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THE 2002 FARM BILL: A STEP FORWARD OR A STEP BACKWARD?

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President Bush signed the Farm Security and Rural Investment Act of 2002 , referred to as FSRIA or the 2002 Farm Act, on May 13, 2002. Many U.S. Congressmen and farm group leaders argue that it is a major improvement over the Federal Agricultural Improvement Act of 1996 (the FAIR Act or the 1996 Farm Act) it replaced, providing a more adequate safety net for farm families and more funding of conservation measures (ASA). However, many critics have asserted that it is foolish domestic policy and that it will have dire consequences for U.S. trade policy. It has been called lavish, protectionist and backward-looking. Foreign governments and industries have attacked the Act as a reversal of course that makes the U.S. a hypocrite in pressing for trade liberalization. Picking up on this theme, a recent news article portrayed the 2002 Farm Act as a way of perpetuating subsidies to wealthy American farmers at the direct expense of low-income producers in developing countries (Thurow). The 2002 Farm Act has clearly attracted the ire of many within the U.S., as well as those from other countries.

The 2002 Farm Act has ten titles and covers a wide range of topics, more than one should attempt to discuss in one paper, and more than any listener can endure in one sitting. (See Table 1.) Only three of the titles are discussed in this paper. The initial section focuses on Title I, Commodity Programs, the title that is of greatest concern to commodity groups and the critics of the Act. Much of the criticism leveled at the 2002 Farm Act concerns the amount of subsidy authorized for producers. I will contrast the government expenditures under the Fair Act with the estimated expenditures for the 2002 Farm Act. This comparison shows that the estimated expenditures for the 2002 Farm Act are larger than those authorized by the FAIR Act, but they are less than the actual expenditures provided by the FAIR Act and the emergency assistance bills over the 1998 to 2001 period. The next two sections discusses Title II, Conservation, and Title VI, Rural Development, two of the titles that are less controversial and that have received broader support. While expenditures on these two titles are larger than in the FAIR Act, the 2002 Farm Act did not place as much emphasis on these areas as ways of raising incomes in rural areas as many advocated. The final section discusses some preliminary thoughts about the challenges of meeting the WTO obligations.

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Changes in Commodity Policy and Implications For Government Spending

The FAIR Act

The FAIR Act was passed in 1996, a time of relatively short world supplies and high prices for the major agricultural commodities. With this access to markets at favorable prices, American producers argued for planting flexibility and less intervention in planting decisions. In response Congress passed an act that eliminated annual acreage reduction and paid diversion programs. It allowed producers flexibility to plant any combination of crops, except fruits and vegetables, with no reduction in the fixed payments they would receive.

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The FAIR Act specified two types of subsidy payments, **fixed payments** tied to historic bases and allotments, and **marketing assistance** (price support) **loans**. The **fixed payments** were paid on 85% of historic bases and 1981-85 average yields. These payments were independent of current market prices and plantings of wheat, feedgrains, cotton and rice on the farm. The annual payment rate was scheduled to decline over the life of the Act, and some advocates even argued that subsidies would end after 2002. The Act also authorized **marketing assistance** or price support **loans**, and loan deficiency payments. Marketing assistance loans were available on the current year's production of wheat, feedgrains, cotton rice, soybeans and minor oilseeds. To keep the government from getting into the commodity storage business, loan deficiency payments were made available when market prices were lower than commodity loan rates, where the amount of the deficiency payment amounted to the difference between the commodity loan rate and the producer's loan repayment rate. For some commodities, producers who had taken out a marketing assistance loan could repay it at prevailing market prices, resulting in marketing loan gains. The method used, loan deficiency payments or repaying the loan at a lower price, affected the cash flow during the year, but the net effect on the average price farmers received was essentially the same. The FAIR Act insured that producers could receive a price greater than or equal to the loan rate for their total production of the covered crops.

The Fair Act imposed payment limitations of $40,000 per person per year for fixed payments and $75,000 for the combination of loan deficiency payments and marketing loan gains. Supplemental legislation increased the limit for loan deficiency payments and marketing loan gains to $150,000 for 1999, 2000, and 2001. Under the three entity rule, a farmer could receive full payments on one operation and up to half payments on up to two additional operations, essentially doubling the payment limits per person.

Farmers had to agree to the following conditions to be eligible for the fixed payments and price support loans for the covered crops: 1) comply with the conservation requirements for the farm, 2) comply with the wetland provisions for the farm, 3) keep contract acres in agricultural uses, and 4) meet certain crop insurance requirements. In return the farmers were assured of a safety net at the level of the fixed payment plus a price for the supported commodities at the commodity loan price level.

As we moved from 1996 to 1997 and 1998, world production levels of the major commodities increased and world prices declined. We experienced several successive years of record and near record world production of feedgrains, wheat and oilseeds. Loan deficiency payments and marketing loan payments made up the difference between the local price and the loan rate for U.S. farmers, and the government cost of the FAIR Act increased (Table 2). However, farmers and those representing them argued that the safety net was insufficient, and that disaster payments were needed. By 1998 the U.S. Congress found it did not have the political will to maintain the discipline of the FAIR Act. For 4 successive years Congress supplemented the FAIR Act with emergency assistance, primarily market loss assistance payments, that increased the fixed payments per farm by 50% in 1998 and by larger multiples in 1999, 2000, and 2001 (Table2). As the fixed payments legislated in the FAIR Act declined, the emergency assistance payments became a larger part of the total direct payments to farmers. By 2001, many in Congress were advocating that a new farm program was needed and that it should be put into effect for the 2002 crop year. Congress failed to pass the new Act until early May, somewhat late for 2002 planting decisions, but it is in effect for the 2002 crop.

Many economists felt that moving away from the rigidities of the earlier farm bills to the FAIR Act was a move in the right direction, shifting to decoupled payments and having the fixed payments decline over time. They and other policy analysts were disappointed when Congress funded emergency assistance for 1998, 1999, 2000, and 2001. They may argue that Congress was guilty of "bowing to the pressure of political special interests" when it provided funding for the emergency assistance. However, farmers are more likely to view this action as Congress valiantly stepping in to restore the safety net under farm incomes.

The 2002 Farm Act

The 2002 Farm Act carries forward several policies of the FAIR Act without substantial changes. Producers must comply with the conservation provisions to be eligible to participate in the benefits of the Act. The new act maintains complete planting flexibility, except for fruits and vegetables, and does not impose production controls or provide for paid diversion of cropland.

The new act provides for three types of subsidy payments for the major crops. They are **fixed payments**, **marketing assistance loans** and loan deficiency payments, and **counter-cyclical income support payments**. Some changes have been made in the implementation of each type of payment, as summarized below.

The **fixed payments** are continued at somewhat higher levels than the 2002 payment rates prescribed for the FAIR Act (Table 3). The new Act continues to provide fixed payments for wheat, feedgrains, cotton, and rice, and adds fixed payments for soybeans, minor oilseeds and peanuts. U.S. farmers have not had an allotment or base for soybeans and minor oilseeds, so a base must be established for the farm to participate in the program. Farmers have two options to establish their base. They may keep the same base they had under FAIR for corn and other crops, and add the average acres of soybeans planted and prevented planting for the past four years (1998 - 2001). The second alternative is to update their base of all crops to the average plantings and prevented plantings for the last four years (1998-2001). In each method, the total base acres may not exceed the total cropland acres on the farm. The yield levels used to calculate the fixed payment remains at the historic level for the farm.

The economic impact of the fixed payment arrangement in the 2002 Farm Act is similar to the fixed payments under the FAIR Act. The fixed payments are not tied to current year acreage, yield or price of the crop on the farm. These payments increase farm income, and likely lead to slightly higher production. The U.S. will argue that these are decoupled payments. However, the broad authorization to update bases in the 2002 Act may encourage farmers to maintain and increase acreage of certain crops in anticipation of opportunities to update bases in the future.

Marketing assistance loan rates are increased for most crops and decreased for soybeans (Table 3). The new act expands marketing assistance loans by adding them for peanuts, wool, mohair, and honey. Loan rates are fixed in the legislation. The mechanics of obtaining benefits of the commodity assistance loan are similar to the 1996 Act. Farmers can take out the loan and forfeit the crop as repayment, they can repay the loan at the stated (lower) price when prices are below the loan rate resulting in a marketing loan gain, or they can accept a loan deficiency payment for the difference between the local price and the loan rate.

What are the economic implications of marketing assistance loans? During periods of low prices marketing loans create incentives to produce crops eligible for loan payments. During periods of more favorable expected prices, the assurance of a minimum price at the loan level is expected to increase production on farms operated by risk averse operators. The Economic Research Service has found that most of the cross-commodity effect occurs in years when there are marketing loan benefits, with little effect in subsequent years (ERS/USDA). The 2002 Farm Act raises loan rates for wheat and feedgrains and lowers them for soybeans and oilseeds. This is expected to shift plantings to feedgrains and wheat.

The 2002 Farm Act added a third type of payment, **counter-cyclical income support payments**. These payments were added to replace most of the emergency market loss assistance payments provided during 1998 -2001.The crops covered are the same as for the fixed payments, wheat, feedgrains, cotton, rice, soybeans, minor oilseeds, and peanuts. The payments are available on the same historic base acres as the farmer selects for fixed payments, and they will be paid whenever the effective price is less than the target price. The payment for a crop on the farm is the payment rate times the payment acres times the payment yield.

Payment rate = target price - direct payment rate - (the higher of commodity price or loan rate)

The payment acres are 85% of the base acres for the crop.

The program yields are either the historic yields used for fixed payments, or an updated yield based on the 1998 - 2001 average yield.

Counter Cyclical payments will clearly support and stabilize farm income when commodity prices are less than target prices, so farmers planting crops will not be responding entirely to market signals. Since payments may be linked to updated production bases and yields, farmers may expect future benefits to be linked to production over 2002 - 2007. This would affect current production decisions.

Space does not permit much coverage of dairy, sugar and peanuts. Here is a thumb nail sketch of changes in the dairy program. The FAIR Act was scheduled to reduce the price support for milk over time and to terminate it after December 31, 1999. However, industry interests convinced Congress to extend the price support at $9.90 per cwt. through 2002. The 2002 Farm Act continues a price support of $9.90 per cwt. for all milk over the life of the Act. In addition, the Act authorizes a counter-cyclical payment of 45% of the difference between the Boston class I price and $16.94 per cwt. Payments are made on up to 2.4 million pounds (approximately 110 to 130 cows), per farm.

The 2002 Farm Bill includes payment limitations per person per crop year. They are $40,000 for fixed payments, $65,000 for loan deficiency payments and market gains, and $75,000 for counter cyclical payments. As in the FAIR Act, one person can receive full payments on one farm and 1/2 of the payments on two additional entities in which they have an interest each year. So the upper limit for the person maximizing all payments is commonly considered to be $360,000 per year.

What is the cost of the 2002 Farm Bill estimated to be and how does the estimated cost compare to expenditures under the FAIR Act? Wide ranging estimates have been quoted in the press and almost all of these estimates have been based on one source, the Congressional Budget Office (CBO) scoring of the Act. One reason the estimates have differed is that the early estimates were based on the 2001 projections of future crop and livestock prices. A second baseline, released in March 2002, uses more current price and economic data. The estimates quoted in this paper are from the 2002 baseline and include the CBO estimates of the additional costs resulting from the Conference Committee provisions (Crippen May 6 letter to Tom Harkin). Other reasons the numbers quoted in the press differ are that some have quoted CBO estimates for 10 years (2002-2011), while others have quoted estimates for 6 years (2002-2007), some estimates have been for all titles and some for only parts of the Act. The estimates quoted in this paper are for the 2002 - 2007 period. Estimates are shown in Table 4 for all titles except Title V, Credit, which was not included in the CBO scoring.

Direct commodity program payments to farmers over the three- year period 1999 -2001 total $59, 647 million, an average of $19,882 million per year (Table2). Estimated government expenditures under title I for the next three years, 2002-2004 , are $53,410 million, an average of $17,803 million per year (Table 4). The estimated annual costs of title I decline in later years as the baseline predicts world prices will be higher. CBO's estimate of government costs for Title I total $98,926 million over the 2002-2007 life of the act (Table 4). Estimates prepared by the Food and Agricultural Policy Institute (FAPRI) are somewhat higher than the CBO estimates, totaling $56,543 million for the 2002-2004 period, an average of $18,843 million per year. Like CBO, however, the estimate is below the actual expenditure for the past three years.

Space does not permit going into a detailed analysis of the changes that occur in the national model that produces these estimates, but a few observations noted in the FAPRI report may be of particular interest. The area planted to the 9 major crops declined from 1996 to 2002 by more than 12 million acres. The projections suggest a modest increase in acres planted in 2003, but that the incentive to increase plantings in the future is largely offset by increases in the conservation reserve. It is interesting to note that both the CBO and FAPRI estimates indicate the spending on the counter-cyclical payments is estimated to be about the same as the emergency assistance program of recent years. The estimated payments under Title I include much higher payments for dairy than have been made in recent years. FAPRI estimates that 58.5% of the nations milk will be eligible for the counter-cyclical payments, which they expect to average about $1.00 per cwt. over the life of the Act.

Conservation Programs

The 2002 Farm Act expands programs that retire environmentally sensitive land from production. One of the important changes is that the new act places increased emphasis on programs that support conservation on land in production , including livestock operations.

Nearly all land retirement occurs through the provisions of the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP). The CRP offers annual payments and cost sharing to establish long-term cover on environmentally sensitive land. To participate, producers submit bids that specify the practices they propose to use and the annual rental payment and cost sharing to establish the practices they are willing to accept. Bids are ranked on environmental factors and cost. Contracts are for 10 to 15 years. The WRP provides cost sharing and/or long-term easements for restoration of wetlands on agricultural land. Wetlands can be restored under permanent easements, 30-year easements, or under 10-year agreements that provide only restoration cost sharing. Landowners retain land ownership and rights to recreational uses, such as hunting and fishing.

The acreage cap for CRP has been increased from 36.4 to 39. 2 million acres, and the WRP cap is increased from 1.075 to 2.275 million acres. A total of 34.9 million acres are currently enrolled in the two programs, suggesting that land retirement can be expanded 6.6 million acres. This represents about 19 percent of current enrollment, but only about 2 percent of harvested cropland. Given that the programs are voluntary, the supply and price effects of removing this land from production are expected to be quite small.

Sixty percent of the increase in conservation funding is being allocated to programs that support better environmental management on working land. The major programs funded are the Environmental Incentives Program (EQUIP), a new Conservation Security Program (CSP), and the Wildlife Habitat Incentive Program (WHIP). EQUIP provides technical assistance, cost sharing, and incentive payments to assist livestock and crop producers with conservation and environmental improvements, including nutrient management, livestock waste handling, conservation tillage, terraces, and filter strips. The 2002 Farm Act removes the 1000 animal unit limit on the maximum size of operation eligible for assistance under EQUIP. However, it does place a maximum limit of $450,000 per operation over the 6-year life of the act, providing some limit on the subsidies for large operations. While EQUIP will focus on livestock, CSP focuses on land-based practices. CSP offers a three levels of participation, increasing the number of options available with the intent of lowering the cost of delivering environmental benefits. The WHIP provides cost sharing to landowners and producers to develop and improve wildlife habitat.

Spending on conservation programs for the six-year period 1996 - 2001 totaled $10,402.1 million (Table2). Estimated expenditures for 2002 - 2007 under the 2002 Farm Act are $18,794 million, an 81percent increase. In addition to increasing land retirement as noted above, these expenditures may help livestock operations comply with Clean Water Act regulations governing animal waste management in large confinement operations, and with possible requirements (currently being formulated under the Clean Water Act) related to maximum daily loads for watersheds.

Rural Development

The 2002 Farm Act authorizes and funds multi-jurisdictional regional planning organizations in two specific regions, the northern Great Plains and the lower Mississippi Delta. The role of these organizations is to plan and implement comprehensive regional development strategies and to assist local governments and organizations involved in local development. Of greater significance, the Act continues funding for three main areas: 1) community facilities, 2) water and waste facilities, and 3) business assistance. For the first area, the Act authorizes funding for grants, and loans to assist communities to construct facilities and services to provide distance learning and tele-medicine services. It also provides grants, loans and loan guarantees for improving broadband telecommunication services in rural areas. The Act also authorizes a new rural electronic commerce extension program to expand and enhance e-commerce practices and technology for rural small businesses and enterprises.

For area 2, the Act authorizes grants, loans and loan guarantees to assist rural communities upgrade their water and waste facilities. The provisions include technical assistance for small (less than 3000 population) communities as well as for native American communities.

Under area 3, the Act authorizes loans and grants for the formation of rural businesses and cooperatives. In an effort to facilitate formation of venture capital for rural businesses, the Act also authorizes a program to guarantee the funds raised by companies that make equity investments in small rural businesses. The rules have been liberalized to allow value-added producers, firms, and cooperatives (including types of renewable energy systems) to participate in the loan programs. A small amount of funding also is included to train farm workers in new technologies required for higher value crops.

Estimated expenditures over the 2002 - 2007 period are $961 million. This represents an increase in funding for rural development, but not a major investment given the problems of rural areas. Proponents of value-added agricultural programs expect that locating these activities in rural areas will result in rural areas receiving a larger share of the jobs and income earned in the process of converting these products to consumer-ready products. Experience to date has been insufficient to determine if the grants provided are sufficient to develop a viable business and one that is sustainable over time. Thus a low level of investment in this area may be prudent. Providing assistance with upgrades in water systems, waste facilities, and broadband access, is important, but it only covers part of the services needed to enhance the quality of life in rural communities. Providing assistance to upgrade health care and child care, as well as other services may be justified. Incentives to encourage strategic planning and implementation of the plans at a regional level would seem to be a high priority in developing a more comprehensive program to foster regional and community development in rural areas.

The 2002 Farm Act and U.S. Trade Obligations

Many have questioned whether the 2002 Farm Act will violate the Uruguay Round Agreement on Agriculture (URAA). Many critics have argued the Act violates the spirit of the agreement, even if it does not violate the letter of the agreement. The URAA imposes obligations in three areas: market access, export competition, and domestic support. I will address each of the three more in terms of the letter of the agreement, and let the reader decide if they feel it violates the spirit of the URAA.

The 2002 Farm Act does not increase market access or raise tariffs. Burfisher notes that U.S. agricultural tariffs average 12%, compared to 21% for the European Union (EU), 24% for Canada, 33% in Japan, an average of 45% for all industrialized countries and 62% for all WTO members. Of course the average masks some restrictive import regimes. For the U.S. these are sugar, peanuts, dairy and a few other products. These products are of interest to U.S. trading partners, including developing countries.

The U.S. no longer uses the export enhancement program as it did in the 1980s, and there doesn't seem to be anything in the Act that violates the second obligation. Some have argued that marketing loans, which maintain price protection for farmers are a type of export subsidy, but that doesn't seem to fit the usual definition of the term. The European Union is the major user of export subsidies, not the U.S.

The major issue seems to be the amount of trade distorting support provided. Trade distorting domestic support is usually measured by comparing internal prices to world price. The total Aggregate Measure of Support (AMS) the U. S. agreed to in the Uruguay Round is currently $19.1 billion. This level is binding until a new agreement is reached. Programs deemed not to distort trade are placed in the "green box" and programs that distort are placed in the "amber box". However, "product specific" policy payments that do not exceed 5% of the value of the commodity to which it applies are *de minimis* and not counted. Non-product specific policies are also *de minimis* and not counted if their cumulative value is less than 5 % of the value of all agricultural production.

Consider the three types of payments under the 2002 Farm Act and consider whether they will contribute to the AMS. The fixed payments are similar in size and concept to the fixed payments under the FAIR Act. They are not tied to the current year acreage, yield or price of the crop on the farm. They seem to fulfill the requirement that they are not related to or based on the type or volume of production in any year after the base period.

Marketing loan gains and loan deficiency payments earned under the marketing assistance loan program clearly affect the net price the producer receives and must be considered as "product specific" amber box payments.

Counter-cyclical payments take the place of the market loss assistance program under the FAIR Act. USDA reasoned that the market loss payments under the FAIR Act were clearly unrelated to current production, but said they were implicitly related to current price since low prices prompted Congress to legislate the payments. Thus, the payments were considered in the "amber box"category. USDA categorized them as "non-product specific" because they were not tied to current production. This is important because the total "non-product specific" expenditures are not considered with the total for each crop, but with the total value of all crop and livestock production. As long as the total "non-product specific" payments do not exceed 5% of the total value (currently 5% of about $ 200 billion or $10 billion), this does not count in the calculation of the AMS.

Now consider the counter-cyclical payments under the 2002 Farm Act. They are clearly tied to the current price level, but are they product specific? The Counter-cyclical payments do not require planting the specific crop (say corn) to receive a counter-cyclical payment for the crop (corn). Following this line of reasoning, CCPs are not product specific and USDA is expected to classify them as "non-product specific"

Other countries may dispute the classification of counter-cyclical payments as "non-product specific amber box" payments. The URAA does not provide much guidance about what "product-specific" and "non-product specific" mean. Those who feel the payments should be classified as "product specific" may note that the payments are based solely on the price of the product. The per acre yields used to make the payment can be determined by 1998-2001 actual production. Furthermore, the vast majority of producers who receive CCP for a commodity are in fact growing the commodity, even though they are not required to do so. If the only criterion for product specificity is whether a payment is conditioned on, and made in proportion to, current production, the CCPs are non-product specific. But it is certainly plausible that another interpretation may emerge.

In the event CCPs are determined to be "product specific", they would generally exceed 5% of the value of production for the relevant crop, at least in years of low prices. In this event, CCPs will count toward the AMS in any year they exceed 5% of the value of the commodity produced.

The following estimates of the AMS for fiscal 2003 were presented by Randy Green based on the CBO estimates of government expenditures discussed earlier in this paper. These estimates are based on the same production and price assumptions used to prepare the CBO estimates in May.

The items of domestic support that are expected to be paid under the 2002 Farm Act and that will be included under the AMS are $ 4.5 billion of dairy price support payments, $0.25 billion of other dairy payments, $1.0 billion for the sugar program, $0.15 billion for loan deficiency payments on the new peanut program, and $7.8 billion of marketing loan gains and loan deficiency payments for other commodities. These estimated payments total $13.7 billion, well below the $19.1 billion limit. In the event the $4.6 billion of CCPs are included in the AMS, it would place the U.S. uncomfortably close to the limit. In the event prices turn out to be lower than expected, we could exceed the 19.1 billion limit rather easily. With the latest crop report and resulting price increases, it appears this is unlikely to be a problem for 2003, but when increased production and a return to lower prices occur in a future year, staying within the limit may be a challenge.

Summary

The Fair Act authorized two types of income support payments for the major commodities, fixed decoupled payments, and marketing assistance loans. These provided a lower safety net for commodity programs than was political acceptable, and Congress passed emergency legislation providing supplemental market loss assistance annually beginning in 1998. By 2001, many in Congress and members of farm commodity groups argued new legislation was needed that provides a higher safety net for farm income. The outcome of this discussion was passage of the 2002 Farm Act, which provides three types of payments. They are fixed payments (extended to include oilseeds), a marketing assistance loan program, and a new counter-cyclical payments program to replace the emergency market loss assistance. The estimated payments under the 2002 Act exceeds the level of expenditures authorized by the FAIR Act, but they do not exceed the combined expenditures of the FAIR Act and the supplemental programs the U.S. funded in recent years.

The conservation and rural development titles received a great deal of discussion during the debate on the legislation in the Senate, but the authorization, while increased significantly for the conservation title, is disappointing for both titles. The additional concern is that the 2002 Farm Act is just the authorizing legislation. The amounts appropriated for titles II and III may be less than the authorization.

The implications of the authorized expenditures for U.S. ability to meet its WTO obligations are not completely clear. The discussion in this paper suggests one major issue is how the counter-cyclical payments will be classified. If they are considered as "non-product specific" amber box payments, as the USDA is likely to propose, then the available analysis suggests the U.S. will have total AMS payments well under the $19.1 billion cap. If the counter-cyclical payments are classified as “product specific”, the challenge of staying within the limit will be much greater.

Does the 2002 Farm Act represent a step forward or a step backward? Commodity groups within the U.S. feel the higher safety net on price is a step in the right direction. Those interested in reducing trade distorting payments are likely to have a contrary view.

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Table 1: Farm Security and Rural Investment Act of 2002

- **Title I. Commodity Programs**
- **Title II. Conservation**
- **Title III. Trade**
- **Title IV. Nutrition Programs**
- **Title V. Credit**
- **Title VI. Rural Development**
- **Title VII. Research and Related Matters**
- **Title VIII. Forestry**
- **Title IX. Energy**
- **Title X. Miscellaneous**

Table 2: Direct Government Payments for United States 1996-2001

(Millions of Dollars)

	1996	1997	1998	1999	2000	2001
Fixed Payments	5,973.00	6,119.80	6,000.60	5,045.70	5,048.80	4,046.00
Marketing Loan Gains	-	-	171.1	895.5	1,127.1	1,000.0
Loan deficiency Payments	-	-	1,783.0	5,919.1	6,424.5	3,900.0
Emergencvy Assistance*	-	-	2,818.0	7,803.9	8,492.5	9,122.0
Miscellaneous **	(732.0)	(317.4)	132.5	355.4	188.8	278.0
Total Commodity Payments	5,241.0	5,802.4	10,905.2	20,019.6	21,281.7	18,346.0
Conservation	2,099.0	1,692.9	1,474.9	1,493.6	1,614.7	1,667.0
Total Direct Payments	7,340.0	7,495.3	12,380.1	21,513.2	22,896.4	20,013.0

* Includes payments from Emergency Assistance Legislation enacted October 1998, October 1999, June 2000, and August 2001.

**Miscellaneous programs and provisions vary from year to year.

Source: Agricultural Income and Finance Situation and Outlook Report, September 2001, p.17.

Table 3: Direct Payment Rates, Loan Rates and Target Prices for 1996 and 2002 Farm Acts							
	1996 Fair Act		2002 Farm Act				
Commodity	Direct Payment for 2002	Loan Rate	Direct Payment Rate	Loan Rate 02-03	04-07	Target Price 02-03	04-07
Corn (Bu)	$0.26	$1.89	$0.28	$1.98	$1.95	$2.60	2.63$
Wheat (Bu)	0.46	2.58	0.52	2.80	2.75	3.86	3.92
Soybeans (Bu)	-----	5.26	0.44	5.00	5.00	5.80	5.80
Grain Sorghum (Bu)			0.35	1.98	1.95	2.54	2.57
Barley (Bu)	0.202	1.65	0.24	1.88	1.85	2.21	2.24
Oats (Bu)	0.022	1.21	0.024	1.35	1.33	1.40	1.44
Cotton (Lb)			0.0667	0.52	0.52	0.724	.0724
Rice (Cwt)			2.35	6.50	6.50	10.50	10.50
Other Oilseeds (Lb)			0.008	0.096	0.093	0.098	0.101

Table 4. Estimated Cost of the 2002 Farm Bill, Direct Spending By Title*

	By Fiscal Year, in Millions of Dollars						Total
	2002	2003	2004	2005	2006	2007	2002-2007
Title I. Commodity Programs	15,863	19,340	18,207	16,567	15,070	13,879	98,926
Title II. Conservation	2,488	2,536	2,941	3,336	3,691	3,802	18,794
Title III. Trade	275	354	358	357	359	408	2,111
Title IV. Nutrition	22,704	24,676	24,656	25,086	25,832	26,629	149,583
Title VI. Rural Development	37	214	266	213	123	108	961
Title VII. Research	20	15	135	143	131	167	611
Title VIII. Forestry	2	10	17	20	20	18	87
Title IX. Energy	3	84	67	92	90	39	375
Title X. Miscellaneous	3,702	3,615	3,605	3,694	3,678	3,743	22,037
Total Direct Spending	45,094	50,844	50,252	49,508	48,994	48,793	293,485

*Dave Hull, Jim Langley and Greg Hinz, "March 2002 CBO Baseline for CCC & FCIC," CBO/BAD/NREC; Congressional Budget Office, "H.R.2646: Farm Security and Rural Investment Act of 2002 -- CBO Estimate of Direct Outlays," attached to letter from Dan L. Crippen, Director, to Honorable Tom Harkin, May 6, 2002.