Order Code RL31195

The 2002 Farm Bill: Overview and Status

Updated September 3, 2002

name redacted and name redacted, Coordinators
Specialists in Agricultural Policy
Resources, Science, and Industry Division

Congressional Research Service ❖ The Library of Congress

The 2002 Farm Bill: Overview and Status

Summary

Federal farm support, nutrition, agricultural trade and food aid, conservation, credit, marketing, rural development, agricultural research, and related policies are governed by a variety of separate laws. Although these laws may be considered and amended as free-standing legislation, many of them are evaluated periodically, revised, and renewed through an omnibus, multi-year farm bill.

On May 2, 2002, the House voted, 280 to 141, to approve the conference report on a new, 6-year omnibus farm bill (H.R. 2646; H.Rept. 107-424). The Senate approved the conference report on May 8, and the President signed the bill, the Farm Security and Rural Investment Act (FSRIA) of 2002, into law (P.L. 107-171) on May 13, 2002. The new law generally supersedes the previous omnibus farm bill, the Federal Agriculture Improvement and Reform (FAIR) Act of 1996 (P.L. 104-127), much of it due to expire in 2002.

FSRIA 2002 continues marketing loans and fixed payments, and creates new counter-cyclical assistance tied to target prices (similar in some ways to a guaranteed per-bushel pricing system eliminated in 1996) for grains, cotton, and oilseeds. The new law extends, with modifications, dairy and sugar support (the bill creates new counter-cyclical payments for dairy), and it overhauls the peanut program by replacing quotas with a support program like that for other major crops. The final bill also contains titles to expand conservation programs; reauthorize agricultural export and food aid programs; and amend and extend research, nutrition (food stamps), credit, and rural development activities, among others.

Total direct (mandatory budget authority) spending in the bill is $273.9 billion over 6 years (FY2002-2007), according to Congressional Budget Office (CBO) estimates (March 2002 baseline). Of this total, $51.7 billion is new spending (above the March 2002 baseline). Of the new spending, $37.6 billion is for commodity programs; $9.2 billion is for conservation. About 55% ($149.6 billion) of the bill's $273.9 billion in total direct spending is for food stamps and other nutrition-title programs. The nutrition programs received $2.8 billion in new spending (above baseline).

The new farm law has attracted widespread criticism from those here and abroad who argue that it is extremely expensive; will reverse the market-oriented course Congress had charted for long-term farm policy in 1996; stimulate overproduction, thus depressing farm prices and distorting trade worldwide; and undermine the U.S. objective of further reforming global agricultural trade. Proponents counter that the law is needed to aid farmers hit by several years of low prices; fully complies with congressional spending limits and current U.S. trade obligations; maintains market orientation by providing farmers with the flexibility to plant most crops, unbound by government supply controls; and places the United States in a stronger position to negotiate future trade reforms by ensuring that U.S. farmers will not be unilaterally shorn of their support before other countries commit to reducing their own subsidies and trade barriers.

Contents

List of Tables

The 2002 Farm Bill: Overview and Status

Final Legislative Action

On May 13, 2002, President Bush signed into law a new 6-year omnibus farm bill, the Farm Security and Rural Investment Act (FSRIA) of 2002 (H.R. 2646; P.L. 107-171). The House had voted, 280 to 141, to approve the conference report (H.Rept. 107-424) on May 2, 2002, and the Senate approved the conference report on May 8, 2002, by a vote of 64 to 35. The U.S. Department of Agriculture (USDA) is now implementing the provisions, most of which take effect this year.[1]

The Senate had approved its version of an omnibus 5-year (2002-2006) farm bill (reported as S. 1731 and passed as H.R. 2646) on February 13, 2002, by a vote of 58 to 40. The full House, on October 5, 2001, had approved (by a vote of 291-120) an omnibus farm bill (H.R. 2646) that would have extended major farm, food, and related programs for 10 years, through 2011.

Overview

Federal farm support, food assistance, agricultural trade, marketing, and related policies are governed by a variety of separate laws. Although these laws may be considered and passed as free-standing legislation, many are evaluated periodically, revised, and renewed through an omnibus, multi-year farm bill. The Federal Agriculture Improvement and Reform (FAIR) Act of 1996 (P.L. 104-127) was the previous omnibus farm bill, and many of its provisions were set to expire in 2002.

The heart of every omnibus farm bill is farm income and commodity price support policy – the methods and levels of support that the federal government provides to agricultural producers. However, farm bills also typically include titles on agricultural trade and foreign food aid, conservation and environment, domestic food assistance (primarily food stamps), agricultural credit, rural development, agricultural research and education, and other programs.

Budget and Cost

Like most legislation, the farm bill is considered within federal budget constraints. The May 2001 congressional budget resolution (H.Con.Res. 83) reserved, for FY2002-2011, an extra $73.5 billion in direct spending to accommodate

---

[1] USDA maintains an extensive website on the 2002 farm bill, including information on implementation, at: http://www.usda.gov/farmbill/.

the cost of legislative changes in farm and related programs. This allowance is "new money," i.e., permitted to be added to the projected Congressional Budget Office (CBO) baseline (April 2001) for such programs for the same 10-year period. Congress used the April 2001 budget baseline to score the bill, and CBO's "official" scoring concluded that FSRIA 2000 would not exceed the May 2001 congressional budget resolution allowance (the sum of the CBO baseline plus the new money).

As the bill progressed through Congress, subsequent re-estimates of the federal budget baseline showed fading budget surpluses in general, and higher than previously-estimated costs for some farm programs in the new bill. For example, newer projections in early 2002 indicated that some farm prices would be lower than had been projected earlier, in April 2001, meaning that USDA farm subsidy outlays would be higher, too. The new estimates created uncertainties regarding available funding, and whether Congress would continue to support the new spending approved a year earlier. Ultimately, lawmakers did support this new spending.

Tables 1 and 2, below, show respectively, CBO-estimated costs over 6 years (the term of the new law), and over 10 years. "Baseline" means a continuation of current law, unchanged; "new spending" is how much costs might increase under the new law, which CBO estimates after analyzing the new law's provisions and impacts. Both the April 2001 and March 2002 CBO baseline estimates are shown.

Table 1. 2002 Farm Bill, 6-Year Cost Estimates

Budget Authority in Million $

	April 2001 Baseline			March 2002 Baseline		
	Baseline	New Spending	Total Projected Spending	Baseline	New Spending	Total Projected Spending
Commodity Support	55,534	31,169	86,703	61,337	37,587	98,924
Conservation	11,583	9,198	20,781	12,075	9,198	21,273
Trade	1,566	532	2,098	1,572	532	2,104
Nutrition [a]	134,556	2,657	137,213	146,820	2,793	149,613
Rural Development	0	870	870	160	870	1,030
Research	240	520	760	240	520	760
Forestry	0	85	85	0	85	85
Energy	0	366	366	0	405	405
Other Provisions [b]	0	(336)	(336)	0	(303)	(303)
Total, 6 years	**203,479**	**45,061**	**248,540**	**222,204**	**51,687**	**273,891**

Source: CRS compilation of Congressional Budget Office data. [a] and [b]: see footnotes at end of Table 2.

Table 2. 2002 Farm Bill, 10-Year Cost Estimates
Budget Authority in Million $

	April 2001 Baseline			March 2002 Baseline		
	Baseline	New Spending	Total Projected Spending	Baseline	New Spending	Total Projected Spending
Commodity Support	77,045	47,771	124,816	85,365	56,714	142,079
Conservation	21,412	17,079	38,491	22,089	17,079	39,168
Trade	2,610	1,144	3,754	2,640	1,144	3,784
Nutrition [a]	239,436	6,400	245,836	257,966	6,625	264,591
Rural Development	0	870	870	160	870	1,030
Research	240	1,323	1,563	240	1,323	1,563
Forestry	0	100	100	0	100	100
Energy	0	405	405	0	405	405
Other Provisions [a]	0	(1,594)	(1,594)	0	(1,441)	(1,441)
Total, 10 years	**340,743**	**73,497**	**414,241**	**368,460**	**82,819**	**451,279**

Source: CRS compilation of Congressional Budget Office data. [a] Farm bill changes to nutrition spending include changes to food stamps, the emergency food assistance program, and child nutrition programs, as well as new spending for demonstration programs. Child nutrition programs are not included in baseline, since their reauthorization is not addressed by the farm bill. [b] "Other Provisions" in the farm bill primarily consist of savings associated with the federal crop insurance program. However, crop insurance is not included in the baseline, since the reauthorization of the program is not part of the farm bill.

Trade Considerations

The multilateral Uruguay Round Agreement on Agriculture (URAA) posed another potential constraint on legislators. The URAA limits the United States to providing no more than $19.1 billion per year worth of domestic farm supports most likely to distort production and trade (these are so-called "amber box" programs). The agreement spells out rules for determining whether a policy is market distorting or whether it is exempt from the annual subsidy calculation. According to USDA's Economic Research Service (ERS):

> The U.S. has so far met commitments under the URAA, but surges in direct payments to producers after 1997 in response to low market prices have raised concerns that domestic subsidy levels might eventually exceed the ceiling on domestic supports established under the URAA. U.S. support is expected to remain below its ceiling under current farm programs, but increases in support under new programs could cause a compliance problem with the URAA commitments...[and] could hamper efforts in the new multilateral trade talks to accomplish U.S. goals for liberalizing international trade and getting other

> countries to reduce domestic support to their agriculture sectors and increase market access.[2]

FSRIA 2000 continues a system of direct payments not tied to current production or prices of specific commodities, which, proponents believe, will not have to be counted as trade distorting and therefore are not subject to URAA farm subsidy limits. They also believe that the bill's conservation-related programs are among those that are exempt from the limits. However, the bill continues crop marketing loan benefits and the dairy price support program, which already are classified as trade-distorting (and thus counted toward the URAA annual limit if their value exceeds the so-called *de minimis* threshold of 5% of farm production value).

Further, the bill creates a new "counter-cyclical" program that also may have to be counted toward the URAA annual limit on trade-distorting subsidies. Also, farmers who receive direct payments are permitted to update the historical production bases to which such payments are tied. (See "Farm Income and Commodity Price Support" later in this report for an explanation of these programs.) It remains to be seen whether these and other types of subsidies in the bill ultimately result in future URAA compliance problems and/or challenges by foreign trading partners.

The bill does contain a provision requiring the Secretary of Agriculture to attempt to keep farm program benefits within the annual URAA limit. Critics have questioned the feasibility of implementing this so-called "circuit breaker." Besides the political difficulties of proposing farm program cutbacks, USDA might face administrative problems.

For example, if USDA found, after calculating upcoming spending, that farm support might exceed the allowable $19.1 billion, would the Secretary have to withhold from farmers some or all of the year's expected subsidy? Which commodities and/or supports would be affected – some of them, or would she make an across-the-board reduction? What if USDA wrongly predicted that spending would not exceed the $19.1 billion, but it ultimately did? Would the Department take money back from recipients, and if so, how? Defenders of the provision counter that the "circuit breaker" would not be as complicated as critics contend, suggesting that relatively modest adjustments in programs and payment levels could be made easily on an as-needed basis. (See CRS Report RL30612, *Farm Support Programs and World Trade Commitments*.)

Meanwhile, the United States is involved in a new round of multilateral trade negotiations under the aegis of the Word Trade Organization (WTO). Critics contend that the scope and level of subsidies in the new farm law, and their potential to perpetuate market distortions, undermine the U.S. argument in the new trade round that the world's agricultural subsidies should be further disciplined. Many foreign officials, and some U.S. analysts, have pointedly noted that the new U.S. farm policy raises questions about the sincerity of the U.S. negotiating position. The law will encourage other countries to increase their domestic subsidies and/or import barriers

---

[2] USDA, Economic Research Service. "Aligning U.S. Farm Policy With World Trade Commitments," *Agricultural Outlook*, January-February 2002, p. 12.

to protect their own farmers, critics add. Many have characterized U.S. farm policy as highly protectionist and destructive to farmers worldwide, particularly in developing nations.

Defenders of the bill counter that the United States cannot unilaterally back away from supporting its farmers before the European Union (EU) and other competitors agree to do likewise. In the United States, agricultural interests have long complained that the EU and Japan are permitted, under the URAA, to spend much more on domestic farm support. Japan's annual allowable level is approximately $30-$35 billion versus the U.S. $19.1 billion. The EU's level is around $60 billion, more than three times the U.S. level, they argue. Maintaining and even increasing U.S. subsidies (within allowable limits) provide U.S. negotiators with more leverage in the negotiations over foreign trade barriers (including high tariffs) and export subsidies, as well as domestic price supports, defenders argue.

Administration Views

The Bush Administration, at first highly critical of the evolving measure, was, by late 2001, pledging its support for a "generous farm bill." On May 2, 2002, the President said he would sign the final bill, commenting:

> I am pleased that the compromise agreement on the farm bill resulted in better balanced commodity loan rates; spending that is no longer front-loaded; and the strongest conservation provisions of any farm bill ever passed by Congress. The final provisions of the farm bill are also consistent with America's international trade obligations, which will strengthen our ability to open foreign markets for American farm products. While this compromise agreement did not satisfy all of my objectives, I am pleased that this farm bill provides a generous and reliable safety net for our Nation's farmers and ranchers and is consistent with the principles I outlined.

Also by May 2002, the Administration was engaged in a vigorous public defense of the new bill, particularly in response to widespread foreign criticism.

Such Administration support was a marked departure from its earlier criticisms. On October 3, 2001, as the House began to debate its bill, the White House Office of Management and Budget (OMB) issued a Statement of Administration Policy stating that it did not support H.R. 2646 because it would encourage overproduction of commodities, fail to help farmers most in need, jeopardize global markets, and boost federal spending at a time of economic uncertainty.

The OMB Statement of Administration Policy on the Senate bill, issued December 5, 2001, argued that S. 1731 would: stimulate overproduction (partly through higher crop loan rates); result in higher consumer milk prices; hurt U.S. farm trade by among other things risking U.S. ability to meet current trade obligations and undermining U.S. efforts to phase out worldwide export subsidies in the future; authorize ineffective conservation programs; poorly direct farm aid by increasing payments regardless of need; weaken accountability in domestic nutrition programs; and result in unknown budget costs.

Previously, on September 19, 2001, the Administration had released a 120-page report, *Food and Agricultural Policy: Taking Stock for the New Century,* which concludes, among other things, that farm policy should be tailored to reflect the wide differences among U.S. farms and farming practices. Current programs tend to tilt benefits most heavily toward highly efficient commercial farms (which enables them to expand operations and lower costs even more), with no direct relationship between benefits and a farm's financial need. Landowners, not necessarily farm operators, benefit the most through higher land values and higher farmland rental rates caused by current support programs, the report states. Farm policy must promote "more sustainable prosperity" for farmers, relying on the market and not government for long-term support, although government could provide aid for "unexpected events" beyond their control, according to the report.

The report also argues that trade policy not only must focus on more access to foreign markets, but also be supported by domestic policies that meet U.S. trade obligations and provide the latitude "to pursue ambitious goals in trade negotiations." The report suggests that future policy should shift emphasis from traditional commodity price supports toward the demand side of agriculture – focusing on marketing and consumption, particularly overseas. Conservation programs, food safety and affordability, nutrition, and rural development also are addressed.

Despite its periodic comments on farm policy in general and the farm bill in particular, the Administration was not viewed by most observers as a major influence in the legislative debate.

Selected Provisions

Farm Income and Commodity Price Support (Title I)[3]

Background/Issues. The 1996 farm bill significantly revised federal farm commodity policy. Title I, the Agricultural Market Transition Act (AMTA), replaced production-based deficiency payments (the difference between legislated target prices and lower market prices) for wheat, feed grains, upland cotton, and rice with fixed "production flexibility contract" (PFC) payments. These payments were made irrespective of market prices or current planting choices. AMTA authorized $36 billion in PFC payments over the 7-year life of the law to producers with a participation history in the previous commodity programs. Previous annual supply controls, including crop-specific acreage bases and cropland set-asides, were ended by the 1996 law. (See CRS Report RS20271, *Grains, Cotton, and Oilseeds: Federal Commodity Support*.)

In addition, AMTA maintained the price guarantees of the marketing assistance loan program for contract commodities, soybeans and other oilseeds. This counter-

---

[3] Subject headings are not necessarily synonymous with the names of the Titles in the new law, but such Titles are where most of the provisions discussed generally are located. CRS contacts for Title I: (name redacted), 7-....; (name redacted), 7-....; (name redacted), 7-.... (sugar and peanuts); Ralph Chite, 7-.... (dairy).

cyclical program made direct payments to compensate for the difference between low market prices and specified commodity nonrecourse loan rates. CCC net outlays for marketing assistance loan gains and loan deficiency payments (LDPs) were $8.1 billion in FY2000, $6 billion in FY2001, and an estimated $7.2 billion in FY2002, according to USDA.

AMTA continued market price support programs for sugar and peanuts, which operate through CCC loans and import quotas. The 1996 law also scheduled the elimination of the longstanding dairy price support program, but Congress subsequently continued it. Permanent tobacco price support authority was not modified in 1996.

Persistently low commodity prices stimulated 4 years of large *ad hoc* emergency farm aid packages amounting to approximately $23 billion in non-disaster related farm income assistance, over and above amounts already authorized by AMTA. About $18 billion went to PFC contract holders. Much of the rest was for special subsidies for producers of soybeans, peanuts, tobacco, milk, honey, wool, and mohair. The last congressional "emergency" action, under the FAIR Act, was P.L. 107-25, which provided $5.5 billion to be paid out in FY2001 as allowed for in the budget resolution (H.Con.Res. 83).

Most farm interests sought a more certain method of funding future counter-cyclical income support than *ad hoc* emergency laws. The options below, except as noted, mainly apply to policies for grains, cotton, and oilseeds.

PFC Payments. Most (although not all) producer groups supported continuation of annual lump sum assistance like PFC payments. Some wanted PFC eligibility expanded to include soybeans, and possibly even such commodities as tobacco, peanuts, milk, wool, mohair, apples, cranberries, which all received direct payments under the emergency assistance laws. Critics argued that such payments are quickly capitalized into land prices and rents. The new 2002 farm bill continues direct payments that are similar in concept to PFC payments, and adds soybeans and other oilseeds as eligible crops.

Counter-Cyclical Assistance. There was wide support for a new counter-cyclical assistance program that would be more generous than previously provided through marketing loans. Early proposals differed in detail but shared a common objective of providing more support when farm prices and/or incomes decline than provided under AMTA. The 2002 farm bill contains new counter-cyclical assistance, tying such support to target prices for individual commodities – not revenue, income, or receipts, as some had proposed. (See CRS Report RS20913, *Farm Counter-Cyclical Assistance*.)

Marketing Loan Assistance. There also was wide support to continue marketing assistance loans (including loan deficiency payments, LDPs). However, several groups called for higher loan rates. The new farm bill continues marketing loan benefits for grains, cotton, oilseeds, wool, mohair, and honey; it also makes peas, lentils and chickpeas newly eligible. (See CRS Report 98-744, *Agricultural Marketing Assistance Loans and Loan Deficiency Payments*.)

Supply Management. Most major agricultural groups opposed any restoration of production control or supply management tools. The new law does not reintroduce these policy tools.

Price-Supported Commodities. AMTA support programs for tobacco, peanuts, sugar, and milk maintained farm prices above what the market might otherwise dictate. Nonrecourse price support loans and marketing quotas applied to virtually all U.S. tobacco and to domestic edible peanuts. Sugar utilized nonrecourse loans and tariff rate quotas to support prices and limit the entry of less expensive imports. Milk price support was provided through: direct USDA purchases of dairy products at specified prices; milk marketing orders (which pool receipts and set classified prices for most fluid grade milk); and comparatively high duties on imported milk products.[4] Critics, including the WTO, consider these subsidies to be highly production and trade distorting. Supporters contend that these programs are effective in maintaining farm incomes and low cost to taxpayers. The new farm bill continues the tobacco, sugar and dairy programs, and alters the peanut program to function similarly to the grains and cotton programs. The new law also adds a target price and counter-cyclical direct payments for dairy producers.

Risk Management. Another proposed alternative would have phased out all supports tied to the production of specified commodities and replaced them with assistance designed to encourage producers to expand their use of various risk management tools. The subsidized federal crop insurance program is an existing risk management program. However, some argued for a broader approach that might include a combination of whole farm revenue insurance, income stabilization accounts, more use of futures markets, contracts with commodity buyers, and other options. A comprehensive bill introduced by Senator Lugar (S. 1571) embraced such an approach, but it was not adopted in the final bill.

Provisions As Enacted. Among the ***grains, upland cotton, and oilseeds*** provisions in the new farm bill, P.L. 107-171, are:

- Fixed, decoupled payments (like the current PFC contract payments) at rates shown in table 3;
- New counter-cyclical deficiency payments that make up the difference between a crop's average market price plus the fixed decoupled payment, and its "target price" (see table 4);
- Continuation of marketing assistance loans (and LDPs) at higher than current rates for most but not all crops (see table 5);
- Fixed, decoupled payments and counter-cyclical payments are calculated at 85% of each farm's base acres and crop yields as set in 1996 Act; producers can update bases. Those who update bases can also update yields for counter-cyclical payments;

[4] Until October 1, 2001, when it expired, the Northeast Interstate Dairy Compact authorized producers in that region to receive higher prices than the national level. For an explanation, see CRS Issue Brief IB97011, *Dairy Policy Issues*.

- Continued flexibility to plant most crops (except fruits, vegetables, and wild rice) on base acres; no authority for USDA annual acreage controls;
- Beginning with *2003 crops*, separate annual per person limits of $40,000 for fixed payments; $65,000 for counter-cyclical payments; $75,000 for marketing loan gains (however, no limit on gains when commodity certificates are used to pay off marketing loans). The so-called "three-entity" rule and husband wife rule are both retained, effectively doubling these dollar limits. Crop program subsidies are restricted to those with less than $2.5 million per year in gross income (3-year average); those earning more than 75% of their income from agriculture are exempt from this means test. (Peanuts have a separate set of payment limits.)

A new ***peanut*** program is similar to other crop support, with fixed decoupled payments of $36/ton, a target price of $495/ton, and loan rate of $355/ton; marketing quotas are ended, with compensation of $220/ton/year for 5 years (a total of $1,100/ton) paid to quota holders for lost asset values. Also, ***sugar*** support at 18¢/lb. (raw cane) and 22.9¢/lb. (refined beet) continues, with the no-net-cost rule reestablished, the marketing assessment eliminated, and the loan forfeiture penalty eliminated. Sales of domestic sugar now are subject to marketing allotments.

Milk continues to be supported through the dairy price support program at the previous level of $9.90 per hundredweight (cwt.), as proposed by both the House and the Senate, with the program scheduled to expire December 31, 2007. Farm milk prices are supported through government purchases of surplus dairy products from dairy processors. Separately, whenever the minimum monthly fluid milk price in Boston falls below a target price of $16.94/cwt., all producers nationwide will receive a payment equal to 45% of the price shortfall. Producers are allowed to receive payments on up to 2.4 million pounds of their annual milk production. This milk counter-cyclical payment program expires on September 30, 2005. CBO estimates the cost of direct payments at $1.3 billion over the 3½ year life of the program.

Marketing loans and LDPs are provided for ***graded wool***, ***nongraded wool***, ***mohair***, ***honey***, ***dry peas***, ***lentils***, and ***small chickpeas*** (see rates in table). Nonrecourse loans, but not LDPs, are provided for ***ELS cotton***.

House-Senate Differences. The House bill put more of the support benefit into fixed, decoupled payments while the Senate bill put more benefits into loan deficiency payments. The fixed, decoupled payments are not tied to current production or prices and so are not considered to be potentially trade distorting (i.e., "amber box"). In contrast, higher loan rates generate increased benefits when market prices are low and so serve as counter-cyclical assistance – thereby likely to fall into the "amber box." The cost of marketing assistance loans and counter-cyclical payments also are difficult to predict in the future, making government farm spending projections uncertain.

Another important difference was the Senate plan (S.Amdt. 2826) to limit support payments more strictly than the House version, to $225,000 per individual ($275,000 for a couple), including marketing loan benefits, fixed payments, counter-cyclical payments, plus gains from commodity certificates and forfeitures. The rules also would have made it more difficult to reorganize operations in order to legally exceed this limit. (See CRS Report RS21138, *Farm Commodity Payment Limits: Comparison of Proposals.*)

Trade Implications. Subsidies linked to market prices are considered trade distorting. The inclusion of higher loan rates and new counter-cyclical payments in the law have caused numerous critics to question the stated U.S. international commitment to limit trade distorting subsidies to agreed upon levels. Whether or not spending on production and trade distorting policies actually breach the WTO limits, the sheer size of farm subsidies in the new law causes concern about the ability of U.S. trade negotiators to persuade other countries to lower their barriers to agricultural imports or reduce their export subsidies, critics contend. Supporters of the farm bill counter that the law contains "circuit breaker" provisions if it appears the WTO limits will be breached. Furthermore, the law makes it clear to other nations that the United States will not abandon its farmers, but will negotiate from a position of strength for mutual improvements. (See also pages 3-5.)

Table 3. Fixed Payments: Comparison of Prior Law, New Law, House, and Senate Bills

Crop, unit	Prior Law (2002)	New Law P.L. 107-171 (2002-07)	House Bill (2002-11)	Senate Bill (2002-06)
Wheat, $/bu	0.46	0.52	0.53	0.45/0.225/0.113
Corn, $/bu	0.26	0.28	0.30	0.27/0.135/0.068
Grain Sorghum, $/bu	0.31	0.35	0.36	0.31-0.27/0.135/ 0.068
Barley, $/bu	0.19	0.24	0.25	0.20/0.10/0.05
Oats, $/bu	0.020	0.024	0.025	0.05/0.025/0.013
Upland Cotton, $/lb	0.0554	0.0667	0.0667	0.13/0.065/0.0325
Rice, $/cwt	2.05	2.35	2.35	2.45/1.225/0.6125
Soybeans, $/bu	none	0.44	0.42	0.55/0.275/0.138
Minor Oilseeds, $/lb	none	0.008	0.74	0.01/0.005/0.0025
Peanuts, $/ton (¢/lb)	none	36.00 (0.018)	36 (0.018)	all years, 36 (0.018)

Source: Fixed, decoupled payments in old law (P.L. 104-127), conference report H.Rept. 107-424, H.R. 2646; and S. 1731. Payment bases differ between bills. The conference report makes payments on 85% of the payment acres times the payment yield, and generally the yield is that established for 1995. H.R. 2646 uses the same payment base as old law (85% of recent acreage and yield averages from the 1980s). S. 1731 makes payments on 100% of recent acreage and recent yield levels.

Table 4. Counter-Cyclical Target Prices: Comparison of Prior Law, New Law, House, and Senate Bills

Crop, unit	Prior Law (1995 Levels, Not Applicable 1996-2002)	New Law P.L. 107-171 (2002-03/ 2004-07)	House Bill (2002-11)	Senate Bill (2002-06)
Wheat, $/bu	4.00	3.86/3.92	4.04	3.4460
Corn, $/bu	2.75	2.60/2.63	2.78	2.3472
Grain Sorghum, $/bu	2.61	2.54/2.57	2.64	2.3472
Barley, $/bu	2.36	2.21/2.24	2.39	2.1973
Oats, $/bu	1.45	1.40/1.44	1.47	1.5480
Upland Cotton, $/lb	0.729	0.724/0.724	0.736	0.6739
Rice, $/cwt	10.71	10.50/10.50	10.82	9.2914
Soybeans, $/bu	none	5.80/5.80	5.86	5.7431
Minor Oilseeds, $/lb	none	0.098/0.101	10.36	0.1049
Peanuts, $/ton (¢/lb)	none	495/495 (24.75/24.75)	480 (24)	520 (26)

Source: Target prices in old law (P.L. 104-127, conference report H.Rept. 107-424, H.R. 2646, and S. 1731. [a] Payment bases differ between the bills. The conference report makes payments on 85% of the payment acres times the payment yield, and generally the yield is that established for 1995. H.R. 2646 uses the same payment base as old law (85% of recent acreage and yield averages from the 1980s). S. 1731 makes payments on 100% of recent acreage and recent yield levels.

Table 5. Loan Rates for Major Crops: Comparison of Prior Law, New Law, House, and Senate Bills

Crop, unit	Prior Law 1996-02 [a]	New Law P.L. 107-171 2002-03/ 2004-07	House Bill 2002-11	Senate Bill 2002-06
Wheat, $/bu	2.58	2.80/2.75	2.58	2.9960
Corn, $/bu	1.89	1.98/1.95	1.89	2.0772
Grain Sorghum, $/bu	1.69	1.98/1.95	1.89	2.0772
Barley, $/bu	1.71	1.88/1.85	1.65	1.9973
Oats, $/bu	1.14	1.35/1.33	1.21	1.4980
Upland Cotton, $/lb	0.5192	0.52/0.52	0.5192	0.5493
Rice, $/cwt	6.50	6.50/6.50	6.50	6.4914
Soybeans, $/bu	5.26	5.00/5.00	4.92	5.1931
Minor Oilseeds, $/lb	0.093	0.096/0.093	0.087	0.0949
Peanuts, $/ton (¢/lb)	610 [b] (30.50)	355/355 (17.75/17.75)	350 (17.50)	400 (20.00)

Table 6. Loan/Purchase Rates for Other Commodities: Comparison of Prior Law, New Law, House and Senate Bills

Crop, unit	Prior Law 2002	New Law P.L. 107-171 2002-03/04-07	House Bill 2002-11	Senate Bill 2002-06
ELS cotton, $/lb	0.7970	0.7977/0.7977	0.7965	0.7965
Wool, graded, $/lb	0.40 [a]	1.00/1.00	1.00	1.00
Wool, nongraded, $/lb	na	0.40/0.40	0.40	0.40
Mohair $/lb	0.40 [a]	4.20/4.20	4.20	na [b]
Honey, $/lb	0.65 [c]	0.60/0.60	0.60	0.60
Peas, dry, $/cwt	na	6.33/6.22	na	6.78
Lentils, $/cwt	na	11.94/11.72	na	12.79
Chickpeas, large, $/cwt	na	na	na	17.44
Chickpeas, small, $/cwt	na	7.56/7.43	na	8.10
Sugar, raw cane, ¢/lb	18.0	18/18	20.0	20.0
Sugar, beet, ¢/lb	22.9	22.9	22.9	22.9
Milk, $/cwt [d]	9.90 [d]	9.90/9.90 (target 16.94) [d]	9.90 [e]	9.90 (target 16.94 and rolling average) [f]
Tobacco, $/lb (permanent law) Flue-cured Burley	(adjusted yearly) 1.656 1.835	(adjusted yearly) 1.656 1.835	(adjusted yearly) 1.656 1.835	(adjusted yearly) 1.656 1.835

Table 5 and 6 sources: Loan/purchase rates for old law (P.L. 104-127), conference report H.Rept. 107-424, H.R. 2646, and S. 1731. *Table 5*: [a] Loan rates are maximum allowable levels. [b] Support level for quota peanuts, the support level for nonquota peanuts is $174/ton ($0.087/lb). *Table 6*: [a] Support for wool and mohair are provided by P.L. 107-25 (sec5) for the 2001 crop only. [b] The Senate bill excludes mohair in Section 123, but includes it in Section 171, but the claimed intent is to not provide loans for mohair. [c] Honey received emergency support in 2000 under P.L. 106-387(Section 812), but not subsequently. [d] The farm price of milk is supported at $9.90 through purchases of storable nonfat dry milk, butter, and cheese. [e] The support price is made permanent and a target price is established for 3.5 years. [f] S.1731 establishes a target price for milk in 12 northeastern states and a rolling average market price for all other states.

For More Information.

- CRS Report RL31251, *Commodity Support Provisions: Comparison of Current Law with House and Senate Farm Bills*.
- CRS Report RS20848, *Farm Commodity Programs: A Short Primer*.
- CRS Issue Brief IB97011, *Dairy Policy Issues*.
- CRS Issue Brief IB95117, *Sugar Policy Issues*.
- CRS Report RL30924, *Peanut Program Policy Issues*.
- CRS Report RS20896, *Farm Commodity Programs: Wool and Mohair*.
- CRS Report RS20759, *Farm Commodity Programs: Honey*.

Conservation and Environment (Title II)[5]

Background/Issues. The conservation title both amends existing programs and adds new ones to protect or restore agricultural lands and provide resource and environmental benefits to society. USDA agencies implement current conservation policies through a combination of cost sharing payments and technical assistance, backed by education and research for numerous land retirement and working land programs. Participation in these programs is voluntary.

Historical Policy Changes. Starting with the omnibus farm bill in 1985, Congress expanded the conservation mission significantly beyond its traditional focus on controlling soil erosion and providing water to enhance production. The goals now include wetlands protection, wildlife habitat protection and development, and air and water quality improvement, among others. New issues have continued to emerge in recent years. Since the 1996 farm bill was enacted, these issues have included sequestering carbon and addressing global climate change, producing energy from biomass, protecting and restoring grasslands, reducing non-point water pollution caused by very large animal feeding operations, and addressing other "off-farm" environmental impacts.

Over the years, Congress has added new conservation tools, including controls over modification of environmentally fragile lands and wetlands by producers who want to receive federal farm benefits, and easements to protect resource values while keeping the land under the control of the farmer. The expanded conservation effort is reflected in funding levels. Conservation activities at USDA received just over $1 billion in FY1985; they now receive more than $3 billion annually. However, most of this growth has been for land retirement and easements (e.g., the Conservation Reserve and Wetlands Reserve Programs, CRP and WRP), while the other activities have grown little or not at all in real terms. In the 1996 farm bill, funding for five conservation programs was moved from discretionary spending, subject to the annual appropriations process, to mandatory funding through the CCC. Funding of mandatory conservation programs totaled just over $2 billion in FY2001, according to CBO. (See CRS Report RL30331, *Conservation Spending in Agriculture: Trends and Implications*, for a review of programs and over the past 20 years.)

Congressional Deliberations. Numerous programs were scheduled to expire by the end of FY2002. During several days of hearings in 2001, the agriculture committees explored program and policy options. Farm groups generally suggested increasing funds for existing programs and reducing conservation impediments to farm operations. Other interest groups, while supporting some of the farmer proposals, recommended more substantial changes. One broader approach encompassing the idea of "green payments" was introduced by Chairman Harkin in a freestanding bill (S. 932). It was (eventually) incorporated, as the Conservation Security Program, into the Senate-approved farm bill.

The House moved first on the farm bill. One of its first actions was to adopt a manager's amendment removing several controversial conservation provisions from

---

[5] Title II of the new law contains most but not all of the bill's conservation provisions. CRS contact: Jeffrey Zinn, 7-.....

the committee-reported bill. For example, the committee version would have transferred administration of some conservation programs from USDA's Natural Resources Conservation Service (NRCS) to USDA's Farm Service Agency (FSA), and limited the penalties for farming wetlands ("swampbuster") only to the year in which the infraction occurred. On October 4, 2002, near the end of farm bill consideration by the House, agriculture committee leaders led a successful effort to defeat (by a vote of 200-226) the so-called Kind-Boehlert amendment (H.Amdt.340), a bipartisan alternative conservation title endorsed by many environmental organizations. This amendment, a revised version of the Work Lands Stewardship Act (H.R. 2375), would have shifted $1.9 billion annually from commodity support payments to various conservation activities. More generally, the House (and later the Senate) debated at some length how much money to allocate to conservation and how to split that funding among conservation programs.

The conservation title was not as controversial when the Senate considered the farm bill, although water conservation provisions that would have addressed anticipated water shortages in many parts of the country, and specific allocation issues that had been raised in the Klamath River Basin, located in southern Oregon and northern California, did attract considerable attention. These provisions would have allowed the federal government to lease or purchase water rights as a way to address scarce supplies. Widely opposed by most western Senators, they were revised several times, before being approved with many limits, such as being available only in specified states.

The conference committee was confronted with many differences that had to be resolved as it created the final version of the conservation title. From the House bill, it deleted the Farmland Stewardship Program and numerous other items. From the Senate bill, it deleted a Wetlands Reserve Enhancement Program, a nutrient management program for Chesapeake Bay drainage, and a Watershed Risk Reduction Program. Other provisions were modified but remained in the conservation title. For example, the water conservation provisions that had been passed in the Senate became both a $200 million transfer from the CCC to the Department of the Interior's Bureau of Reclamation to improve water supplies in natural desert terminal lakes and an earmark of $50 million within the new Surface and Groundwater Conservation Program to address water allocation problems in the Klamath River Basin (with a specific prohibition that the funds could not be used to purchase or lease water rights). Many of the modifications revolved around funding levels for programs, which differed greatly between the two bills. Still other conservation provisions ended up in the Commodity, Forestry, and Miscellaneous titles.

Provisions As Enacted. The conservation title of the final bill:

- Increases the CRP acreage cap from 36.4 million to 39.2 million acres, creates a 1 million-acre national program for isolated wetlands, and retains language directing the Secretary to give priority to areas where ongoing projects could be rapidly completed;
- Reauthorizes the WRP, increases the acreage cap to 2.275 million acres, and allows 250,000 acres to be enrolled annually;
- Increases annual mandatory funding for the Environmental Quality Incentives Program (EQIP) to reach a level of $1.3 billion in FY2007 (with 60% of program money to go to livestock producers

and 40% to crop producers), limits any producer or entity to a total of $450,000 for agreements entered into between FY2002 and FY2007, and redefines the purpose of EQIP to promote agricultural production and environmental quality as compatible goals;

- Provides mandatory funding for the Wildlife Habitat Incentives Program (WHIP) in FY2002 – $15 million, FY2003 – $30 million, FY2004 – $60 million, FY2005-07 – $85 million;
- Provides for mandatory funding for the Farmland Protection Program (FPP) in FY2002 – $50 million, FY2003 – $100 million, FY2004-05 – $125 million, FY2006 – $100 million, and FY2007 – $97 million; makes certain nonprofits eligible to receive funds; and authorizes a new farm viability program;
- Reauthorizes the Small Watershed Rehabilitation Program and authorizes appropriations of $275 million in total through FY2007;
- Gives priority for annual funding of conservation programs to states that have not received at least $12 million in cumulative conservation funding in that fiscal year;
- Permanently reauthorizes the Resource Conservation and Development Program;
- Provides that money for technical assistance will come from the mandatory funding for each program;
- Permits those with the necessary expertise to become certified providers of technical assistance to producers participating in the conservation programs authorized in Title II;
- Provides mandatory funding for a Conservation Security Program, to be implemented in FY2003, which makes incentive payments to farmers for adopting and expanding natural resource stewardship practices;
- Provides up to $254 million in mandatory funds to create a new 2 million-acre Grasslands Reserve Program, with 40% of the funds going to 10-, 15-, and 20-year contracts similar to those under the CRP, and 60% going to 30-year and permanent easements;
- Establishes new, generally smaller programs, for: Ground and Surface Water Conservation (using EQIP funds), Competitive Innovative Matching Grants (using EQIP funds), Farm Viability (using FPP funds), Partnerships and Cooperation (using up to 5% of mandatory funding for conservation programs), Great Lakes Basin Soil Erosion and Sediment Control, Grassroots Source Water Protection, Desert Terminal Lakes (transfers $200 million from the CCC to the Department of the Interior's Bureau of Reclamation), and a Conservation Corridor Demonstration on the Delmarva Peninsula.

For More Information.

- CRS Report RL31486, *Conservation Title of the 2002 Farm Bill: A Comparison of New Law with Bills Passed by the House and Senate, and Prior Law*.
- CRS Issue Brief IB96030, *Soil and Water Conservation Issues*.
- CRS Report RL31131, *Selected Conservation Proposals for the Next Farm Bill*.

Foreign Trade and Food Aid (Title III)[6]

Background/Issues. Exports are viewed by most U.S. agricultural groups as critical to farm prosperity. Thus, trade titles in omnibus farm bills are important vehicles for addressing agricultural trade problems, export assistance, and foreign food aid programs. Other policy venues also are important. For example, negotiations are under way in the World Trade Organization (WTO) to strengthen multilateral agricultural trade rules. Regional and bilateral trade negotiations also will affect conditions of competition for U.S. farm products.

Recent farm bills, including the 1996 farm law, have extended and amended the major U.S. foreign food aid and agricultural export programs. These include:

- **P.L. 480, the Food for Peace** program. Title I of this law provides for concessional financing of U.S. agricultural exports, Title II authorizes commodity donations for humanitarian and development activities, and Title III authorizes bilateral development grants of food.
- **Food for Progress (FFP).** This provides either P.L. 480 or CCC commodities to support countries that have committed to expanding free enterprise in their agricultural economies.
- **Section 416(b).** Authorized by permanent law, this program provides for the donation overseas of surplus CCC commodities;
- **Bill Emerson Humanitarian Trust**. Once called the Food Security Commodity Reserve and before that the Food Security Wheat Reserve, the trust sets aside up to 4 million metric tons of wheat, corn, sorghum, and rice that can be used to fulfill food aid commitments when U.S. commodity supplies are short or unanticipated emergency needs arise.
- **Export Enhancement Program (EEP)**. EEP is a direct subsidy program authorizing USDA commodity or cash bonuses to exporters to enable them to negotiate sales of U.S. agricultural products at more favorable prices to foreign buyers.
- **Dairy Export Incentive Program (DEIP).** DEIP is another U.S. direct subsidy program, similar in concept to EEP but focused on U.S. dairy exports.
- **Market Access Program (MAP)** and **Foreign Market Development (Cooperator) Program (FMD).** Both progams provide partial federal funding for the cost of agricultural market development and advertising activities undertaken by the private sector.
- **Export Credit Guarantees (the "GSM" programs)**. GSM-102 guarantees repayment of private, short-term financing to eligible countries purchasing U.S. farm products; GSM-103 guarantees repayment of intermediate-term financing.

In renewing the food aid and export assistance programs, the 107th Congress was confronted with questions of policy direction and funding. Levels of spending and

---

[6] CRS contact: (name redacted), 7-.....

volumes of product subsidized under EEP and DEIP are subject to limitations under the Uruguay Round Agreement on Agriculture (URAA). In practice, EEP has been used very little in recent years; DEIP has been used to the limits of the URAA. Market promotion programs like MAP, the food aid programs, and export credits (GSM) are not considered to be trade distorting under the current URAA, and therefore are not subject to spending disciplines. Foreign trading partners, however, contend that the United States has utilized food aid and export credits as ways to dispose of heavily subsidized farm surpluses, thereby distorting trade.

Some have questioned whether export subsidy and promotion support actually increase overseas sales or simply displace what would have occurred anyway. Even if sales increase, do they lead to substantially higher farm prices and incomes – or might direct farm subsidies be more cost-effective? Some critics claim that the trade programs benefit primarily large food and export companies (who can afford to pay for promotion activities themselves) or foreign buyers more than U.S. producers. Defenders cite studies claiming positive outcomes from such spending. Similar questions arise with regard to foreign food aid.

One issue in the farm bill debate was whether to mandate the Global Food for Education Initiative, launched as a $300 million pilot program by the Clinton Administration to help establish school and pre-school food programs in developing countries.

Provisions as Enacted. Title III of FSRIA (P.L. 107-171), reauthorizes, generally through 2007, the major foreign food aid and agricultural export programs. Selected provisions of Title III would:

- Reauthorize MAP, with mandatory funding at $100 million in FY2002, $110 million in FY2003, $125 million in FY2004, $140 million in FY2005, and $200 million in each of FY2006 and FY2007;
- Reauthorize FMDP with mandatory funding at $34.5 million annually through FY2007;
- Reauthorize EEP, DEIP (in Title I) and Export Credit Guarantees through FY2007, generally at current mandatory funding levels;
- Reauthorize P.L. 480 Food for Peace through FY2007, eliminate the annual $1 billion cap on Title II appropriated spending, increase the minimum level of commodities to 2.5 million metric tons per year, fund transportation, storage and handling at between 5% and 10% of annual Title II funding, and make other program changes;
- Reauthorize FFP through FY2007, increase funding caps for the program, and set the minimum annual quantity at 400,000 metric tons, among other program changes;
- Authorize the President to establish the "McGovern-Dole International Food for Education and Child Nutrition Program" providing U.S. agricultural commodities and financial and technical assistance for foreign preschool and school feeding programs and for pregnant and nursing women and young children, with funding mandated at $100 million in FY2003 and subject to appropriation in FY2004-2007;

- Reauthorize the Bill Emerson Humanitarian Trust, the Emerging Markets, and Farmer-to-Farmer programs through FY2007;
- Create an exporter assistance program (with $2 million annually in mandatory CCC funds) to address foreign barriers to U.S. specialty crop exports.

The final law (under Title X) requires, in 2 years, retailers to provide country-of-origin information to consumers buying ground and muscle cuts of beef, pork and lamb; fresh fruits and vegetables; wild and farm-raised seafood, and peanuts. The program is voluntary until September 30, 2004. Not in the final version is a Senate-passed provision that would have ended the current statutory restriction against private financing of agricultural sales to Cuba, and a Senate-passed provision that would have prohibited USDA quality stamps on imported meats.

For More Information.

- CRS Report RS20997, *Farm Bill Trade and Food Aid Provisions*.
- CRS Issue Brief IB10077, *Agricultural Trade Issues in the 107th Congress*.
- CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs.*

Food Stamps and TEFAP (Title IV)[7]

Background/Issues. Among the domestic food assistance programs administered by the USDA, two are noteworthy in the context of the farm bill. Authorization of appropriations, and other authorities related to the food stamp program and The Emergency Food Assistance Program (TEFAP), were scheduled to expire at the end of FY2002.

Food Stamp Issues. Three developments were basic to the farm bill food stamp debate: the relatively low level of program participation; frustration with federal food stamp eligibility, benefit, and administrative policies; and concerns of some over continued ineligibility of many legally resident noncitizens.

Although food stamp enrollment is increasing, it is well below its peak in the spring of 1994 and only a bit over 10% higher than the all-time low. Over half of the decline over the 5 years since the last major food stamp amendments came from a sharp drop in the rate at which those who are eligible actually participate.

State officials, program advocates, and supporters of the 1996 welfare reform law (with its goal of moving families from welfare to work) maintained that various aspects of food stamp eligibility, benefit, and administrative rules thwarted participation and effective administration – denying needed support to working poor families and others in need, and interfering with efforts to coordinate assistance. They pointed to overly complex policies that burden administrators and applicants/recipients, food stamp rules that differ too much from those applied by states in other welfare programs, and inadequate benefits not worth the "hassle" of

---

[7] CRS contact: (name redacted), 7-.....

applying and maintaining eligibility. Finally, they contended that the program's "quality control" system for measuring state performance penalized too many states too harshly for erroneous benefit/eligibility determinations – thereby pressuring states to "over-administer" the program and limiting participation.

Food Stamp Reform Agendas. Food stamp advocates, states, and welfare reform supporters all expressed their dissatisfaction with this state of affairs, but there was not a single, unified reform agenda, and most alternatives for change imposed significant new costs. *States* called for simplified federal food stamp rules, much greater state control over policies, lifting federal limits on work and training activities, and revamped and more standardized benefit and eligibility rules to help administrators and applicants/recipients. They also wanted major revision of the quality control system and a more open federal waiver policy. *Program advocates* emphasized the inadequacy of benefits and the need to grant eligibility to noncitizens. Although they support reform of the quality control system and selective changes to make eligibility/benefit determinations easier for applicants/recipients, they resisted vesting too much decision-making with states and tampering with what they see as a nationally uniform food stamp "safety net." *Welfare reform supporters* also agreed with quality control reforms, but stress the need to ensure that the food stamp program fulfills a major role in supporting the working poor as its first priority.

Within major cost constraints, the farm bill's food stamp provisions responded to many of these criticisms, by easing/lifting administrative requirements, allowing states to achieve greater conformity between rules used by food stamps and other welfare programs, reforming the food stamp quality control system, increasing benefits, and opening up eligibility for noncitizens.

The Administration. The Administration's food stamp reform package also recognized concerns voiced by states, advocates, and welfare reformers. It included: (1) a modest benefit increase for larger households (similar to the final bill; see below); (2) standardizing or giving states control over several important federal rules; (3) liberalizing eligibility rules by excluding the value of one vehicle per adult; (4) making eligible all low-income non-citizens who have resided in the U.S. legally for 5 years (similar to the final farm bill); (5) restructuring and reducing spending for employment and training programs for food stamp recipients (similar to the final bill); (6) ending automatic eligibility for some welfare beneficiaries; and (7) significantly reforming the food stamp quality control system to penalize fewer states and give bonuses to states performing well (although in a different way than the final farm bill). Advocates and state representatives welcomed the Administration's proposals, with reservations about the extent of the quality control reforms and restrictions on food stamp eligibility for welfare recipients.

TEFAP Issues. Federal food donations under TEFAP have increased, and private-sector donations to emergency feeding organizations are on the rise. But many contended that federal help was not keeping pace with growing demand. Perhaps more important, they argued that the costs of storing and distributing food given out by state/local providers (whether privately or federally donated) were seriously underfunded.

Provisions as Enacted. The farm bill reauthorizes all expiring food stamp authorities through FY2007. Drawing on both the House and Senate measures, it:

- Expands eligibility for noncitizens by making eligible all low-income legal permanent resident noncitizen children (without regard to their date of entry) and other individuals (legal permanent residents, refugees/asylees) who have resided in the United States for 5 or more years (these changes account for 40% of the cost of the nutrition title of the farm bill and are expected to affect some 390,000 persons when fully implemented);
- Raises benefits to larger households modestly (by increasing the amount of income that is disregarded when setting their benefits);
- Allows states to provide "transitional" food stamp benefits for 5 months to families leaving Temporary Assistance for Needy Families (TANF);
- Sets up a number of state options to reduce recipient reporting requirements, simplify benefit calculations, and conform income and asset eligibility rules with those of other public assistance programs;
- Increases funding for nutrition assistance grants (provided in lieu of food stamps) to Puerto Rico and American Samoa; and,
- Revamps the quality control system to (1) dramatically reduce the number of states sanctioned (only those with persistently high rates of erroneous benefit and eligibility determinations would be penalized) and (2) grant bonus payments to states with exemplary administrative performance.

The conference agreement also reauthorizes TEFAP through FY2007, increases funding authority for TEFAP food purchases by $40 million a year, and raises the appropriations authorization for distribution costs from $50 million to $60 million a year.

Funding for food stamp and TEFAP expansions are over 90% of the cost of the nutrition title. Costs also cover extra money for Puerto Rico and American Samoa, funding for commodity purchases for child nutrition programs, and added funds for the WIC farmers' market program (FY2002 only) and the farmers' market program for seniors.

House and Senate Bills. The House bill would have reauthorized all expiring food stamp authorities through FY2011. It also included significant structural changes intended to increase benefits to families with children and ease burdens on administrators and applicants/recipients, all of which were largely included in the final bill. The Senate bill would have reauthorized all expiring food stamp authorities through FY2006. It also included amendments that – much like the House bill – raised benefits to larger households, allowed states to conform rules to TANF and Medicaid and grant transitional food stamps, eased quality control penalties, and instituted new bonus payments to states for high performance. However, it went well beyond the House measure, primarily by:

- Expanding eligibility for noncitizens (more extensively than proposed by the Administration);
- Setting up state options to: establish when eligibility will be redetermined, reduce recipient reporting requirements, simplify benefit calculations, and conform asset eligibility rules with TANF and Medicaid standards;

- Increasing benefits for recipients with very high shelter costs;
- Liberalizing and simplifying work requirements for able-bodied adults without dependents;
- Ending limits on spending of work/training funds and changing the federal share of this spending; and,
- Permitting use of food stamp benefits to buy dietary supplements.

The Senate measure also extended TEFAP authorizations through FY2006 and, as with the House bill, increased funding for food purchases and distribution costs.

Farm Credit (Title V)[8]

Background/Issues. Omnibus farm bills commonly contain a credit title that makes policy changes to USDA agricultural credit programs and addresses issues that relate to commercial lenders, such as the Farm Credit System (FCS, a confederation of federally chartered, member-owned banks and associations) and commercial banks. Credit is an important production input for many farmers. Long-term credit is used to finance purchases of real estate, and shorter-term loans finance production input expenses such as livestock, seed, feed, fuel, and fertilizer.

USDA's Farm Service Agency (FSA) serves as a lender of last resort to eligible family-sized farmers whose financial condition is too weak to permit them to obtain commercial credit. FSA provides direct loans to farmers and also guarantees the timely repayment of principal and interest on certain loans made by commercial lenders. FSA makes and guarantees real estate and operating loans, and also makes direct emergency disaster loans. These loan programs have permanent authority under the Consolidated Farm and Rural Development Act, and unlike the farm commodity programs, do not require periodic reauthorization. However, Congress frequently uses the farm bill to make changes to loan program terms, conditions, and eligibility requirements.

Provisions as Enacted. The final bill generally reauthorizes USDA farm lending programs and provides greater access to USDA farm credit programs for beginning farmers and ranchers. It increases the percentage that USDA may lend for down payment loans and extends the duration of these loans; and, establishes a pilot program to encourage beginning farmers to be able to purchase farms on a land contract basis. The measure extends emergency loans for losses due to USDA-imposed animal or plant quarantines. Regarding shared appreciation agreements (SAAs), the Secretary may modify a recapture loan on which a payment has become delinquent; reamortized loans may not exceed 25 years and may not reduce outstanding principal or unpaid interest. The final bill also enables CoBank (an FCS arm) to finance facilities for storage and handling in foreign countries that purchase U.S. farm products, by allowing it to finance equipment and facilities off the farm.

For More Information.

- RS21145 *Shared Appreciation Agreements on USDA Farm Loans*.

---

[8] CRS contacts: (name redacted), 7-....; Ralph Chite, 7-.....

- FSA's website (www.fsa.usda.gov/dafl/) has information on its loan programs.

Rural Development (Title VI)[9]

Background/Issues. The 1980 Rural Policy Act (P.L.96-355) designates USDA as the lead federal agency for coordinating rural development. The stated mission of the rural development agencies within USDA is to enhance rural communities by targeting financial and technical resources in areas of greatest need. Four agencies in USDA are responsible for the mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), the Rural Utilities Service (RUS), and the Office of Community Development (which provides community development support through field offices). The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative and the National Rural Development Partnership.

The rural development titles of past farm bills have supported local business development and expansion and the physical infrastructure of rural areas, e.g., subsidies for housing, electricity, telephones, water and waste disposal, and community facilities. More recently, policymakers have pushed for programs that support innovative and alternative industry development, and enhanced telecommunications access, as well as new funding mechanisms. Pressure for such alternatives has continued as policymakers recognize the implications for rural areas of the changing structure of agriculture. Local investment strategies, notably value-added agriculture – e.g., regional food processing plants, ethanol cooperatives, organic farming, "eco-labeled" production – are also being promoted by many in the farm sector.

In addition to agriculturally related development opportunities, a broad range of rural development loans and grants are directed at the provision of physical infrastructure (e.g., water and waste water facilities), small business and cooperative development, rural electrical utilities, and housing. The Rural Community Advancement Fund, authorized by the 1996 farm bill, consolidates 13 business and infrastructure programs into a more streamlined package to better tailor programs to the diversity of needs in rural areas. Other programs address emerging needs in providing telecommunications technology. Many of these non-agriculture programs address the distinctive economic limitations of rural areas, e.g., poverty, lack of investment capital, the high cost of providing public services.

Provisions as Enacted. CBO estimates the bill's new direct budget authority for rural development at $870 million over 6 years. The final bill retained many new rural development programs and initiatives in the Senate and House bills while reducing the programs' levels of mandatory authorization. The final bill reduced the House direct authorization amount by $305 million and the Senate direct authorization amount by $841 million. A portion of this reduction reflects repeal of the Fund for Rural America.

---

[9] CRS contact: (name redacted), 7-.....

Neither the Rural Endowment Program nor the Rural Entrepreneurs and Microenterprise Assistance Program authorized in the Senate version is retained in the final bill. Although the National Rural Cooperative and Business Equity Fund was also deleted in the final bill, a Rural Strategic Investment Program is authorized.

Direct Spending Authorizations

Major rural development provisions funded through direct (mandatory) spending under the bill follow:

- The Rural Strategic Investment Fund establishes a National Board on Rural America that will provide $100 million in planning grants to certified Regional Investment Boards;
- The Rural Business Investment Program provides $100 million in loan guarantees and subsidies to form Rural Business Investment corporations that will make equity investments to small firms. The program will be administered through the Small Business Administration;
- Enhanced Access to Broadband Service to Rural Areas provides $100 million in grants and loans;
- Rural Local Television Broadcast Signal Loan Guarantees authorizes $80 million under the Launching Our Communities' Access to Local Television Act of 2000;
- Value-added Agriculture Market Development Grants provide $40 million to independent producers and producer-owned enterprises; 5% set-aside for organic production. $15 million of this funding is earmarked for 10 new Agriculture Innovation Centers for technical assistance to value-added agricultural businesses;
- The Rural America Infrastructure Development Account authorizes one-time mandatory funding of pending water and waste water applications at $360 million;
- Rural Firefighters and Emergency Personnel Grant Program provides funding to train emergency personnel.

Discretionary Spending Authorizations

The bill also authorizes a number of programs where funding is classified as discretionary and will have to be provided through the annual USDA appropriations bill. The final measure:

- Reauthorizes the Rural Community Advancement Program and eliminates its national reserve account;
- Provides grants to non-profit organizations to construct or refurbish individually-owned household water well systems for low and moderate-income households;
- Removes the current authorization level of $590 million on water and waste disposal grants;
- Provides $100 million in water and waste facility loans and grants for Native American Tribes;
- Establishes a grant program for Multijurisdictional Regional Planning Organizations;

- Creates a new Rural Telework Centers program;
- Establishes a Historic Barn Preservation Program;
- Provides a 10% set-aside for child care facilities under the Rural Community Advancement Program's (RCAP) Community Facilities account;
- Authorizes $51 million for new SEARCH grants to provide technical assistance to very small communities in meeting environmental goals;
- Establishes the Northern Great Plains Regional Authority and provides $30 million in authorization; reauthorizes and makes changes to the Delta Regional Authority.

Other Provisions

The new measure also:

- Provides a generalized definition of rural area for future rural development programs;
- Repeals the Venture Capital Demonstration Program;
- Repeals the Fund for Rural America;
- Repeals the Alternative Agricultural Research and Commercialization Corporation;
- Makes Empowerment Zones and Enterprise Communities eligible for community facility loans and grants without consideration of RHS statutory requirements;
- Modifies Business and Industry Loans to allow loans to value-added cooperatives not located in rural areas;
- Provides telephone loans to state and local governments and other public entities to expand 911 access;
- Authorizes the National Rural Development Partnership;
- Creates an intergovernmental rural policy working group.

For More Information.

- CRS Report RL31172, *The Changing Structure of Agriculture and Rural America: Emerging Opportunities and Challenges*.

Agricultural Research, Extension, and Education (Title VII)[10]

Background/Issues. Title VIII of the 1996 farm bill authorized USDA's agricultural research, extension, and education programs and modified public agricultural research policy. Also, a research-related provision in the rural development title of the 1996 Act authorized a competitive grants program (the Fund for Rural America) to support rural development projects and rural-focus research projects. Although not subsequently fully funded by appropriators, the Fund marked a significant change in that federal money for the program ($100 million annually for 3 years, of which roughly one-third was for research grants) was to be transferred directly to USDA from the U.S. Treasury instead of being appropriated.

---

[10] CRS contact: Jean Rawson, 7-.....

In 1998 Congress passed separate legislation superseding Title VIII of the 1996 farm bill, making several significant reforms and reauthorizing USDA's research, extension, and education programs through 2002. The Agricultural Research, Extension, and Education Reform Act of 1998 (P.L. 105-185) extended the new provisions contained in the 1996 farm bill (including the Fund for Rural America) and adopted additional policy changes to: (1) require greater accountability for program relevance and merit on the part of institutions receiving federal funds; (2) increase the funding authority for multi-state research projects; (3) phase in a matching funds requirement for the 1890 (historically black) colleges; and, (4) authorize several new research programs. Of the latter, the most significant is a 5-year, $600 million Initiative for Future Agriculture and Food Systems, a competitive grants program intended to promote cutting-edge research in the areas of genomics, biotechnology, food safety, new uses for agricultural products, natural resource management, and farm profitability. Congress authorized funding for the program – $120 million annually – to come directly from savings in mandatory spending stemming from reforms made in the food stamp program in 1997.

In part because of difficulties in obtaining consistent financing for the innovative funding mechanisms authorized in the 1996 farm bill and the 1998 research reform law (the Fund for Rural America and the Initiative for Future Agriculture and Food Systems), a primary research policy issue in the recent farm bill debate was funding. In June 2001, a bipartisan group of 49 House members, including 24 from the House Agriculture Committee, wrote to Agriculture and Appropriations Committee leaders urging that a portion of the budget increase set aside for agriculture be used to double the funding for research programs over the next 5 years, including $500 million in the coming year. In addition, the September 11, 2001 terrorist attacks prompted many lawmakers to call for additional security for federal and state research facilities, and for increased research on agriculture and food protection.

Provisions as Enacted. The final bill among other things:

- Permits the annual appropriation through FY2007 of such sums as are necessary for research at the state agricultural experiment stations and the Cooperative Extension System (currently limited to $850 million and $420 million, respectively);
- Permits the annual appropriation through FY2007 of such sums as are necessary to support the endowment for the 1994 (tribally controlled) land grant institutions; increases the annual payment to each 1994 Institution from $50,000 to $100,000; and makes the 1994 schools eligible for competitive grants under the Integrated Activities program of CSREES;
- Gradually increases the state matching funds requirement for the 1890 (historically black) land grant colleges to 100% over 5 years (with authority for the Secretary of Agriculture to waive some of the match requirement under certain conditions); and raises the minimum amount that can be appropriated for research and extension at the 1890 schools to a fixed percentage of the amounts appropriated for 1862 schools (15% for research; 25% for extension);

- Reauthorizes the Initiative for Future Agriculture and Food Systems, with funds gradually increasing to $200 million annually by FY2006 and FY2007; and encourages grants under the Initiative to support minority-serving institutions, rural economic development and several other priority issue areas;
- Authorizes appropriations for grants to schools in the U.S. Territories (renamed "insular areas" for the purposes of Title VII) to support distance education and teaching programs at insular area land grant schools;
- Creates a special authority for appropriations to support biosecurity preparedness and response;
- Provides a one-time allocation of $8 million in FY2002 in CCC funds to support the activities of Girl Scout, Boy Scout, Future Farmers of America, and 4-H groups in rural areas, with appropriations authorized in subsequent years;
- Establishes a program to make grants to colleges, agencies or organizations that can provide training, education, and technical assistance to beginning farmers and ranchers.

Other Provisions (Titles VIII, IX, and X)

Competition Issues.[11] The issue of competition and market structure in agriculture continued to generate interest, and several attempts were made to address the issue in the farm bill. The House bill contained two provisions (added as floor amendments) that would have: created an interagency task force to study the issue; and authorized appropriations to enhance the ability of USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) to address the issue.

An earlier version of the farm bill proffered by the Senate Agriculture Committee chairman (S. 1628) contained a competition title that was removed during committee markup. The competition title contained provisions to: establish within USDA a special counsel for competition matters; require a report on corporate structure for companies with sales of $100 million or more; set standards/safeguards in contracting; and, extend GIPSA oversight to the poultry industry. The Senate-passed farm bill did contain provisions to: remove mandatory arbitration clauses from livestock contracts, and allow for dispute settlement through other legal means in addition to arbitration.

Among the more contentious conference issues was a Senate-passed ban on packer ownership or control (to such an extent that the producer is no longer "materially participating" in the production) of livestock for more than 14 days prior to slaughter. Conferees did not include this ban in the final bill.

The final bill as enacted contains (in Title X) two Senate provisions to: (1) extend, to swine production contracts, GIPSA authority to protect producers from unfair and deceptive business practices (such GIPSA authority was already in place for broiler farmers who grow under contract and livestock producers who sell in cash markets rather than through contracts); and (2) allow contract producers to discuss

[11] CRS contact: (name redacted), 7-.....

the contract with advisors and enforcement agencies even if the contract contains a confidentiality clause.

Forestry.[12] The House and Senate bills both contained forestry titles (Title VIII in each). The conference agreed to several provisions (discussed below), but many were deleted. Both bills would have authorized "stewardship end result contracts," where the Forest Service could require timber purchasers to reduce wildfire fuel levels, and grants to biomass-to-energy facility operators "to offset the costs incurred to purchase" potentially hazardous wildfire fuels; however, differences between the House and Senate versions could not be resolved, and the provisions were deleted in the conference. The Senate version also would have created several new programs: forestry cooperatives grants; help to states with watershed issues on nonfederal lands; a Chesapeake Bay Watershed Forestry Program; a Suburban and Community Forestry and Open Space Initiative; an Office of Tribal Relations and Assistance to Tribal Governments; a research and treatment program for Sudden Oak Death Syndrome; and an Adaptive Ecosystem Restoration Program for Arizona and New Mexico. These Senate provisions were deleted in the conference.

A new forest landowner assistance program was enacted. The Forest Land Enhancement Program assists planning and implementing sustainable forestry practices on private forestlands (with $100 million in mandatory spending over 5 years), replacing the existing Forestry Incentives and Stewardship Incentives Programs. It generally follows the House version; the Senate version would have added a new sustainable forest management program (with $48 million annually in mandatory appropriations) to the existing programs. However, many of the program's provisions in the Senate version were either added to the bill or replaced comparable provisions from the House version. (See CRS Report RL31065, *Forestry Assistance Programs*.)

The forestry title also authorizes a new program to assist local governments in fighting wildfires; reauthorizes the Forest Service's Office of International Forestry; and reauthorizes the Renewable Resources Extension Act and double the authorized funding for forestry extension.

Energy.[13] The Senate approved a new energy title creating a variety of competitive grant and/or loan programs targeted at conversion of biomass to fuels and chemicals, development of renewable energy, improvements in agricultural energy efficiency, and development of hydrogen and fuel cell technologies for farm applications. In addition, the title would require the federal government to purchase bio-based products, if available. The House bill included some comparable energy-related provisions, but in other titles.

The conference committee maintained, in a new Title IX, most of the provisions of the Senate version, but at reduced funding levels. The conferees also added funding for the Commodity Credit Corporation Bioenergy Program, which pays biofuels (mainly ethanol and biodiesel) producers who expand their production capacity. Under the final bill, mandatory spending on energy programs increases by

---

[12] CRS contact: Ross Gorte, 7-.....

[13] CRS contact: Brent Yacobucci, 7-.....

$366 million between FY2002 and FY2006, and by $450 million through FY2011, according to CBO.

Miscellaneous.[14] The final bill, reflecting both the House and Senate bills, provides for increased authorized funding for the outreach program for socially disadvantaged farms, from $10 million to $25 million per year. While House and Senate bills proposed making it illegal to buy, sell, transfer, or drag non-ambulatory ("downer") animals, the enacted measure only provides for the Secretary to prepare a report and to issue regulations on humane treatment of "downers." The enacted bill, like the House and Senate bills, makes it illegal, in certain instances, to transport animals across state lines (or for export) for participation in animal fighting ventures.

Other sections in the miscellaneous title (Title X) of the enacted bill include: explicit authority for the Secretary of Agriculture to provide economic and disaster assistance to livestock and dairy producers, subject to appropriations; and an increase in Section 32 carryover authority from $300 million to $500 million annually.

Conferees did not include a Senate approved provision in the commodities title (Title I) of the final bill that would have provided $2.4 billion in new "disaster" assistance, including $1.8 billion for 2001 crop losses, and $500 million for livestock producers for calendar year 2001 losses in a county that received an emergency designation. However, the final bill retains the Senate provision for providing $94 million in 2000 crop market loss assistance for apple producers. Examples of the many other miscellaneous provisions in the final bill, most located in Title X, include:

- Overhaul of virtually all animal health protection laws administered by USDA's Animal and Plant Health Inspection Service, in order to consolidate and update them;
- Creation of a national organic certification cost-share program;
- A new farmer's market promotion program;
- A new Assistant Secretary of Agriculture for Civil Rights;
- Establishment of a Food Safety Commission;
- An amendment to the definition of 'animal' under the Animal Welfare Act to exclude some animals used in laboratory studies;
- A program for public education regarding the use of biotechnology in agriculture; and,
- Stiffer criminal penalties for violations of the Plant Protection Act of 2000.

[14] CRS contact: Alex Segarra, 7-.....

Appendix A. Selected Arguments for and Against the New Bill

These selected pro and con arguments, organized topically, were among those offered by various lawmakers as they debated final passage of the measure. In relating these points, CRS does not attempt to support or refute their factual basis and, of course, takes no position on any legislative option.

Economic Impact on Farmers

Pro: The measure is critically needed now because of continuing severe problems in the farm sector, including: the lowest real net cash farm income since the Great Depression; the 5^{th} straight year of low prices for major crops (in some cases record lows); and high production costs. Without the measure, farm income will decline well below the levels of the past 6 years, causing plunging land values and threatening the viability of many rural lenders.

Con: This measure will have the perverse effect of worsening, not improving, farmers' financial situation. The higher subsidies inflate land values, adding to production costs and more specifically making it more expensive to rent land (and 42% of U.S. farmers are renters). Subsidies stimulate overproduction – causing farm prices to decline. The combination of higher production costs and lower prices squeezes net farm incomes.

Market Orientation

Pro: The measure maintains the market-oriented features of the 1996 farm law. Farmers will have the flexibility to plant virtually any agricultural crop (with the exception of most fruits and vegetables); there are no supply controls such as set-asides and USDA-managed stocks. Thus, the measure's support features are not dependent on government-imposed planting rules, and therefore will have minimal impacts on market prices and production decisions.

Con: Rather than market-oriented, the measure maintains the commodity-oriented policies of the past, where most subsidies are pegged to the prices of specified crops, and skewed toward those who produced them in the past. Moreover, because the more a producer has grown, the more he or she is entitled to receive – the reason why 2/3 of farm subsidies have gone (and will likely continue to go) to 10% of U.S. farmers – large farmers will be in an even better financial position to become larger, swallowing more traditional, small and medium-sized operations.

Regional Balance

Pro: The measure is one of the most balanced in years. For example, negotiators were able to win the support of most dairy regions in the country. Growers of both southern and northern tier crops were equally satisfied with the benefits, and various provisions address the needs of America's fruit and vegetable growers and of livestock producers as well.

Con: The biggest benefits will go to just a handful of states, largely in the upper Midwest, Plains, and South. According to one university analysis, 75% of all projected annual crop payments under the law will go to 13 states; over 40% will go to 5 states. Also, commodity program benefits are again focused primarily on the major row crops (e.g., corn, wheat, soybeans, cotton, etc).

Budget Impacts

Pro: The measure fully complies with the FY2002 Congressional Budget Resolution. This resolution provided for the expenditure, by the Agriculture Committees, of an additional $73.5 billion in mandatory farm bill spending (above the April 2001 baseline, over 10 years), and the Congressional Budget Office (CBO) officially has reported that the measure's additional cost will not exceed this.[15] Also, farm policies (which account for little more than one-half of 1% of the total U.S. budget) will cost no more per year under the 2002 farm bill than spending under the 1996 farm bill (when the cost of the annual emergency assistance packages is included).

Con: When the FY2002 Budget Resolution allowed $73.5 billion in additional spending, there was a projected budget surplus. In the wake of 9/11 and an economic slowdown, the federal budget is now in deficit. Re-estimates of spending since April 2001 show that costs will be higher. When the new spending – whether the $73.5 billion under last year's outdated estimates, or the $82.8 billion under the March 2002 CBO re-estimate – is added to existing spending, the actual cost of this new bill will be anywhere from $170 billion to $200 billion over 10 years (not counting the food stamp title), making it likely the most expensive farm bill in history.

Current Trade Obligations

Pro: The measure fully complies with U.S. trade obligations (which limit trade distorting U.S. farm subsidies to $19.1 billion per year). The measure was designed to provide much of the assistance in a non-trade distorting manner (e.g., fixed payments not based on current production; new conservation spending). To ensure that U.S. obligations are not breached, a "circuit breaker" provision requires the Secretary of Agriculture to reduce trade-distorting subsidies if it is determined that they will breach the $19.1 billion limit.

Con: This measure will cause the United States to violate its current trade obligations (one analysis estimates a one-in-five chance that the $19.1 billion cap will be breached, but other analysts contend that the likelihood may be much greater). The "circuit breaker" provision will be administratively and politically difficult to employ. Certain provisions considered "green," that is, not trade-distorting, in fact will be challenged before the World Trade Organization (WTO) by U.S. trading partners who believe they are "amber," that is, trade-distorting.

---

[15] The bill is a 6-year measure (2002-2007), but CBO has scored it over 10 years as well.

New Trade Negotiations

Pro: Although there are new subsidies, the bill places the United States in a stronger position, in the ongoing round of world trade negotiations, to negotiate future constraints on foreign farm supports. More specifically, the United States should not unilaterally cut its own support to U.S. farmers at a time when: agricultural tariffs throughout the world average 62%, compared with average U.S. agricultural tariffs of 12%. Moreover, the European Union (EU) is permitted to provide much higher subsidies to its farmers (overall EU support is more than three times as high as U.S. support). Furthermore, the EU accounts for some 90% of all agricultural export subsidies worldwide.

Con: The United States will have less, not more, trade negotiating clout. Many foreign leaders have already vehemently denounced the bill as highly trade distorting. Officials from Brazil, Australia, Canada, Mexico, the European Union, and developing nations, for example, now question the sincerity and credibility of the United States when it says it wants further reforms in global agricultural and trade policies. The bill: jeopardizes progress in current multilateral, bilateral, and regional discussions; undermines developing nation farmers trying to compete in global markets or simply to subsist; and, encourages other countries to increase their own subsidies just to keep pace with the United States.

Conservation

Pro: The measure calls for the largest investment in conservation in the history of recent farm bills – $17.1 billion in new money, or 80% more in total mandatory spending than would have been provided without the bill. Moreover, by putting more money into the protection of "working lands," the measure will make production agriculture more environmentally responsible – and result in more off-farm benefits (e.g., cleaner streams and ground water, etc.)

Con: The increase in conservation will be helpful, but more so for larger producers, who will be rewarded for environmental practices they should have in place already. Four times as much money will be spent on commodity price supports than on conservation under the new law. Had more money gone for conservation, subsidies could have been more equitably distributed to smaller-sized farms and ranches, to a more diverse array of crops, and to more regions of the country.

Rural Development

Pro: The new farm bill will help stimulate stagnant rural economies by increasing land values and shoring up the rural financial system. In addition to spreading farm payments through rural economies across America, the bill adds $820 million to innovative rural development projects and activities.

Con: The new farm bill diverts money from the needs of most rural economies to a few agricultural areas. Only a small percentage of rural (non-metro) counties have an agricultural base, and in those, few if any of the farm benefits stimulate good jobs or innovative economic enterprises with long term prospects for growth.

Need for New Legislation

Pro: The measure replaces the 1996 farm bill, which was set to expire in 2002. Failure to pass a bill now could have resulted in congressional gridlock as the 2002 elections approached – forcing a reversion to permanent farm laws passed in 1938 and 1949. These old laws mandate a strictly prescriptive, non-market-oriented, and highly costly policy.

Con: Farm state lawmakers deliberately keep these old laws on the books to force Congress to approve expensive new farm bills. In fact, Congress would never permit the old 1938 and 1949 laws to take effect, as indicated by the extension of the 1990 farm bill for an additional year when congress could not come to agreement on a new farm bill by the end of 1995.

Ad Hoc Assistance

Pro: The measure averts the need for yet another year of *ad hoc* emergency assistance bills, which Congress passed 4 previous years, providing over $30 billion. Another emergency bill would have been considered closer to the mid-term elections, when pressures to provide even greater levels of assistance likely would have prevailed.

Con: Another year of emergency *ad hoc* assistance would have been preferable to locking in 6 years of unpredictable spending, and such *ad hoc* assistance could have been implemented by USDA more quickly. Moreover, it was precisely election-year politics (i.e., the desire to improve the election prospects of farm state lawmakers) which brought pressure to enact such an overly generous 6-year bill.

Farm Bill Deliberations

Pro: The measure was carefully and transparently crafted, involving 2 years of deliberations, including over 50 hearings to receive the views of a diverse set of interests.

Con: Bill drafters focused on proposals by the big commodity interests, ultimately expanding outmoded and ultimately harmful policy tools rather than introducing innovative new policies, or better funding research and trade activities.

Appendix B. Chronology of Actions in the 107th Congress

House Agriculture Committee Hearings

January 31, 2001: To examine the final report of the Commission on 21st Century Production Agriculture.

February 14, 2001: On the current state of the farm economy and the economic impact of federal policy on agriculture.

February 15, 28, March 7, 8, 14, 15, 21, 22, 29, April 4, 5, 25, 26, May 2, 3, 2001: On the future of federal farm commodity programs.

April 3, 2001: (Subcommittee on Department Operations, Oversight, Nutrition, and Forestry) on USDA domestic food distribution programs.

May 22, 2001: (Subcommittee on Livestock and Horticulture) to review national dairy policy.

May 23, June 6, 2001: (Subcommittee on Conservation, Credit, Rural Development, and Research), on conservation programs.

June 12, 28, 2001: (Subcommittee on Department Operations, Oversight, Nutrition, and Forestry) to review forestry programs.

June 13, 2001: (Subcommittee on Specialty Crops and Foreign Agriculture) to review peanuts.

June 19, 2001: (Subcommittee on Livestock and Horticulture) to review fruits and vegetables.

June 20, 2001: (Subcommittee on Conservation, Credit, Rural Development, and Research) to review agricultural credit.

June 26, 2001: (Subcommittee on Conservation, Credit, Rural Development, and Research) to review rural development.

June 27, 2001: (Subcommittee on Conservation, Credit, Rural Development, and Research) to review research.

June 27, 2001: (Subcommittee on Department Operations, Oversight, Nutrition, and Forestry) on the food stamp program.

June 28, 2001: (Subcommittee on Specialty Crops and Foreign Agriculture) to review foreign trade programs.

July 17, 18, 19, 2001: To review a draft farm bill.

Senate Agriculture Committee Hearings

January 30, 2001: To review the final report of the Commission on 21st Century Production Agriculture.

February 28, March 1, July 31, 2001: To review the state of current and proposed farm bill conservation programs.

March 24, 2001: Field hearings in Iowa to discuss the future farm bill and related agricultural and rural development issues.

March 27, 2001: To review the research title of the farm bill.

April 25, 2001: To review the trade title of the farm bill.

May 16, 2001: To review the credit title of the farm bill.

June 28, 2001: To review major farm bill issue areas.

July 12, 17, 2001: To receive farm bill testimony from agricultural commodity interests.

July 19, 2001: To elicit suggestions for the domestic nutrition title of the farm bill.

July 24, 2001: To discuss livestock issues for the farm bill.

August 2, 2001: To discuss rural development issues for the new farm bill.

August 4, 13, 18, 20, 27, October 27, 2001: Field hearings in Minnesota, Michigan, Georgia, Iowa, and Idaho on the farm bill.

House Legislative Actions

May 9, 2001: House agrees to the conference report (H.Rept. 107-60) for the FY2002 budget resolution (H.Con.Res. 83), which guides federal spending and revenue for the next 10 years. The resolution sets the fiscal parameter for next farm bill by providing room for an additional $73.5 billion (above baseline, FY2002-2011) for mandatory farm commodity support and related spending.

July 26, 2001: House Agriculture Chairman Combest introduces the Agricultural Act of 2001 (H.R. 2646), which becomes the main farm bill reauthorization vehicle.

July 26, 27, 2001: House Agriculture Committee formally marks up H.R. 2646, agreeing by voice vote to report it.

August 2, 2001: H.R. 2646, now titled the Farm Security Act of 2001, is reported (H.Rept. 107-191, Part 1).

August 31, 2001: House Agriculture Committee issues a supplemental report on H.R. 2646 (H.Rept. 107-191, Part 2).

September 6, 2001: House International Relations Committee, where H.R. 2646 was sequentially referred, amends the trade title (Title III) and agrees by voice vote to report the bill (H.Rept. 107-191, Part 3).

October 2, 2001: House Rules Committee reports H. Res. 248, providing for consideration of H.R. 2646, including new text in the nature of a substitute to be used for considering floor amendments (H.Rept. 107-226).

October 3, 4, 5, 2001: Full House debates and amends H.R. 2646.

October 5, 2001: Full House passes H.R. 2646 by a vote of 291 to 120.

Senate Legislative Actions

May 10, 2001: Senate agrees to the conference report (H.Rept. 107-60) for the FY2002 budget resolution (H.Con.Res. 83), effectively permitting an additional $73.5 billion in new mandatory spending (above baseline) for farm and related programs over FY2002-2011.

October 31, November 6, 7, 8, 13, 14, 15, 2001: Senate Agriculture Committee formally marks up a new farm bill.

November 15, 2001: Senate Agriculture Committee agrees by voice vote to report an original farm bill, the Agriculture, Conservation, and Rural Enhancement Act of 2001 (S. 1731).

December 7, 2001: Senate Agriculture Committee reports the original bill (S. 1731; S.Rept. 107-117).

December 10, 11, 12, 13, 14, 17, 18, 19, 2001, February 6, 7, 8, 11, 12, 13, 2002: Full Senate debates and amends S. 1731.

December 11, 2001: Amendment (SA 2471) in the nature of a substitute is introduced by Senators Daschle and Harkin to be the vehicle for amendments during floor action on S. 1731.

February 13, 2002: After adopting by voice vote the substitute amendment (SA 2471), as amended, and then substituting its own bill language, Senate passes H.R. 2646, by a vote of 58 to 40.

Conference/Final Actions

March 13, April 9, 10, 11, 2002: Formal House-Senate conference meetings are held to resolve farm bill differences.

April 10, 18, 23, 24, 2002: House passes four different motions to instruct its farm bill conferees to agree to various Senate provisions.

May 1, 2002: House and Senate conferees agree to file a conference report on H.R. 2646, now named the Farm Security and Rural Investment Act of 2002 (H.Rept. 107-424).

May 2, 2002: House agrees to the conference report by a vote of 280 to 141.

May 8, 2002: Senate agrees to the conference report by a vote of 64 to 35, clearing the measure for the President.

May 13, 2002: President signs the farm bill into law (P.L. 107-171).

Appendix C. Side-by-Side Comparison of Prior and New Law (Selected Provisions)

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
Wheat, Corn, Grain Sorghum, Barley, Oats, Upland Cotton, Rice, Soybeans, Minor Oilseeds (Contract Crops)	
Farmers who participated in the wheat, corn, barley, grain sorghum, oats, upland cotton, and rice programs in any one of the years 1991-95 could enter into 7-year *production flexibility contracts* (PFC) for 1996-2002. Each producer received a fixed, decoupled per-unit payment rate (e.g., per bushel) for each contract commodity; the rate was determined annually by a statutory formula. Former effective 2002 payment rates shown in table 3.	Direct payments again are available in 2002-2007 for eligible producers of crops of wheat, corn, barley, grain sorghum, oats, upland cotton, and rice – and newly available for soybeans, other oilseeds, and peanuts. (See peanut provisions; below). Fixed, decoupled payments at rates shown in table 3, page 10.
Target prices and target price deficiency payments linked to farm acreage requirements, which had existed from 1974 through 1995, were eliminated by the 1996 farm law.	Authorizes new counter-cyclical deficiency payments (*not* linked to farm acreage requirements) that make up the difference between a crop's average market price plus the fixed decoupled payment, and its "target price" (see table, page 11), tied to each unit (e.g., bushel, pound) produced (2002-2007).
Eligible farm's "payment quantity," for direct payment purposes, equal to 85% of its contract acreage (generally 1991-95 average acreage) times its program yield (generally frozen at 1986 program levels) for that commodity.	Fixed decoupled payments and counter-cyclical payments are calculated at 85% of each farm's base acres and crop yields as set in 1996 act; producers can update bases. For counter-cyclical payments only, those who update bases can also update yields.
All wheat, corn, barley, grain sorghum, oats, upland cotton, and rice produced on PFC farms eligible for marketing assistance loans and loan deficiency payments (LDPs); non-PFC farm production not eligible. All soybean or oilseed production eligible regardless of PFC participation. See table 5 for former 2002 rates.	Marketing assistance loans and loan deficiency payments (LDPs) continue through 2007 crop, generally at higher rates than currently (see table 5, page 11). Participation in the direct payment program no longer a requirement for loan eligibility.
Payment Limits	
Annual per-person payment limits for above crops: $40,000 for PFC payments (matching emergency market loss payments paid	Beginning with *2003 crops*, annual limits of $40,000 for fixed payments; plus, $65,000 for counter-cyclical payments; plus,

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
over several recent years effectively doubled this limit); $75,000 on marketing loan gains and loan deficiency payments for one or more contract commodities or oilseeds (the supplemental farm legislation also increased limits on marketing loan gains, to $150,000 for 1999, 2000, and 2001). Moreover: producers have been able to effectively double payment limits due to rules permitting payments to be received for multiple farm operations ("3-entity rule"); plus, use of USDA commodity certificates (in lieu of cash) virtually uncaps marketing loan gains.	$75,000 for marketing loan gains (however, no limit on gains from any commodity certificates issued by USDA). "Three-entity" rule retained. Farm program participation restricted to those with less than $2.5 million per year in adjusted gross income (3-year average), unless more than 75% of it is from agriculture. (Peanuts subject to separate payment limits.)
Flexibility to plant most crops (except most fruits & vegetables) on base acres; no USDA annual acreage control or supply management authority.	Continues flexibility to plant most crops (except fruits, vegetables, & wild rice) on base acres; no USDA annual acreage control or supply management authority.
Peanuts	
National poundage quota set (and allocated among quota holders) to reflect projected domestic demand for edible peanuts. All peanuts produced above quota limits must be exported or crushed into oil and meal.	Poundage quotas are ended; quota holder compensation set at $220/ton/year for 5 years.
No direct Production Flexibility Contract payments.	Authorizes new direct, decoupled fixed annual payments of $36 per ton, and new counter-cyclical payments based on target price of $495/ton, for 1998-2001 producers.
Quota peanuts supported through nonrecourse loans at $610/ton; additionals (nonquota peanuts) supported at 2001 level of $132/ton.	Nonrecourse marketing loan rate is $355/ton for all peanuts produced.
Sugar	
Supported through nonrecourse loans of 18¢/lb.(raw cane) and 22.9¢/lb. (refined beet). No provision mandating the program not result in net federal costs. Marketing assessment on books; loan forfeiture penalty of 1¢/lb. on raw cane sugar (and equivalent amount for beet) effectively reduced support level.	Nonrecourse loans remain at 18¢/lb.(raw cane) and 22.9¢/lb. (refined beet) continue. No-net-cost rule is re-established. Marketing assessment and loan forfeiture penalty are both eliminated, effectively raising the effective support level.
Authority to impose marketing allotments on domestic production was suspended.	Authorized are: marketing allotments, to avoid loan forfeitures; and acreage reduction in exchange for CCC-owned sugar.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
Dairy	
Indirect support of the farm price of milk at statutorily-set level of $9.90 per 100 lbs. (cwt.), through USDA purchases of surplus cheese, butter, and nonfat dry milk.	Price support through commodity purchases is continued at current level of $9.90/cwt. through 2007.
No authorization for such payments. However, the new payment program modeled after the Northeast dairy compact (authorized by the 1996 farm bill and expired in 2001) and ad-hoc market loss payments to all dairy farmers (authorized by various supplementals for 1998, 1999 and 2000).	Authorizes a new 3-1/2-year National Dairy Program providing payment each month equal to 45% of difference between $16.94/cwt. and Boston Class I (fluid use) price (when lower than $16.94); individual dairy farmer payments are made on up to 2.4 million lbs. of annual production.
Wool, Mohair, Honey	
Permanent authority for support ended in 1996, but temporary loan authority was included in several of the subsequent emergency farm assistance packages.	Authorizes marketing loans and LDPs: graded wool, $1/lb.; nongraded wool, 40¢/lb.; mohair, $4.20/lb; honey, 60¢/lb.
Dry Peas, Lentils, Chickpeas	
No support provisions.	Authorizes marketing loans and LDPs: dry peas, $6.33/cwt. in 2002-03 & $6.22 in 2004-07; lentils, $11.94/cwt. in 2002-03 & $11.72 in 2004-07; small chickpeas, $7.56/cwt. in 2002-03 & $7.43 in 2004-07.
Other Commodities	
Section 32 (of Agricultural Adjustment Act of 1935) provides permanent funding for activities to increase demand and provide outlets for U.S. agricultural commodities. This authority is used by USDA to purchase surplus agricultural commodities, both planned and "contingency,"(i.e., unanticipated) purchases, among other things. The law has limited, to $300 million per year, the unused contingency funds that USDA may carry over (to the next fiscal year).	Increases Section 32 carryover authority, to $500 million; requires that not less than $200 million in Section 32 funds annually purchase fruits, vegetables, other specialty crops, of which $50 million is for fresh fruits and vegetables for schools through Defense Department Fresh Program.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
Trade-Related Domestic Subsidy Limits	
No provision related to 1994 Uruguay Round Agreement on Agriculture (URAA) domestic subsidy limits.	If the Secretary determines that commodity program expenditures subject to URAA domestic subsidy limits will exceed allowable levels, the Secretary shall, to the maximum extent feasible, make adjustments in such expenditures to ensure they remain within limits. Prior to such actions, a report to Congress is required on such a determination and extent of such adjustments.
Conservation	
The conservation reserve program (CRP) provides annual rental payments and cost-share assistance to farmers who contract to plant conserving crops like grasses and trees on environmentally sensitive land (current law specifies priority areas). Contracts were for 10 to 15 years. Maximum CRP acreage capped at 36.4 million acres nationally. Also allows enrollment of farmed wetland acres in the CRP, under pilot program with enrollment of wetland and associated buffers limited to a total of 500,000 acres in 6 states.	Increases CRP acreage cap to 39.2 million acres. Retains priority areas. Extends farmable wetland program to all states and increases enrollment cap to 1 million acres (part of overall CRP acreage cap).
Wetlands reserve program (WRP) authorizes Secretary to purchase long-term or permanent easements and provide cost sharing to producers who agree to restore wetland on agricultural land; national acreage was capped at 1.075 million acres.	Reauthorizes WRP; increases acreage cap to 2.275 million acres; permits 250,000 acres to be enrolled annually.
Environmental quality incentives program (EQIP) provides technical assistance, cost-share and incentive payments, to crop and livestock producers for environmental improvements. Funded through CCC at $200 million annually. Priority areas specified. At least 50% of funds for livestock activities.	EQIP is gradually increased up to reach a $1.3 billion annual funding level through CCC by FY2007. Priority areas are eliminated. Funds are split at 60% for livestock and 40% for crop producers. Funds a new ground and surface water conservation program, and a new matching grants program for innovative approaches to conservation.
Wildlife habitat incentives program (WHIP) provides cost-sharing contracts (generally 5-10 years) for development and improvement of wildlife habitat; *total* of $50 million authorized under CRP through FY2000. Farmland protection program (FPP) helps to fund	Reauthorizes WHIP, gradually increasing *annual* funding to $85 million. Reauthorizes FPP, gradually increasing *annual* funding to $125 million annually.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
purchases of long-term easements against development of productive farmland; *total* of $35 million in CCC funds authorized through FY2002.	
No comparable provisions.	Creates a new 2 million-acre grasslands reserve program, with CCC funds of up to $254 million over FY2003-2007. Program is divided (40%/60%) between agreements of 10, 15, or 20 years; and, agreements and easements for 30 years and permanent easements.
Small watershed rehabilitation program funds modernization and reconstruction of aging small impoundments constructed over past 50 years. Appropriation authorized in 2000 at $5 million for 2001, and up to $35 million for 2005.	Provides, over 6 years, total of $275 million for small watershed rehabilitation program.
No comparable provisions.	Creates a new conservation security program providing incentive payments to all farmers who adopt and maintain specified conservation practices on working lands.
Export Programs	
Both the market access program (MAP) and foreign market development cooperator program (FMDP) help exporters (mainly nonprofit industry trade associations) finance promotional activities overseas. Required (mandatory) funding for MAP of not more than $90 million yearly in CCC funds through FY2002. FMDP statutory authority (at such sums as necessary) through FY2002; funding has been $28 million per year.	Reauthorizes MAP, with funding at $100 million in FY2002, $110 million in FY2003, $125 million in FY2004, $140 million in FY2005, and $200 million in FY2006 and subsequent years. Reauthorizes FMDP with funding at $34.5 million annually through FY2007. For funding increases under both programs, USDA must give equal consideration to new trade associations and markets.
Export enhancement program (EEP) authorizes cash payments or CCC commodities as bonus subsidies to help exporters sell agricultural products (although not statutorily prescriptive, mainly wheat and other grains have used EEP) at more competitive prices in targeted foreign markets. CCC funding at up to $478 million per year through FY2002, although USDA has used EEP minimally in recent years.	Extends EEP through FY2007 at current levels.
Dairy export incentive program (DEIP) authorizes cash or CCC	Renews DEIP through FY2007 at current levels.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
commodities as bonus subsidies to help exporters sell specified dairy products at more competitive prices in targeted foreign markets. Authority through FY2002, with CCC funding to provide commodities to the maximum levels consistent with U.S. trade obligations.	
Authority for export credit guarantees (or GSM) through FY2002, where CCC guarantees commercial financing of not less than $5.5 billion annually of U.S. agricultural exports. Financing can be used for short-term credit (GSM-102) for up to 3 years; and, for long-term credit (GSM-103), for 3-10 years.	Reauthorizes CCC export credit guarantee programs through FY2007 at current levels.
Emerging markets program requires CCC through FY2002 to offer no less than $1 billion per year in direct credit, or credit guarantees, for exports to emerging markets (formerly emerging democracies).	Extends emerging markets program through FY2007 at current levels.
Food Aid	
P.L. 480, the Food for Peace program, seeks to combat hunger and encourage development overseas. Title I makes export credit available on concessional terms (e.g., low interest rates for up to 30 years); Title II authorizes donations for emergency food aid and non-emergency humanitarian assistance. Authority to enter into new P.L. 480 agreements (which are funded mainly through annual appropriations) is through FY2002. Title II annual spending cap of $1 million, and minimum level of commodities set at 2.025 annually. $10 million but not more than $28 million of Title II funding per year provided for transportation, storage and handling.	Reauthorizes Food for Peace through FY2007, eliminate annual $1 billion cap on Title II spending, increases minimum level of commodities to 2.5 MMT per year, funds transportation, storage and handling at between 5% and 10% of annual Title II funding, and makes other program changes.
Clinton Administration initiated a pilot global food for education initiative committing USDA to provide up to $300 million (under Section 416 authority) for commodities and transportation costs for school and pre-school nutrition projects and related activities in developing countries.	Authorizes President to establish "McGovern-Dole International Food for Education and Child Nutrition Program," with CCC funding mandated at $100 million in FY2003; subject to annual appropriations in FY2004-2007.
Food for progress (FFP) program, authorized through FY2002, provides commodities to support countries that have committed to	Reauthorizes FFP through FY2007, increases funding caps for the program, and sets minimum annual tonnages at 400,000 MT,

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
expand free enterprise in their agricultural economies; commodities may be provided under Title I of P.L. 480 or Section 416(b) authorities, or using CCC funds.	among other program changes.
Other Trade Provisions	
Various trade agreements discipline countries' use of sanitary and phytosanitary (SPS) and other technical barriers to trade, used by countries to protect their consumers, agricultural and natural resources. USDA agencies, the U.S. Trade Representative, and other federal agencies have established mechanisms for identifying such barriers and attempting to resolve disputes over them.	Requires USDA to establish Technical Assistance for Specialty Crops program, using $2 million annually in CCC resources through FY2007, to provide project support to address SPS and related barriers to exports of U.S. specialty crops. Also establishes a Biotechnology and Agricultural Trade Program, using technical assistance and project grants, to remove, resolve, or mitigate significant regulatory nontariff barriers to U.S. exports involving: agricultural commodities produced through biotechnology; food safety; disease; or other SPS concerns, with appropriations authorized at $6 million annually through FY2007.
Most imports, including many food items, must bear labels informing the final purchaser of their country of origin. However, certain "natural products" including fresh fruits, vegetables, nuts, live and dead animals (e.g., meats), and fish, among others, generally not subject to the requirement at the final point of sale.	Creates a program for retailers (food service establishments are exempted) to provide country of origin information to consumers of perishable fruits and vegetables, peanuts, fresh beef, lamb, and pork, and farm-raised and wild fish/shellfish. The program is voluntary for retailers for the first 2 years, and mandatory thereafter.
Food Stamp Program	
The food stamp program provides low-income households with monthly coupons or electronic benefits cards to supplement their food buying resources. Program was modified and reauthorized through FY2002 as a part of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), the welfare reform legislation that also reduced the level of the maximum food stamp benefits, limited income deductions, restricted eligibility for many legal immigrants, and imposed time limits for able-bodied adults without dependents.	Reauthorizes food stamp program. Structural changes – with total costs roughly halfway between the House and Senate measures – include: expanded eligibility for non-citizens (40% of the cost); increased benefits for larger households; extensive state options to conform food stamp rules to other assistance programs, simplify program operations, and enhance client access; "transitional" benefits for those leaving cash welfare; a new "quality control" system with eased penalties on states; and a new system of high performance bonuses to states.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
Other Nutrition Programs	
The emergency food assistance program (TEFAP) provides funding to assist with the costs of storing and distributing surplus commodities, among other things. Puerto Rico and American Samoa receive Federal food assistance through separate block grant programs. The commodity supplemental food program (CSFP) funds monthly food packages consisting of USDA commodities for low-income pregnant and postpartum mothers and young children, and for those over 60. USDA commodities are purchased for distribution on Indian reservations, various child nutrition, and other domestic feeding programs.	Reauthorizes TEFAP, nutrition assistance for Puerto Rico and American Samoa, the CSFP, and nutrition assistance on Indian reservations. Adds funding for TEFAP, Puerto Rico, American Samoa, commodity purchases for child nutrition programs, farmers' markets for seniors, and women, infants, and children (WIC), and farmers' markets.
Credit	
The Consolidated Farm and Rural Development Act (P.L. 87-128), as amended, provides permanent authority for all farm loan programs within USDA's Farm Service Agency(FSA). FSA provides direct and guaranteed loans to family farmers unable to qualify for commercial loans. Current law offers certain preferences to beginning farmers.	Provides greater access to USDA farm credit programs for beginning farmers and ranchers. Increases percentage that USDA may lend for down payment loans and extends duration of these loans; establishes pilot program to encourage beginning farmers to be able to purchase farms on a land contract basis.
The 1996 farm bill tightened eligibility requirements for FSA farm loans. Some of this tightening was reversed or loosened by provisions in the Agricultural Risk Protection Act of 2000 (P.L. 106-224), including a waiver through 2002 of a restriction on the number of years a borrower can be a customer of FSA.	Farm loan eligibility rules are loosened to make more borrowers eligible for federal credit programs, including allowing: 2 additional years of eligibility for loans once a borrower has reached maximum number of years of eligibility; new loans for borrowers with one-time debt forgiveness if delinquency was caused by a natural disaster; and, emergency loans for plant and animal quarantines.
The 1996 farm bill authorized funding levels for FSA direct and guaranteed farm loan programs. Actual annual funding levels are determined in the annual agriculture appropriations act, and supplemental funding is made available periodically .	Establishes authorized funding levels for USDA farm loan programs for the next five years (FY2003-2007).
The Agricultural Credit Act of 1987 (P.L. 100-233) requires certain delinquent FSA farmer borrowers who have had debt written off to	Secretary may modify a recapture loan on which a payment has become delinquent; modified loan may not exceed 25 years and

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
share with USDA a portion of any appreciation in real estate that served as collateral for the loan. Recapture loans have been made available by USDA to allow borrowers to gradually repay USDA for its share of appreciation.	may not reduce outstanding principal or unpaid interest.
The Farm Credit System (FCS) is a confederation of lending institutions and associations that makes loans available primarily to agriculture. FCS is chartered by the Farm Credit Act of 1971 (P.L. 92-181), as amended , but is cooperatively owned and operated by its member-borrowers.	Some changes in FCS authorities, such as authorizing CoBank (an FCS institution) to finance facilities for storage and handling in foreign countries that purchase U.S. farm products.
Rural Development	
The 1996 farm law created the Fund for Rural America, a mandatory program to supplement rural development funding. It was extended to FY2002 in 1998.	Provides $870 million in mandatory authorizations, FY2002-2007, for new programs. The Fund for Rural America is not extended. Other programs and initiatives are authorized and subject to annual discretionary appropriations.
The 1996 farm law created the Rural Community Advancement Program (RCAP) with three accounts (Community Facilities, Rural Utilities, and a Secretary's discretionary account) to provide funding flexibility at the State and local levels. Distance Learning and Telemedicine program were reauthorized.	Most new rural development initiatives are retained, e.g., value-added agriculture, broadband services, rural and regional planning, although funded at lower levels. RCAP is reauthorized, but the National Reserve Account and the Rural Capital Demonstration Program are eliminated.
Research	
The National Agricultural Research, Extension, and Teaching Policy Act (NARETPA) of 1977 authorizes $850 million annually for agricultural research and $420 million annually for state cooperative extension programs at land grant universities through FY2002.	Reauthorizes university research and state cooperative extension programs at such sums as may be necessary through FY2007.
The Agricultural Research, Extension, and Education Reform Act of 1998 authorizes the transfer of $120 million annually in FY1999-2002 from the U.S. Treasury for a competitive grants program on critical emerging issues and high-priority research.	Reauthorizes Initiative for Future Agriculture and Food Systems at $120 million annually in FY2003, $140 million in FY2004, $160 million in FY2005 and at $200 million in FY2006 and 2007; adds rural economic, business and community development policy to the list of priority research areas.
NARETPA authorizes the appropriation of such sums as necessary	Increases funding for research programs at the 1890 colleges by

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
for research programs, and establishes a 6% minimum (of appropriation for 1862 schools) for extension programs at 1890 colleges; requires 50% state matching funds.	raising the minimum annual appropriation to 25%, and for extension programs to 15%, of the amount appropriated for the 1862 schools; increases the state matching fund requirement to 100% by FY2007.
The Equity in Educational Land Grant Status Act of 1994 authorizes $4.6 million annually in appropriations for an endowment fund, $1.7 million annually for capacity-building grants, and $50,000 in annual payments to each college through FY2002.	Allows annual appropriation of such sums as may be necessary for the 1994 endowment fund and capacity-building grants, and doubles the annual payments to each college.
NARETPA defines some U.S. Territories as states for the purposes of acts authorizing federal funding to support research, extension, and teaching programs at land grant institutions located there; requires 50% matching funds in FY2002.	Redefines U.S. Territories eligible for federal research and extension funds as "insular areas," and creates new authority for grants to agriculture colleges in those areas to strengthen teaching programs and for distance education; extends the 50% matching fund requirement through FY2007.
No authority currently exists specifically for funding for upgrading the biosecurity of federal and land grant laboratories; general authority exists for high priority research and extension initiatives.	Authorizes such sums as may be necessary for a competitive grants program to construct and upgrade security at public college and university facilities conducting counterterrorism research; authorizes such sums as necessary for research and extension activities to improve bioterrorism prevention, preparedness, and response through FY2007.
Forestry	
Forestry Incentives and Stewardship Incentives Programs (SIP) are similar cost-sharing programs for private landowners, with a wider range of activities authorized under SIP; SIP was permanently authorized, and both have authorized funding "as needed." Existing wildfire protection programs assist states or volunteer fire departments, both with authorized funding "as needed."	Replaces Forestry Incentives and Stewardship Incentive Programs with a Forest Land Enhancement Program, funded at $100 million (through expiration), with some modifications in purposes and practices. Authorizes new program to assist local governments in fighting wildfires.
Forest Service international forestry programs are permanently authorized; only authority for Office of International Forestry expires. Renewable Resources Extension Act authorizes up to $15 million/year for information, education to private landowners.	Reauthorizes Forest Service (FS) Office of International Forestry, and Renewable Resources Extension; doubles forestry extension funding authorization.

Prior Law or Policy	New Law (P.L. 107-171, Farm Security and Rural Investment Act of 2002)
Competition; Anti-Trust Policy	
No comparable provisions.	Provides growers with swine production contracts the same statutory protections as livestock sellers and poultry growers. Clarifies that livestock and poultry producers can discuss contracts with state and federal agencies and others having a fiduciary or familial relationship.
Miscellaneous Provisions	
The CCC Bioenergy Program is a 2-year program to provide grants to bioenergy producers who purchase agricultural commodities to expand production of biodiesel and fuel grade ethanol. The Consolidated Farm and Rural Development Act allows loans and loan guarantees for installation of solar energy systems. Biomass Research and Development Act provides competitive funding for R&D on biofuels and other biobased chemicals and products.	New energy title: extends the CCC Bioenergy Program and provides mandatory funding; establishes new programs for federal purchases of bio-based products and education on biodiesel fuel benefits; establishes new and expanded loan and grant programs to assist farmers in purchasing renewable energy systems and improving energy efficiency; reauthorizes, funds Biomass Research and Development Act through FY2007.
USDA provides funding to State Departments of Agriculture for activities that encourage direct marketing from farmers to consumers by means of farmers' markets (Farmer-to-Consumer Direct Marketing Act of 1976, as amended by P.L. 106–580). The Federal Organic Foods Production Act of 1990 (P.L. 101-624) authorized USDA to establish an organic certification program for producers and handlers of organic agricultural products.	Authorizes a farmers' market promotion program. Creates national organic certification cost-share program.
USDA's Animal and Plant Health Inspection Service (APHIS) has been responsible for implementing over 20 separate animal health protection statutes with authorities for import and export quarantine inspections, emergency eradication programs, interstate commerce regulations, and law enforcement.	Consolidates and updates animal health protection laws administered by APHIS.
1990 farm law (P.L.101-624) authorizes $10 million/year to assist socially disadvantaged farmers/ranchers to own and operate farms and ranches, and participate in agricultural programs that strengthen the rural economy. USDA's Assistant Secretary for Administration, Office of Outreach implements the program.	Increases appropriation authorization for the outreach program for socially disadvantaged farms, from $10 million to $25 million per year. Creates new Assistant Secretary of Agriculture for Civil Rights.