces (rather than federal policies) would direct farmers in their planting and other decisions. Thus, that law provided gradually declining AMTA payments (ending after 2002); a termination date for the dairy price support program; and the immediate end of the honey program (the wool and mohair program had been terminated in 1995). Resistance to the idea of terminating all farm assistance after the 1996 farm bill provisions expired, however, left in place most of the commodity program provisions in permanent law. Moreover, subsequent laws passed in response to price and income losses supplemented AMTA payments; twice extended the dairy price support program; and restored federal support for honey, wool, and mohair.

Among the questions likely to be raised about overall farm policy are:

- If commodity programs were eliminated or substantially pared back, what would happen to: commodity prices and food production; export volume and value; and the financial condition of farmers and lenders and rural, farm-dependent communities?
- To what extent do commodity programs benefit rural America? Do farm programs help the rural economy, or do they hide the need for different forms of assistance that would benefit more rural communities and offer more sustainable, long-term economic growth for rural America?
- To what extent might decreased commodity program participation lessen farmer efforts to conserve and protect soil, water, and wildlife?
- How can the dilemma be resolved between a) the use of cropland diversion, such as the Conservation Reserve Program, to reduce production and boost market prices, and b) the adverse impact such diversion has on domestic business and jobs as well as U.S. global competitiveness?

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[4] The so-called "three-entity rule" allows farmers to receive payments of up to one-half of the amount allowed for the first farm for each. The Congress doubled the payment limit in 2000 when it became clear that low prices could push payments higher than the maximum allowable payment for many farmers.

- Should the federal government control production, and if so, how can this be done without influencing farmers planting decisions, and sending signals to foreign competitors?
- To what extent might federally subsidized crop or revenue insurance be used as a counter-cyclical income vehicle for farmers, and should these vehicles be expanded to cover more commodities?
- Do farm policies encourage structural changes in agricultural production and marketing that lead to greater consolidation and concentration? If so, is this desirable, and should it be examined when developing policy alternatives?

Farm Support and Agricultural Trade Agreements

Rules agreed to by the United States as a member of the World Trade Organization place restrictions on the types and amounts of government support for agriculture. The rules are complex, but in essence, they discourage market-distorting practices (such as price supports and export subsidies) and permit non-distorting practices (such as decoupled farm income support like AMTA, and environmental support). These rules and U.S. proposals in the on-going WTO agriculture negotiations are expected to influence policy makers as they seek ways to help support the stagnant U.S. farm economy and rewrite farm bill provisions without endangering trade commitments.

Export Promotion and Food Aid

U.S. export promotion programs seek to improve overseas markets for U.S. goods. They have been criticized in the U.S. by those who refer to them as "corporate welfare," and by overseas competitors who claim they are market-distorting and at odds with the U.S. position that the EU and other member countries should dramatically reduce their export subsidies. U.S. proponents of these programs contend that they are used minimally (especially compared to other countries) and are among the few vehicles the U.S. has to counteract foreign subsidies. Questions raised about U.S. programs include:

- Should export promotion subsidy programs be more generously funded and aggressively applied as a strategy to encourage competitors to negotiate worldwide reductions in trade distorting export subsidy programs?
- Conversely, should funding for export subsidies subject to reduction commitments be shifted to food aid (e.g. a world school lunch program) and market development, neither of which are subject to limits?
- Should export promotion be shifted away from subsidizing bulk commodities in slow growth markets toward higher valued products in faster growing markets?
- Does cargo preference for U.S.-registered shipping vessels impede or reduce the value of P. L. 480 food donations or concessional sales to poor countries?

Domestic Food Assistance and Welfare Reform

Food stamp and commodity donation program provisions traditionally are part of farm bills, and were included in the 1996 farm law. However, major food stamp program changes and funding authorization through FY2002 also were part of welfare reform legislation enacted in 1996.[5] The House and Senate Agriculture Committees generally prefer to legislate on the food stamp and related programs as part of farm bills. The crush of legislative work surrounding commodity programs, however, may delay consideration of food stamp program provisions in this year's farm legislation until next year, when the Congress also will be taking up reauthorization of the welfare reform law (P.L.104-193). Among the substantive issues expected to be part of the next food stamp debate are proposals to restore eligibility for some legal aliens made ineligible under the food stamp amendments in the 1996 welfare reform law. There also may be some discussion about whether the food stamp provisions of the 1996 welfare reform law should be part of the welfare reform reauthorization or the farm bill reauthorization.

[5]The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L.104-193). A proposal to fold funding for the food stamp program into a block grant that states could use as part of their welfare systems was strongly resisted by the House and Senate Agriculture Committees in the 104th Congress, and the food stamp program was not block granted or "cashed-out," although revisions were made to the program, among other things, to give states flexibility to conform this program with other welfare programs.

Table 1. Titles and Subtitles of the 1996 Farm Bill (the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127)

- I. Agricultural Market Transition Act
  - A. Short Title, Purpose, and Definitions
  - B. Production Flexibility Contracts
  - C. Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments
  - D. Other Commodities
  - E. Administration
  - F. Permanent Price Support Authority
  - G. Commission on 21st Century Production Agriculture
  - H. Miscellaneous Commodity Provisions
- II. Agricultural Trade
  - A. Amendments to Agricultural Trade Development and Assistance Act of 1954 and Related Statutes
  - B. Amendments to Agricultural Trade Act of 1978
  - C. Miscellaneous Agricultural Trade Provisions
- III. Conservation
  - A. Definitions
  - B. Highly Erodible Land Conservation
  - C. Wetland Conservation
  - D. Environmental Conservation Acreage Reserve Program
  - E. Conservation Funding and Administration
  - F. National Natural Resources Conservation Foundation
  - G. Forestry
  - H. Miscellaneous conservation Provisions
- IV. Nutrition Assistance
- V. Agricultural Promotion
  - A. Commodity Promotion and Evaluation
  - B. Issuance of Orders for Promotion, Research, and Information Activities Regarding Agricultural Commodities
  - C. Canola and Rapeseed
  - D. Kiwifruit
  - E. Popcorn
  - F. Miscellaneous
- VI. Credit
  - A. Farm Ownership Loans
  - B. Operating Loans
  - C. Emergency Loans
  - D. Administrative Provisions
  - E. General Provisions
- VII. Rural Credit
  - A. Amendments to the Food, Agriculture, Conservation, and trade Act of 1990
  - B. Amendments to the Consolidated Farm and Rural Development Act
  - C. Amendments to the Rural Electrification Act of 1936
  - D. Miscellaneous Rural Development Provisions
- VIII. Research, Extension, and Education
  - A. Modification and Extension of Activities Under 1977 Act
  - B. Modification and Extension of Activities Under 1990 Act
  - C. Repeal of Certain Activities and Authorities
  - D. Miscellaneous Research Provisions
  - E. Research Authority After Fiscal Year 1997
- IX. Miscellaneous
  - A. Commercial Transportation of Equine for Slaughter
  - B. General Provisions

Figure 1. USDA Gross Outlays, FY1999

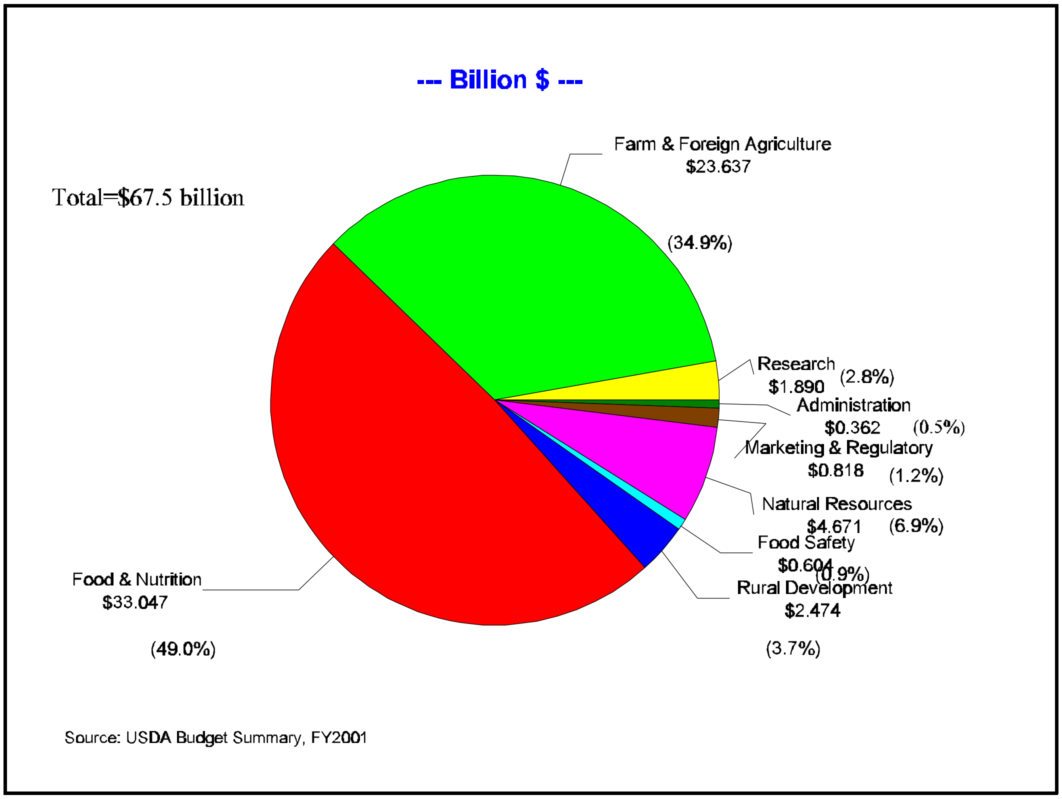


Figure 2. Direct Government Payments to Farmers, 1980-2001 Forecast

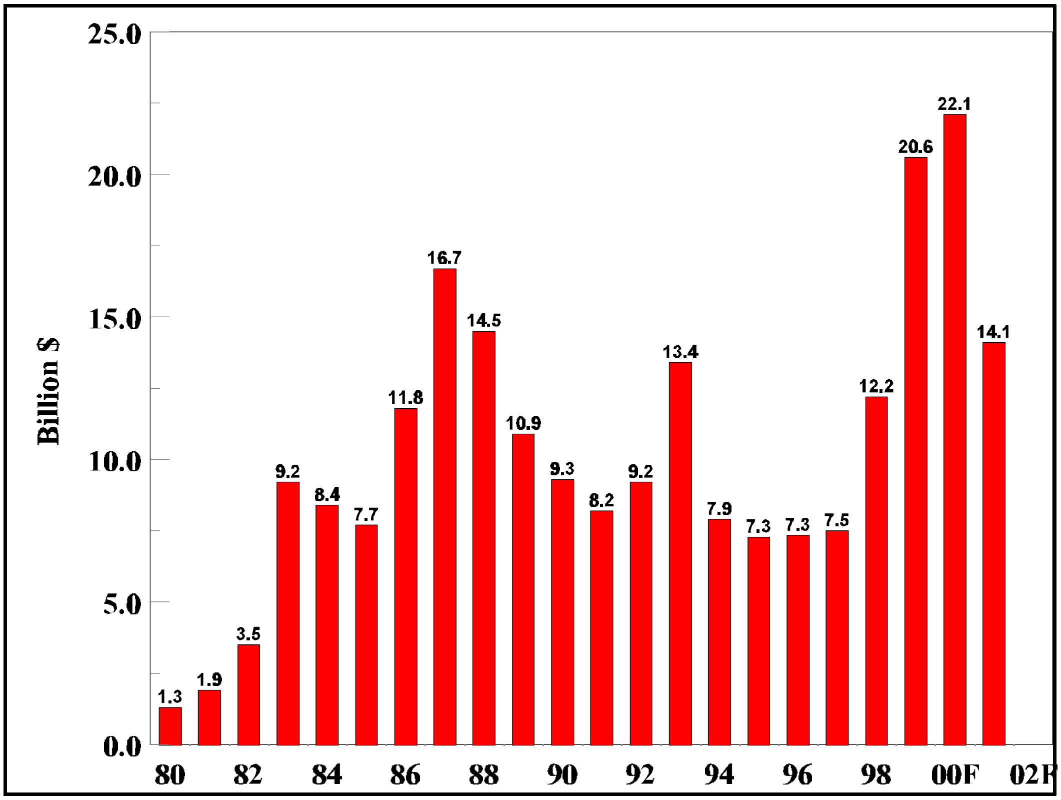


Table 2. CCC Net Expenditures by Commodity/Program, FY1996-2002

Commodity/Program	FY96	FY97	FY98	FY99	FY00	FY01Est	FY02Est
				(Million $)			
Corn	*2,021*	*2,587*	*2,873*	*5,402*	*10,203*	*4,169*	*2,945*
Grain Sorghum	*261*	*284*	*296*	*502*	*983*	*329*	*282*
Barley	*114*	*109*	*168*	*224*	*399*	*149*	*112*
Oats	*8*	*8*	*17*	*41*	*61*	*59*	*27*
Corn and Oat Products	*0*	*0*	*0*	*0*	*5*	*0*	*1*
Feed Grains	2,404	2,988	3,354	6,169	11,651	4,706	3,367
Wheat and Products	1,491	1,332	2,187	3,435	5,365	2,128	1,120
Rice	499	459	491	911	1,894	923	856
Upland Cotton	685	561	1,132	1,882	4,015	969	713
AMTA Crops Support	**5,079**	**5,340**	**7,164**	**12,397**	**22,925**	**8,726**	**6,056**
Tobacco	(496)	(156)	376	113	634	148	(97)
Dairy	(98)	67	291	480	684	1,209	157
Soybeans	(65)	5	139	1,289	2,864	3,001	2,859
Peanuts	100	6	(11)	21	35	62	0
Sugar	(63)	(34)	(30)	(51)	465	(36)	(28)
Honey	(14)	(2)	0	2	7	26	(10)
Wool & Mohair	55	0	0	10	(2)	35	(13)
All Commodities Support	**4,498**	**5,226**	**7,929**	**14,261**	**27,612**	**13,171**	**8,924**
Export Programs	-422	125	212	165	216	588	593
Disaster/Tree/Livestock Assistance	95	130	3	2,241	1,452	2,576	0
Conservation Reserve Program	2	1,671	1,693	1,462	1,511	1,693	1,788
Other Conservation Programs	7	105	197	292	263	367	281
All Conservation Programs	**9**	**1,776**	**1,890**	**1,754**	**1,774**	**2,060**	**2,069**
Operating Expense	6	6	5	4	60	5	5
Interest Expenditure	140	-111	76	210	736	366	592
Other Expenses	320	104	28	588	415	1,675	884
Total CCC	**4,646**	**7,256**	**10,143**	**19,223**	**32,265**	**20,441**	**13,067**

Data are from the USDA, Farm Service Agency, January 16, 2001.

Table 3. Direct Government Payments to Farmers, by State

Calendar years 1998-1999 (dollars in millions)

States	**1998 Payments** ($ in millions)	**1999 Payments** ($ in millions)	**1999 # of Farms a/**
Alabama	$96.8	$178.1	48,000
Alaska	1.4	1.8	570
Arizona	78.7	108.0	7,700
Arkansas	*466.5*	*768.9*	48,500
California	352.8	651.3	*89,000*
Colorado	257.7	368.0	29,000
Connecticut	2.4	8.7	4,000
Delaware	10.8	19.6	2,600
Florida	24.9	76.9	45,000
Georgia	177.8	360.7	50,000
Hawaii	.2	.8	5,500
Idaho	195.3	208.8	24,500
Illinois	*933.2*	*1,711.0*	*79,000*
Indiana	*463.6*	*810.5*	65,000
Iowa	*1,145.7*	*1,875.5*	*96,000*
Kansas	*871.4*	*1,382.8*	65,000
Kentucky	139.7	229.1	*91,000*
Louisiana	257.7	411.9	30,000
Maine	6.5	11.7	6,900
Maryland	38.0	674	12,400
Massachusetts	1.7	10.2	6,100
Michigan	207.9	389.1	53,000
Minnesota	*760.9*	*1,256.1*	*80,000*
Mississippi	281.6	431.1	43,000
Missouri	*423.8*	*688.0*	*110,000*
Montana	357.7	487.9	28,000

States cont'd	**1998 Payments** ($ in millions)	**1999 Payments** ($ in millions)	**1999** **# of farms a/**
Nebraska	*$796.9*	*$1,322.1*	55,000
Nevada	2.7	2.7	3,000
New Hampshire	1.9	3.9	3,100
New Jersey	5.5	9.9	9600
New Mexico	60.4	92.1	16,000
New York	59.7	117.2	39,000
North Carolina	128.9	284.7	58,000
North Dakota	*601.5*	*951.6*	30,500
Ohio	312.8	627.7	*80,000*
Oklahoma	302.1	526.4	*84,000*
Oregon	100.0	105.5	39,500
Pennsylvania	45.3	94.3	59,000
Rhode Island	.167	.877	700
South Carolina	62.4	127.1	25,000
South Dakota	*428.9*	*746.2*	32,500
Tennessee	127.8	208.2	*91,000*
Texas	*998.6*	*1,914.1*	*227,000*
Utah	24.9	30.1	15,000
Vermont	4.5	12.2	6,700
Virginia	45.6	98.6	49,000
Washington	256.7	269.5	40,000
West Virginia	5.2	11.1	20,500
Wisconsin	252.7	484.1	78,000
Wyoming	28.6	39.9	9,200
U.S. Total	**$12,208.9**	**$20,593.9**	**2,192,070**

a/ A farm is defined as a unit from which $1,000 or more worth of commodities were produced and sold.
Top 10 states in number of farms and top ten states receiving direct farm payments are italicized

SOURCES: 1997 Census of Agriculture and Table, *Value of total direct government payments, by State, 1990-99*, ERS, USDA.(2000 state data not available as of 3/19/01) Data on number of farms are from NASS, USDA.

Table 4. USDA Funding for Conservation Activities, FY1990-2000

(actual dollars in millions)

Fiscal Year	Technical a/ Assistance, Extension & Administration	Cost Sharing b/	Public Works, including emergencies	Rental & Easement Payments c/	Data & Research	TOTAL
1990	$653.4	$353.2	$196.8	$1,406.0	$350.7	**$2,960.0**
1991	733.8	279.0	121.1	1,603.2	380.9	**3,117.8**
1992	813.4	262.8	187.5	1,629.6	400.1	**3,299.0**
1993	859.7	318.2	200.8	1,531.5	274.0	**3,310.0**
1994	882.7	293.9	267.6	1,823.0	399.7	**3,680.9**
1995	841.8	171.9	293.1	1,797.4	410.7	**3,508.9**
1996	868.8	243.4	99.1	1,783.1	392.9	**3,387.3**
1997	901.0	305.8	226.7	1,734.6	409.8	**3,577.8**
1998	941.4	322.3	132.5	1,823.9	423.3	**3,643.4**
1999	947.5	363.8	129.8	1,437.8	453.3	**3,332.1**
2000	939.0	265.5	111.8	1,641.0	456.7	**3,413.9**

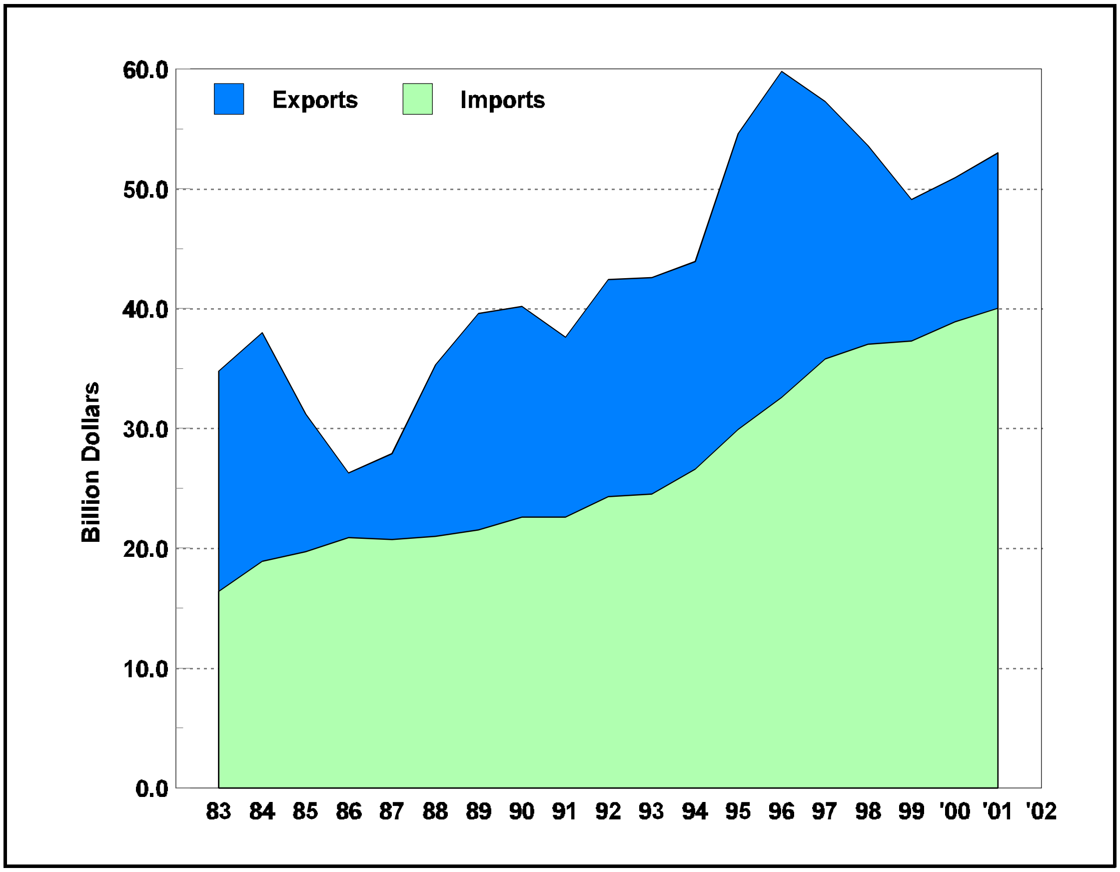
a/ Activities of the 4 USDA agencies engaged in supporting conservation: the Natural Resources Conservation Service (NRCS), Farm Service Agency (FSA), Forest Service, and Extension Service.

b/ Funds passed through the NRCS to the FSA to producers to help them install conservation practices.

c/ 90% of these payments go to farmers through the Conservation Reserve Program.

SOURCE: USDA, Office of Budget and Program Analysis.

Figure 3. U.S. Agricultural Trade, FY1981-2001 Forecast



Source: USDA, Economic Research Service

Table 5. Agricultural Export and Food Aid Programs Program Levels for Fiscal Years 1995 to 2000

(in millions of dollars)

PROGRAMS	1995	1996	1997	1998	1999	2000
Export Enhancement Program	$339	$5	0	$2	$1	$2
Dairy Export Incentive Program	140	20	121	110	145	77
Market Access Program	110	90	90	90	90	90
CCC Export Credit Guarantees	2,921	3,230	3,876	4,037	3,045	3,100
P.L. 480 Food Aid	1,286	1,207	1,054	1,154	1,796	1,076
Section 416(b)	4	84	2	27	887	644
Food for Progress	146	84	91	111	101	121
Foreign Agricultural Service[a]	159	167	191	209	206	200
Total	$5,105	$4,887	4,425	5,790	6,271	5,310

[a] Includes funding of $28 million annually for the Foreign Market Development Program(FMDP).

Note: Program level is the value of goods and services provided, not the amount appropriated through appropriations legislation.

Source: USDA, *Annual Budget Summaries* and *Outlook for U.S. Agricultural Exports*, various issues

Table 6. Federal Food and Nutrition Programs, FY1996 and FY2000 est. Funding and Participation Estimates

(amounts in millions unless otherwise noted)

PROGRAMS	**FY 1996** Program Level	Participation	**FY 2000 est.** Program level	Participation
Food Stamps	$24,259.8	25.5	$18,488.8	17.2
Puerto Rico Nutrition Grant	1,143.0	1.33	1,268.0	1.1
Child Nutrition [a]	8,493.8	32.6	9,440.7	32.4
WIC	3,715.2	7.2	4,158.4	7.2
CSFP	96.7	357 thousand	100.3	389 thousand
Commodity donation programs [b]	172.6	NA	220.7	NA
Elderly Nutrition [c]	148.0	11.2	140.7	11.5 [d]
USDA Administration	107.7	NR	114.4	NR
Total	**$38,136.8**	[e]	**$33,932.0**	[e]

a/ Includes school lunch, school breakfast, child and adult care food, summer food, special milk, commodity procurement, state administrative expenses, and funding for discretionary programs (e.g. team nutrition). Amounts include the value of "bonus" and "entitlement" commodities. Participation estimates count average daily school lunch participants. child care food participants, and average monthly summer food program participants. School breakfast participants (7.6 million) are not counted because they are assumed to also be school lunch participants.

b/ Includes the cash grants and commodities for the emergency food assistance program (EFAP) and for the food distribution program on Indian reservations (FDPIR). Also includes bonus commodities for charitable institutions, summer camps and disaster feeding.

c/ Figures include $470 million provided for Older Americans Act nutrition programs under the appropriation for the Department of Health and Human Services.
d/ Average daily meals, FY1999.

e/ Figures are not added because individuals may receive benefits from more than one program

NOTE: Food Stamp Program and Commodity Donation programs (e.g., FDPIR, EFAP, CSFP) normally are authorized under farm bills. Child nutrition programs (School lunch, breakfast, etc.) and WIC , authorized under the National School Lunch Act and the Child Nutrition Act of 1966, normally are NOT part of farm bills.
NA = Not available; NR= Not relevant.

SOURCE: USDA Budget Explanatory Notes for FY2001 and FY1998; program information report (Key data), USDA, FNS, December 2000, except as otherwise noted.

Table 7. Commodity Donations to Domestic Feeding Programs. Dollar Value (in millions): Mandatory and Bonus Commodities
(excludes administrative funding and cash-in-lieu of commodities)

Programs	FY1999 $ Value	FY2000 est. $ Value
Child Nutrition: Total[1]	$753.9	$751.9
FNS purchases	*327.5*	*325.4*
Section 32 (AMS) purchases	*399.9*	*400.0*
Bonus Commodities (Sec. 32 & Sec.416)	*26.4*	*26.4*
Commodity Supplemental Food Program (CSFP)	74.4	84.8
Food Distribution on Indian Reservations (FDPIR)	59.5	59.6
Disaster Feeding	1.1	1.1
Elderly	4.2	3.2
Food Donations (selected groups: Pacific Islands, disaster assistance, nuclear affected islands)	1.2	1.1
Emergency Food Assistance Program (TEFAP)	197.5	205.5
Bonus to other outlets (Charitable Institutions, Summer camps, Disaster feeding)	1.6	1.6
Total Commodity Donation Value	$1,093.4	$1,108.8

1/ FNS commodities are purchased with funds appropriated for child nutrition programs and Section 32 commodities are purchased for child nutrition programs using agricultural surplus removal funds. In both cases, the commodities are bought to meet the legislatively mandated level of commodity support required under the National School Lunch Act and the Child Nutrition Act of 1966. Bonus commodities are bought specifically for surplus removal reasons (Section 32 of the Act of August 24, 1935), or are acquired as part of commodity price support programs and disposed of under Section 416, Agricultural Adjustment Act of 1949. They are available to all domestic feeding programs.

Source: USDA Budget explanatory notes, FY 2001 Budget.