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Abstract

The Federal Agriculture Improvement and Reform Act of 1996, signed into law in April, makes significant changes in long-standing U.S. agricultural policies. This report provides an item-by-item description and explanation of the Act, one that will guide agricultural programs from 1996-2002. The Act eliminates provisions for price-sensitive deficiency payments, provides for 7 years of predetermined direct payments to farmers, eliminates most acreage use restrictions, suspends the Farmer-Owned Reserve program, and eliminates dairy price support starting in the year 2000. Funds for commercial agricultural export programs are reduced. The conservation and wetland reserve programs are extended, and several new conservation programs are authorized. New rural development programs are authorized, including the Fund for Rural America. The Food Stamp Program and many research and extension programs are extended for 2 years. Farm credit and agricultural commodity promotion programs are modified by the Act.

Keywords: Commodity programs, farm legislation, direct payments, loan rates, marketing loans, production flexibility contracts, conservation, sodbuster, swampbuster, farm credit, agricultural trade, P.L. 480, export enhancement, food stamps, nutrition, rural development, agricultural promotion, research, extension.

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Table of Contents

	<i>Page</i>
Summary	iv
Introduction	1
<i>—Frederick J. Nelson and Lyle P. Schertz</i>	
Title I: Agricultural Market Transition Act	3
<i>—Linwood Hoffman</i> (coordinator of crops provisions)	
Subtitle A—Short title, Purpose, and Definition	4
<i>—Bryan Just</i>	
Subtitle B—Production Flexibility Contracts	5
<i>—Bryan Just</i>	
Subtitle C—Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments	9
<i>—Bryan Just and Leslie Meyer</i>	
Subtitle D—Other Commodities	
Chapter 1—Dairy	13
<i>—Richard Stillman</i>	
Chapter 2—Peanuts	17
<i>—Scott Sanford</i>	
Chapter 2—Sugar	20
<i>—Ron Lord</i>	
Subtitle E—Administration	22
<i>—Bryan Just and Linwood Hoffman</i>	
Subtitle F—Permanent Price Support Authority	24
<i>—Bryan Just and Linwood Hoffman</i>	
Subtitle G—Commission on 21st Century Production Agriculture	27
<i>—Linwood Hoffman</i>	
Subtitle H—Miscellaneous Commodity Provisions—Options Pilot Program, Crop Insurance, and Risk Management	28
<i>—Joy Harwood</i>	
Title II: Agricultural Trade	32
<i>—Karen Z. Ackerman</i>	
Title III: Conservation	43
<i>—C. Tim Osborn</i>	
Title IV: Nutrition Assistance	53
<i>—Victor Oliveira</i>	

	<i>Page</i>
Title V: Agricultural Promotion	56
— <i>Bruce H. Wright</i>	
Title VI: Credit	63
— <i>Steven R. Koenig</i>	
Title VII: Rural Development	71
— <i>Thomas D. Rowley</i>	
Title VIII: Research, Extension, and Education	78
— <i>Margot Anderson</i>	
Title IX: Miscellaneous	90
— <i>Kathryn L. Lipton</i>	
Appendix I: “1996 FAIR Act Frames Farm Policy for 7 Years,” Reprint from <i>Agriculture Outlook</i>, April 1996	97
— <i>Edwin Young and Dennis A. Shields</i>	
Appendix II: Glossary	116
— <i>Kathryn L. Lipton</i>	
Appendix III: Major Agricultural and Trade Legislation, 1933-96	128
— <i>Kathryn L. Lipton, and Susan L. Pollack</i>	
Appendix IV: Commodity Provisions Table, 1989-2002	139
— <i>Byran Just and Frederick J. Nelson</i>	
Index	145

Summary

The Federal Agriculture Improvement and Reform Act of 1996, signed into law in April, makes significant changes in long-standing U.S. agricultural policies. This report provides an item-by-item description and explanation of the Act, one that will guide agricultural programs from 1996-2002. The Act eliminates provisions for price-sensitive deficiency payments, provides for 7 years of predetermined direct payments to farmers, eliminates most acreage use restrictions, suspends the Farmer-Owned Reserve program, and eliminates dairy price support starting in the year 2000. Funds for commercial agricultural export programs are reduced. The conservation and wetland reserve programs are extended, and several new conservation programs are authorized. New rural development programs are authorized, including the Fund for Rural America. The Food Stamp Program and many research and extension programs are extended for 2 years. Farm credit and agricultural commodity promotion programs are modified by the Act.

Title I: The Agricultural Market Transition Act

The most significant program changes in the 1996 Act are in Title I, known as the Agricultural Market Transition Act (AMTA). The approach used for making direct payments to farmers has been radically changed. A series of predetermined annual contract payments will be made to producers and owners who participated in any 1991-95 programs (or who had certified program acreage) for wheat, feed grains, cotton, or rice under the previous law, and who agree to implement a Production Flexibility Contract (PFC). The 1996 Act eliminates established (target) prices, deficiency payments, and production adjustment programs. Restrictions on the use of cropland enrolled in commodity programs have been lifted, except for some involving fruits and vegetables.

Nonrecourse commodity loans and marketing loan provisions are continued in the 1996 Act for 1996-2002 crops. Minimum levels of commodity loan rates (except for rice) continue to be based on a moving average of recent past market prices, but they cannot exceed specified maximums set equal to their respective 1995 levels. The authority for providing marketing loan gains and loan deficiency payments is continued for wheat, feed grains, rice, oilseeds, and upland cotton; benefits of these provisions must be made avail-

able to producers if market prices fall below commodity loan rates. Beginning in the year 2000, a recourse loan program for dairy products must be initiated, and the current milk price support system based on government purchases of dairy products must be discontinued. The Federal Milk Marketing Order System is to be significantly revised through consolidation of orders.

Production Flexibility Contract Payments

The Secretary must offer to eligible landowners or producers with eligible cropland Production Flexibility Contracts (PFC) covering the 1996 through 2002 crops of wheat, feed grains, upland cotton, and rice (contract commodities). A one-time sign-up period was mandated for PFC's (later set as May 20, 1996, to August 1, 1996), with special exception made for land initially covered by a subsequently terminating Conservation Reserve Program (CRP) contract. PFC participants will be paid annual contract payments for 7 years. The total amount of these payments is \$35.6 billion over 7 fiscal years, with some adjustments for refunded payments for 1994 and 1995 crops. This amounts to an annual average of \$5.1 billion for fiscal years 1996-2002, 13 percent less than the average amount for the previous 7 fiscal years of \$5.8 billion.

The share of total payments for each of the commodities is stated in the Act. Each participant's share of total annual commodity payments in a year is equal to the product of their given contract acreage, their farm program yield, and the national per unit payment rate. This payment rate is the total amount made available for a commodity in a given fiscal year, divided by the sum of all payment production in the country (program yield times participating acreage). Payments do not depend on the level of current production or market prices.

Individual payment limitations generally continue as under previous law, but they have been lowered from \$50,000 per person per year for deficiency and diversion payments to \$40,000 per person per year for PFC payments. The limitation on marketing loan gains and loan deficiency payments is continued at \$75,000 per person per year.

Land is eligible to be enrolled in a PFC only if it could have had at least one crop acreage base established on

it for a 1996 crop of wheat, feed grains, upland cotton, or rice, if the commodity programs for 1995 had been extended for at least another year. Also eligible for a PFC is land that was covered by a CRP contract that was subsequently terminated—if it also had a crop acreage base history. To obtain PFC payments, participants must abide by conservation compliance, wetland, and planting flexibility requirements, and they must use contract acreage for agricultural or related activities. Contract commodities can be planted on any acreage, and any crop can be planted on contract acreage, except some restrictions apply to planting of fruits or vegetables on contract acreage.

Commodity Loans

The 1996 Act provides nonrecourse marketing assistance loans under the same general concepts applied to nonrecourse price support loans under the Agricultural Act of 1949 (the 1949 Act), as amended prior to the passage of the 1996 Act. Production of a contract commodity on land participating in a PFC is eligible for marketing assistance loans. All production of extra-long staple (ELS) cotton, soybeans, and minor oilseeds is eligible for loans. Minimum loan rates for all eligible commodities (loan commodities), except rice, are initially calculated as 85 percent of the simple average of market prices for the preceding 5-year period, excluding the years with the highest and lowest price. These calculated loan rates are then subject to established maximums, minimums, and conditional adjustments. The rice loan rate is fixed at \$6.50 per hundredweight for all years, 1996-2002. Rye and honey loan programs are not authorized by the 1996 Act and are no longer in effect. Tobacco loan programs continue, based on prior law, and they are not affected by the 1996 Act.

Loan rates are subject to statutory maximums of \$2.58 per bushel for wheat, \$1.89 per bushel for corn, \$0.5192 per pound for upland cotton, \$0.7965 per pound for ELS cotton, \$5.26 per bushel for soybeans, and \$0.093 per pound for minor oilseeds. Grain sorghum, barley, and oats loan rates continue to be set by the Secretary at levels that are fair and reasonable in relationship to the corn loan rates, as under previous law.

The minimum upland cotton loan rate continues to be \$0.50 per pound, and minimum loan rates are set for soybeans of \$4.92 per bushel and for minor oilseeds of \$0.087 per pound. Wheat and feed grains loan rates may be temporarily reduced by specified percentages,

if annual stock-use ratios are estimated to be within certain ranges.

The interest rate charged by the government on commodity loans shall be 1 percentage point higher than the rate determined by the previous formula that resulted in the rate being the rate charged the Commodity Credit Corporation (CCC) for funds obtained from the Treasury.

Marketing Loan Gains and Loan Deficiency Payments

For all loan commodities, except ELS cotton, the Secretary must use marketing loan repayment provisions that allow producers the option of repaying marketing assistance loans at levels below the original loan rate plus accrued interest. These provisions reduce the chance that commodities pledged as collateral for a marketing assistance loan will become the property of the government through loan forfeitures. Loan deficiency payments may also be made available for producers who forego obtaining a marketing assistance loan for which they are eligible. The payment rate for loan deficiency payments would be set at the rate needed to make the per unit benefit the same as received by producers who took out loans and repaid them at the marketing loan repayment rates. All producers seeking a commodity loan or loan deficiency payment must be in compliance with conservation and wetland requirements.

Permanent Price Support Authority

The 1996 Act suspended until 2002 or repealed certain so-called “permanent provisions” (those with no termination date) of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949. These permanent provisions would have been the basis for conducting agricultural commodity programs for all years after 1995, unless they were suspended or repealed at a later time.

Dairy

The dairy price support program is also to undergo substantial modification—but not until 2000. The price support level for milk is set at \$10.35 per hundredweight for 1996, and then reduced by \$0.15 per hundredweight per year to \$9.90 per hundredweight in 1999. The provision for a minimum support level for milk of \$10.10 per hundredweight is immediately repealed, along with provisions for assessments and

for increasing and decreasing support levels based on the estimated level of government purchases. Starting in the year 2000, the current system of supporting farm milk prices through government purchases of dairy products is to be discontinued. A system of recourse loans to processors of dairy products is to be initiated in 2000 to assist in the management of inventories; the loan rate will be fixed at \$9.90 per hundredweight. Also, by April 1999, the number of Federal milk marketing orders will be reduced from the current number of 34 to at least 10, but not more than 14.

Peanuts

The 1996 Act continues the two-tier price support program based on nonrecourse loans for quota peanuts and for additional peanuts for 1996 through 2002, with some significant modifications. The loan rate for quota peanuts shall be held constant from 1996 through 2002, at \$610 per ton—about 10 percent below the 1995 loan level. The loan rate level for additional peanuts must be set to ensure no losses by the CCC related to the loan program. Cost-of-production estimates no longer are used as a basis for increasing the support level, as they were pursuant to the Food, Agriculture, Conservation and Trade Act of 1990. The peanut program is further revised to reduce the chances of the CCC incurring costs due to peanut loan forfeitures. Such cost control can be accomplished by the CCC bringing quota peanut supply and demand into closer balance (the minimum quota is abolished), by increasing the assessments on quota and additional peanuts, and by increasing assessments on quota peanuts for specific area quota pools to cover losses in those pools.

Sugar

A loan program for sugar is authorized through 2002, with loan rates fixed at the 1995 levels for both beet and cane sugar. Loans may be recourse or nonrecourse, depending upon the import tariff-rate quota that is established. A 1-cent penalty must be paid to the CCC for any sugar that is forfeited under the nonrecourse loan program, thereby reducing the effective level of price support. Domestic marketing controls on sugar and crystalline fructose are suspended. Sugar marketing assessments are increased from slightly less than one-fifth of a cent per pound, to slightly over one-fourth of a cent per pound.

Other Title I Provisions

A new commission called the Commission on 21st Century Production Agriculture must complete a comprehensive review of effects of Title I of the 1996 Act, the future of production agriculture, and the appropriate role of the Federal Government in agriculture. Two reports from the Commission are to be submitted to Congress; one by June 1, 1998, and the other by January 1, 2001.

Risk management issues are addressed by the 1996 Act through provisions that call for educational programs to help producers learn about futures markets, insurance programs, and other risk management tools. A pilot program on futures and options markets may be implemented using CCC funds to determine if such risk management approaches can be helpful to producers. Modifications of the crop insurance program include: (1) changing methods of delivering catastrophic coverage (CAT), (2) eliminating mandatory linkage between crop insurance and other farm programs for producers who waive emergency crop loss assistance, (3) establishing an independent Office of Risk Management within the U.S. Department of Agriculture to supervise the Federal Crop Insurance Corporation and other activities of the Department, and (4) mandating a pilot revenue insurance program.

Title II: Agricultural Trade

Title II of the 1996 Act continues and modifies existing agricultural export programs through 2002. Funding for some commercial agricultural export programs is reduced. Changes to P.L. 83-480 international food assistance programs emphasize the program's market development objectives. Other changes allow programming of a wider range of commodities for food assistance and simplify procedures for administering the programs. The authority for the Food Security Wheat Reserve is repealed and a new Food Security Commodity Reserve established that includes authority to include corn, grain sorghum, and rice in the reserve.

The 1996 Act modifies commercial export programs. Product coverage is expanded for high-value products. Funding levels for the Export Enhancement Program and the Market Promotion Program (renamed the Market Access Program) are reduced. The 1996 Act also (1) revises the section of the Agricultural Trade

Act of 1978, as amended by the 1990 Act, that mandated the development of an export promotion strategy, (2) further protects producers from the adverse effects of trade embargoes, and (3) directs USDA to monitor other countries' implementation of Uruguay Round commitments.

Title III: Conservation

The conservation title amends the conservation compliance, sodbuster, and swampbuster provisions of the Food Security Act of 1985 to provide farmers with more flexibility to meet conservation requirements. Eligibility for crop insurance no longer depends on complying with conservation and wetland requirements. The CRP and the Wetland Reserve Program (WRP) are extended and several new programs are established to address other environmental protection goals. These new programs include the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program, the Flood Risk Reduction Program, a Farmland Protection Program, a Conservation Farm Option, and a Conservation of Private Grazing Lands initiative. A new National Natural Resource Conservation Foundation is also created as a nonprofit corporation to fund research, education, and demonstration projects related to conservation.

Title IV: Nutrition Assistance

The Nutrition Assistance Title of the 1996 Act authorizes several food programs to continue to operate as they have during the past several years, with a few minor changes. However, the largest of the programs, the Food Stamp Program, is authorized for only 2 more years (fiscal years 1996 and 1997). A new authorization provides start-up assistance for community food projects.

Title V: Agricultural Promotion

The agricultural promotion title sets forth a new approach to assessing, developing, financing, and carrying out commodity research and promotion programs. USDA can now begin the process of establishing such industry-financed programs without, as previously required, first obtaining authorization from Congress for a specific commodity's research and promotion program. The Act also calls for periodic independent evaluations of each commodity promotion program. In addition, the title authorizes three new specific promotion programs—for canola and rapeseed, kiwifruit, and popcorn.

Title VI: Credit

Title VI amends the Consolidated Farm and Rural Development Act, affecting the credit programs and lending policies of the Farm Service Agency (FSA), programs that were transferred from the Farmers Home Administration to the newly created FSA in 1994. The title places stricter limits on the eligibility to borrow from FSA farm credit programs and limits the purposes for which the loans may be used. To encourage graduation from FSA credit programs, stricter time limits on borrowing eligibility were adopted. Numerous provisions provide assistance to beginning farmers and ranchers, including the targeting of annual loan authorities. New debt restructuring rules attempt to increase the likelihood that debt restructuring will be successful and that costs associated with these actions will be reduced. These provisions impose new limits on debt forgiveness and the eligibility of borrowers for further loans if FSA discharges indebtedness. Streamlined rules for real inventory property management and sale greatly expedite the disposal of acquired property in an attempt to reduce costs. Loan servicing rules are changed.

Title VII: Rural Development

Title VII repeals and amends several provisions of previous legislation related to rural development. In addition, it creates new authority for several activities, notably the Rural Community Advancement Program (RCAP) and the Fund for Rural America. RCAP is a rural assistance delivery system similar to the Administration's Rural Performance Partnership Initiative that was proposed in the 1996 budget. Under RCAP, State Rural Development Directors will be able to mix, to a degree, funding streams to provide a more flexible package of assistance aimed at meeting local needs. Under the new Fund for Rural America, \$100 million of Treasury money is to be made available in 1997, 1998, and 1999 for a wide variety of rural development activities and applied research projects.

Title VIII: Research, Extension, and Education

The 1996 Act amends and extends for 2 years (fiscal years 1996 and 1997) the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA), relevant sections of the Food, Agriculture, Conservation and Trade Act of 1990 (the 1990 Act), and other related acts. The purposes of agricultural research, education, extension, and economics are

expanded. A new advisory and review board is formed to replace the previously existing ones. The Act also authorizes new research and clarifies and strengthens existing research, extension, and education programs. A task force is provided for by the 1996 Act to prepare a 10-year strategic plan for development, modernization, construction, consolidation, and/or closure of Federal agricultural facilities and of facilities proposed to be constructed with Federal funds.

Title IX: Miscellaneous

Title IX contains a variety of provisions largely independent of the other titles. The provisions

authorize the Secretary of Agriculture to conduct a range of activities. These activities include establishing guidelines for regulating the commercial transportation of equine for slaughter; making user fees available to cover the cost, without appropriation, of quarantine and inspection services for international passengers, aircraft, vessels, rail cars, and trucks; and creating a permanent advisory panel on meat and poultry inspection. The provisions also provide authorizations for continued operation of the Graduate School of the U.S. Department of Agriculture, disposal of excess Federal personal property, the sale and conveyance of specified land, and support for student intern programs.

Provisions of the Federal Agriculture Improvement and Reform Act of 1996

Introduction

Frederick J. Nelson and Lyle P. Schertz*

The Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Act) was approved by Congress in late March and signed by President Clinton on April 4, 1996 (Public Law 104-127; 7 United States Code 7201 et seq.). The 1996 Act provides a 7-year framework for the Secretary of Agriculture to administer agriculture and food programs from 1996 through 2002.

Historically, major legislation affecting agricultural programs (known as farm bills) has been enacted to mandate how programs would be carried out during a specified period of time. Federal agricultural commodity programs have their earliest origins in laws passed more than 60 years ago. These laws include the Agricultural Adjustment Act of 1933, the Agricultural Adjustment Act of 1935, the Soil Conservation and Domestic Allotment Act of 1936, and the Agricultural Marketing Agreement Act of 1937. In the absence of new legislation authorizing commodity programs whenever current programs expire, program provisions revert to those contained in the so-called permanent provisions first established by the Agricultural Adjustment Act of 1938 and the Agriculture Act of 1949. These two acts, as amended over time, are considered to contain “permanent” provisions, because such provisions have no termination dates. The 1996 Act, as have prior agricultural acts, suspends many of

these basic permanent statutory authorities for a specific period of time. The 1996 Act also repeals two permanent provisions.

A number of significant changes in commodity programs will result from provisions of the 1996 Act, including a complete revision and simplification of direct payment programs for crops, elimination of most supply controls, elimination of milk price supports through direct government purchases of dairy products, and the consolidation of milk marketing orders used to administer a nationwide system of classified pricing for milk. Other provisions of the 1996 Act extend, modify, and establish various priorities, procedures, and options for administering programs related to commodities, nutrition, rural development, conservation, farm credit, agricultural trade, research, and generic commodity promotion.

Some of the dollar amounts referred to in the 1996 Act are authorized funding levels for various programs. Such discretionary programs may not be implemented unless money is subsequently appropriated for them. Some other provisions of the 1996 Act refer to the Commodity Credit Corporation (CCC) as the funding source (commodity payment and loan provisions and conservation reserve payments provisions, for example). For these CCC-funded mandatory programs, specific appropriations by Congress are not required for their implementation.

*The authors are agricultural economists with the Commercial Agriculture Division, Economic Research Service, USDA.

Compared with the last major farm bill—the Food, Agriculture, Conservation, and Trade Act of 1990—the new act covers the same broad range of topics, but contains fewer separate titles (9 instead of 25) and requires half as many printed pages. The reason for the smaller number of titles is that commodity and crop insurance provisions were combined into one title with several subtitles, instead of having one title for each commodity, as before. Not as many extensive changes were made in the 1996 Act as before in some program areas, because other legislation was enacted in 1994–96. This prior legislation included provisions affecting farm credit, crop insurance, poultry labeling, export incentives, perishable commodities, trade agreements, wool and mohair programs, and food stamps (see legislative history in Appendix III). There currently are no program provisions in effect for rye, wool, mohair, or honey. The tobacco support programs are continued by prior legislation and are not affected by the 1996 Act.

The “Secretary” referred to throughout the text of this report is the Secretary of Agriculture. The Federal Agriculture Improvement and Reform Act of 1996 is usually referred to as “the 1996 Act.”

The terms previous legislation, previous provisions, and previous law in this report refer to U.S. agricultural laws and provisions in effect during 1995. These include, among others, provisions of the Agricultural Adjustment Act of 1938 (the 1938 Act), the Commodity Credit Corporation Charter Act of 1948 (the 1948 Act), and the Agricultural Act of 1949 (the 1949 Act), as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (the 1990 Act) and the Omnibus Budget Reconciliation Acts of 1990 and 1993 (OBRA90 and OBRA93).

References to Public Laws (P.L.) contain hyphenated numbers that appear in parentheses, with the first set of digits indicating which Congress passed the bill, and the last set of digits indicating the order in which the bills became laws. References to the United States Code (U.S. Code) also contain numbers that appear in parentheses, with the subject-matter title number followed by “U.S.C.,” followed by a four-digit number indicating the referenced U.S. Code section. The U.S. Code is a consolidation and codification of the general and permanent laws of the United States.

Title I

Agricultural Market Transition Act*

Linwood Hoffman

The 1996 Act provides income support and commodity loans to landowners and agricultural producers for crop years 1996 through 2002, while changing the income support system that has been used in some form from 1974 to 1995. The previous income support system, based on established (target) prices and deficiency payments, is replaced by a series of annual payments whose levels are unrelated to current market prices or production levels. Most acreage use restrictions from previous law have not been continued, so grain, cotton, and rice producers will have almost complete flexibility to produce any crop on their land and still receive income support and loan benefits, except there are restrictions on the plantings of fruits and vegetables on program acreage.

The mechanism of nonrecourse commodity loans is modified slightly from the previous provisions. Minimum loan rates continue to be based on a moving average of past market prices, but maximum loan rates are now established by the 1996 Act. The dairy program will be significantly changed starting in 2000, when a recourse loan program will be substituted for

the current system of price supports through direct government purchases of dairy products. Because recourse loans must be repaid, there should be little, if any, government accumulation of dairy products.

The peanut program has been changed to help assure that the Government does not incur costs due to surplus stock accumulation. The minimum quota floor for quota peanuts has been eliminated and the support rate for quota peanuts has been reduced. The sugar program continues to have nonrecourse loans available to processors, unless the sugar import quota is established at less than 1.5 million tons, in which case the loans would be recourse loans, but there is now a 1-cent penalty for forfeiting any sugar under the non-recourse provisions.

Overall, the 1996 Act's major changes include: making direct payments that are unrelated to market prices, increasing planting flexibility, allowing unrestricted haying and grazing, eliminating the authority for Acreage Reduction Programs, suspending the Farmer-Owned-Reserve, eliminating mandatory crop insurance participation, reducing peanut, dairy, and sugar effective price support levels, and establishing a commission to study the effects of the 1996 Act and the role of Government in agriculture.

*The crop provisions presented in "Title I" were coordinated by Linwood Hoffman. Hoffman and all the authors contributing to this section are agricultural economists with the Commercial Agriculture Division, Economic Research Service, USDA.

Subtitle A

Short Title, Purpose, and Definition

Bryan Just

Title I of the 1996 Act is cited as the Agricultural Market Transition Act (AMTA). The title's stated purposes are: "(1) to authorize the use of binding production flexibility contracts between the United States and agricultural producers to support farming certainty and flexibility while ensuring continued compliance with farm conservation and wetland protection requirements; (2) to make nonrecourse marketing assistance loans and loan deficiency payments available for certain crops; (3) to improve the operation of farm programs for milk, peanuts, and sugar; and (4) to establish

a commission to undertake a comprehensive review of past and future production agriculture in the United States."

In addition, the AMTA contains provisions related to: the continuation of commodity options pilot programs, risk management education, changes in the Federal crop insurance program, establishment of an office of risk management, a revenue insurance pilot program, and administration and operation of a noninsured crop assistance program.

Subtitle B

Production Flexibility Contracts

Bryan Just

Under provisions of the AMTA, the Secretary is required to offer production flexibility contracts (PFC's), covering the 1996 through 2002 crops of wheat, feed grains, upland cotton, and rice, to eligible landowners or producers with eligible cropland. In return for contract compliance, individuals will be paid a series of annual contract payments, based on a predetermined total dollar amount for each year. This subtitle describes the production flexibility contracts, eligibility for contracts, determination and timing of payments, contract compliance requirements, consequences of violating contract conditions, and provisions for transfer of rights under the contract.

Offer and Terms of Contracts

The Secretary shall offer to enter into a PFC with an eligible landowner or producer of contract commodities (wheat, corn, sorghum, barley, oats, cotton, and rice) on a farm containing eligible cropland. The eligible landowner or producer must enroll in a PFC during the 1996 sign-up period, except for land removed from the conservation reserve that is subsequently allowed to enroll. In exchange for annual contract payments, the owner or producer agrees to: (1) comply with certain conservation requirements regarding use of highly erodible land and wetlands (see subtitles B and C of title III), (2) comply with planting flexibility requirements of this title, and (3) use contract acreage for agricultural or related activities, but not for nonagricultural commercial or industrial use.

Eligibility

Owners and producers with eligible cropland shall be eligible for a PFC if they are:

- (1) An owner who assumes all or part of the risk of producing a crop; or

- (2) A producer on land leased on a share rent basis if the landowner enters into the same contract; or
- (3) A producer on leased land on a cash rent basis with a lease expiring on or after September 30, 2002; or
- (4) A producer on leased land on a cash rent basis with a lease expiring before September 30, 2002, but if less than 100 percent of eligible acreage is enrolled, the owner's consent is required; or
- (5) A landowner if the land is leased for cash to a producer who declines to enter into a contract and the lease expires before September 30, 2002, in which case contract payments are made only for those years after the lease expires.

The Secretary must maintain adequate safeguards to protect the interest of tenants and sharecroppers.

Unlike the 1995 program, a landowner or producer is not required to purchase catastrophic (CAT) risk protection crop insurance to be eligible for PFC payments, commodity loans, the conservation reserve, and other programs. However, if CAT coverage is not purchased for a particular crop, the participant is required to waive any eligibility for emergency crop loss assistance programs for that crop. The Federal Crop Insurance Reform Act of 1994 required the purchase of CAT coverage, for a minimal \$50 processing fee, in order to be eligible for federal farm programs in 1995.

To be eligible for coverage under a PFC, land must have attributable to it at least one crop *acreage base* established for contract commodities (contract acreage) that would have been in effect for the 1996 crop under previous law (title V of the Agricultural Act of 1949, prior to its suspension by Section 171(b)(1) of the 1996 Act). Included in the derivation of the crop acreage base that would have been in effect

for 1996 is land that participated in 1991-95 programs for the contract commodities and land that did not participate but was reported to FSA (ASCS) county offices and recorded as certified planted acreage for contract commodities. The Act also stated that at least one of the following additional conditions must be met for land to be eligible:

- (1) For at least one of the 1991 through 1995 crops, at least a portion of the land was either enrolled in an acreage reduction program or was considered planted;
- (2) The land was subject to a conservation reserve contract that either expired or was voluntarily terminated on or after January 1, 1995; or
- (3) The land was released from a conservation reserve contract by the Secretary during the period from January 1, 1995, to August 1, 1996.

Contract Timing, Duration, and Ending Date

The Secretary must enter into PFC's during the period beginning 45 days after enactment of the 1996 Act and ending no later than August 1, 1996, with the exception of subsequently expiring conservation reserve contracts. The sign-up period was subsequently set by the Secretary as May 20, 1996, through August 1, 1996. The contract period begins with the 1996 crop and ends with the 2002 crop, unless terminated earlier by the owner or producer.

Conservation Reserve Program (CRP) Exception

An exception to the August 1, 1996, deadline is made for acreage covered by a CRP contract expiring after August 1, 1996. At the beginning of each fiscal year, an eligible owner or producer may enter into or expand a PFC with eligible acreage previously covered by a conservation reserve contract. Only expiring CRP acreage with a crop acreage base history is eligible. Regardless of when the contract is expanded or entered into, it extends only through the 2002 crop. Conservation reserve acreage entering into a PFC after August 1, 1996, will receive contract payments applicable to the annual payment rate for the commodity. During the fiscal year in which the CRP contract expires, the owner or producer may choose to receive either the contract payment or a prorated CRP rental payment, but not both.

Contract Payments

Total Contract Payments

The 1996 Act specifies the maximum amount of money that can be made available for contract payments and the allocation to each contract commodity. Starting with \$5.570 billion in fiscal year 1996, the total amount decreases slightly for fiscal year 1997, increases to \$5.800 billion in fiscal year 1998, and then declines gradually to \$4.008 billion by fiscal year 2002. Contract commodities include wheat, corn, sorghum, barley, oats, upland cotton, and rice. The amount of money available for annual contract payments and allocation to each commodity are found in table 1.

Table 1—Total amount of contract payments, by fiscal year, and allocation to commodities for crop years 1996-2002¹

Fiscal year	Total amount of payments	Commodity and allocation percent						
		Wheat (26.26)	Corn (46.22)	Sorghum (5.11)	Barley (2.16)	Oats (0.15)	Cotton (11.63)	Rice ² (8.47)
Billion dollars (annual payment amount per commodity)								
1996	5.5700	1.4627	2.5745	0.2846	0.1203	0.0084	0.6478	0.4718
1997	5.3850	1.4141	2.4889	0.2752	0.1163	0.0081	0.6263	0.4561
1998	5.8000	1.5231	2.6808	0.2964	0.1253	0.0087	0.6745	0.4913
1999	5.6030	1.4713	2.5897	0.2863	0.1210	0.0084	0.6516	0.4746
2000	5.1300	1.3471	2.3711	0.2621	0.1108	0.0077	0.5966	0.4345
2001	4.1300	1.0845	1.9089	0.2110	0.0892	0.0062	0.4803	0.3498
2002	4.0080	1.0525	1.8525	0.2048	0.0866	0.0060	0.4661	0.3395
Total	35.6260	9.3553	16.4664	1.8204	0.7695	0.0535	4.1432	3.0176

¹Annual dollar amount shall be adjusted for refunds, payment limits, and contract terminations.

²Rice shall receive an additional allocation of \$8,500,000 per fiscal year from 1997 to 2002.

Summary of Payment Calculation

For each commodity at the farm level—

The annual contract payment is the product of the contract payment quantity and the national annual payment rate (same rate for all farms).

The contract payment quantity is the product of 85 percent of the contract acreage and the farm program payment yield. The contract acreage for the commodity on the farm is the crop acreage base that would have been in effect for the 1996 crop under title V of the Agricultural Act of 1949 if it had not been suspended. The farm program payment yield is the payment yield established on the farm for the 1995 crop of a contract commodity.

For each commodity at the national level—

Annual payment rate—The annual payment rate for each commodity is equal to the total amount made available for the year, divided by the annual payment quantity. The total amount made available for the year for each commodity is listed in table 1. The annual payment quantity is the sum of all contract payment quantities for all farms in that year.

Adjustments to Total Amount Made Available for Payments

The Secretary shall adjust the fiscal year totals for each commodity by: adding an amount equal to the sum of all deficiency payments from prior crops required to be refunded to the CCC, adding an amount equal to withheld contract payments from the preceding fiscal year resulting from contract violations, subtracting an amount, if necessary, to recover refunds for unearned 1994 or 1995 crop deficiency payments, and subtracting an amount equal to foregone contract payments as a result of the application of the 1996 Act's payment limitation provision. In addition, the amount available for rice shall be increased by \$8.5 million each year for fiscal years 1997 to 2002.

Payment Timing

Annual contract payments shall be made no later than September 30 of each fiscal year from 1996 through 2002. An advance payment equal to half of the annual payment may be received on either December 15 or January 15 of the fiscal year, at the option of each owner or producer. For fiscal year 1996, an owner or producer may request that half of the contract payment be paid within 30 days of entering into, and approval of the contract. At the time of entering into a contract, the Secretary shall provide an estimate of minimum contract payments to be made for at least the first year of contract payments.

Reduction in Payment Amount

A reduction in the contract payment shall be made if the owner or producer entering into a PFC owes a deficiency payment refund that has not been paid at the date of contract payment determination (date of entering contract). The Secretary is required to collect the repayment, or any claim based on the required repayment, as soon as the contract payment is determined.

Assignment of Contract Payments

Owners and producers may assign contract payments to others, subject to rules issued by the Secretary. The owner or producer making the assignment, or the assignee, shall provide the Secretary with notice, in such manner as the Secretary may require.

Sharing of Contract Payments

The Secretary must ensure that contract payments are shared among producers and owners subject to the contract on a fair and equitable basis, as determined by the Secretary.

Payment Limitations

The maximum amount of PFC payments a "person" (as defined for payment limitation purposes) may receive in a fiscal year is \$40,000, down from the limit of \$50,000 per crop year under previous provisions. A "person's" limit on payments from marketing loan gains or loan deficiency payments continues to be \$75,000 per crop year.

The three-entity rule continues under the 1996 Act with a producer being able to receive, directly and indirectly, up to \$80,000 per fiscal year in total con-

tract payments—\$40,000 directly and up to \$20,000 indirectly from each of two additional entities that each receive payments directly as a separate entity. This represents a change from the previous limit of \$100,000 (\$50,000 directly and up to \$25,000 indirectly on each of two additional entities). Annual crop year limits on marketing loan provisions are continued at \$75,000 directly and \$37,500 indirectly from each of two additional entities. Payments received directly by a “person” are sent directly to that “person” by the Government. Payments are received indirectly when a “person” receives a share of payments that were sent directly to another “person” by the Government.

Exclusion of Certain Amounts From Contract Payments

For payment limitation purposes, a certain portion of a “person’s” annual contract payment amount is not to be counted as part of the “contract payment” subject to the \$40,000 payment limitation in section 115 of title I. This excluded portion of actual payments to a “person” is, however, subject to a separate \$50,000 per person payment limitation specified in section 113, subsection (e). The excluded portion of payments of a person is the person’s prorata share of the total amount made available for payments in a given year that was due to the additional amounts made available through adjustments for refunds and repayments in section 113, subsection (c) (related to repayment of advance payments or refunds required because of PFC violations).

Contract Violation

If an owner or producer subject to a PFC violates any one of the eligibility requirements (conservation, wetland, planting flexibility, or land use), the Secretary shall terminate the contract on each farm in which the owner or producer has an interest. Contract termination results in the owner or producer forfeiting all future contract payments and refunding any payments, plus interest, received during the period of violation. The Secretary may determine that a violation does not warrant contract termination. In this case, the Secretary may require a refund of payments, plus interest, received during the violation period or reduce all future contract payments based on the severity of the violation.

The Secretary may forgive any required repayments by an owner or producer subject to a PFC if the contract

acreage is foreclosed upon. If the owner or producer resumes operation or control of the contract acreage, contract provisions in effect on the date of foreclosure shall apply.

Transfer of Contract Acreage

If an owner or producer transfers acreage subject to a PFC, the contract is terminated with respect to such acreage, unless the new owner or producer agrees with the Secretary to assume all obligations of the PFC. At the request of the new owner or producer, the Secretary may modify the PFC if the modifications are consistent with the objectives of the PFC. If an owner or producer dies, becomes incompetent, or otherwise cannot receive a contract payment, the Secretary shall make payments according to prescribed regulations.

Planting Flexibility

Acreage reduction programs are not in effect. Contract acreage does not have to be planted to a contract commodity or any commodity for the owner or producer to receive contract payments, but the contract acreage may not be used for nonagricultural commercial or industrial purposes. Any crop or commodity may be planted on PFC acreage except fruits and vegetables. Haying and grazing of any crop on contract acreage is permitted at anytime. Contract commodities may be planted and harvested on noncontract acreage on a farm.

Fruit and vegetable production is not allowed on contract acreage unless: the farm is in a region with a history of double cropping with fruits or vegetables; the farm is not in a double-crop region, but it has a history of planting fruits and vegetables on contract acreage (in this case, the contract payment will be reduced by each acre planted to fruits and vegetables on contract acreage); or a producer, as determined by the Secretary, has a history of planting a specific fruit or vegetable (however, plantings cannot exceed the average annual plantings from 1991 through 1995, excluding any year in which no plantings were made, and the contract payment will be reduced by each acre planted to the fruit or vegetable). Lentils, mung beans, and dry peas are not included in the list of fruits and vegetables and may be planted for harvest without limitation on contract acreage.

Subtitle C

Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments

Bryan Just and Leslie Meyer

In general, the 1996 Act continues provisions for non-recourse commodity loans and marketing loans. Loan rates continue to be based on moving averages of recent past market prices (except in the case of rice), but maximum loan rates are also established equal to 1995 loan rates. Interest on these loans are increased by 1 percentage point by provisions in subtitle E of this title. The Secretary must allow producers the option of repaying loans at levels below the original loan rate to reduce the likelihood that commodities pledged as collateral for a loan will be forfeited in satisfaction of the loan.

Commodity Loans

Nonrecourse marketing assistance loans are mandated for the 1996-2002 crops of wheat, corn, barley, grain sorghum, oats, upland cotton, extra-long staple cotton, rice, soybeans, sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed. The loan provisions are little changed from previous farm law.

The loan provisions enable producers of eligible commodities to obtain a loan from the Commodity Credit Corporation (CCC) using the current year's production as collateral. The value of the loan is the product of the announced loan rate and the quantity placed under loan. As in the past, these loans are nonrecourse loans, meaning the CCC has no recourse but to accept the collateral as full payment of the loan. This provides the producer with a guaranteed minimum price equal to the commodity loan rate for crops pledged as collateral for the loan. Producers are responsible for maintaining the quality of the commodity during the term of the loan.

Commodity loan rates are based on a moving average of past market prices and are calculated as 85 percent of the simple average of market prices for the preceding 5-year period, excluding the years with the highest

and the lowest market price. An exception is made for the rice loan rate, which is fixed at \$6.50 per hundred-weight (cwt) through the year 2002.

Producers must comply with conservation and wetland requirements to receive a loan. All production covered by a PFC is eligible for the loan program. All extra-long staple (ELS) cotton and oilseed production is eligible for the loan program, but ELS cotton is not eligible for marketing loan gains or loan deficiency payments.

Wheat and Feed Grains

Loan rates for wheat and corn must not be less than 85 percent of the average price received by producers for the preceding 5-year period, excluding the years with the highest and the lowest market price—except as specified below for various stock-to-use ratios. But the loan rate also cannot exceed \$2.58 per bushel for wheat or \$1.89 per bushel for corn (the 1995 loan levels). The loan rate for other feed grains shall be established at a level determined fair and reasonable by the Secretary in relation to the corn loan rate. In this determination, the feeding value of the commodity in relation to corn must be considered. Rye is no longer eligible for loans under the 1996 Act. The Secretary may lower the minimum loan rate based on the ratio of ending stocks to total use as follows:

<i>If stocks-to-use ratio is:</i>	<i>The loan rate may be reduced by:</i>
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For wheat:	
Equal to or greater than 30 percent	Up to 10 percent
15 to 30 percent	Up to 5 percent
Less than 15 percent	No adjustment
For corn:	
Equal to or greater than 25	Up to 10 percent
12.5 to 25 percent	Up to 5 percent
Less than 12.5 percent	No adjustment

Upland Cotton

The minimum loan rate for upland cotton continues to be 50 cents per pound, and a new provision sets an upper limit at the 1995 loan rate level of 51.92 cents, for crop years 1996 through 2002. Within this range, the loan rate cannot be less than the smaller of:

- 85 percent of the 5-year average of prices, excluding the years with the highest and lowest prices, using the weighted average U.S. spot prices in designated markets for base quality cotton for the 5-year period ending July 31 of the year preceding the year in which the crop was planted, or
- 90 percent of the average price for the five lowest priced growths quoted for Northern Europe delivery during a 15-week period beginning July 1 of the year preceding the year in which the crop was planted, adjusted downward by the average difference between the Northern European price and the U.S. spot price for base quality cotton for the period April 15 through October 15.

These marketing assistance loan rate calculations are the same as in effect under the previous law. An announcement date for the upland cotton price support rate is no longer specified. Previously, the rate was announced by the November 1 preceding the start of the marketing year for which the loan was effective.

ELS Cotton

The loan rate for ELS cotton shall not be less than 85 percent of the average price received by producers for the preceding 5-year period ending July 31 of the year preceding the year in which the crop was planted, excluding the years with the highest and lowest market price. A new provision sets a maximum loan rate equal to the 1995 loan rate of 79.65 cents per pound. An announcement date for the ELS cotton price support rate is no longer specified. Previously, the rate was announced by the December 1 preceding the beginning of the marketing year for which the loan was effective.

Rice

The loan rate for rice for the 1996-2002 crop years is the 1995 level of \$6.50 per cwt.

Soybeans

The loan rate for soybeans shall not be less than \$4.92 per bushel or more than \$5.26 per bushel. Within this range, the loan rate cannot be less than 85 percent of the average price received by producers for the preceding 5-year period, excluding the years with the highest and the lowest market price.

Minor Oilseeds

The loan rate for sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed must not be set at less than \$0.087 per pound or more than \$0.093 per pound. Within this range, the loan rate is not to be set at less than 85 percent of the average price received by sunflowerseed producers for the preceding 5-year period, excluding the years with the highest and the lowest market price. The loan rate for other oilseeds shall be established by the Secretary at a level that is fair and reasonable in relation to the loan rate for soybeans. On a per pound basis, the loan rate for oilseeds, except cottonseed, must not be lower than the loan rate for soybeans.

Term of Loans

Marketing assistance loans for each commodity (except ELS and upland cotton) have a term of 9 months beginning on the first day of the first month after the month in which the loan is made. Marketing assistance loans for ELS and upland cotton have a term of 10 months beginning on the first day of the month in which the loan is made. The Secretary may not extend the length of any loan for any commodity (except for sugar and for dairy, as explained in subtitle D).

Loan Repayment Rate

The loan repayment rate is the amount the producer must pay to settle a CCC loan and redeem the commodity used as collateral.

Wheat, Feed Grains, and Oilseeds

The loan repayment rate for wheat, feed grains, and oilseeds will be the lower of (1) the established loan rate, plus interest, or (2) a repayment rate set by the Secretary that will: minimize potential loan forfeitures; minimize the accumulation of stocks of the commodity

by the Federal Government; minimize the cost incurred by the Federal Government in storing the commodity; and allow the commodity produced in the United States to be marketed freely and competitively, both domestically and internationally.

Rice

Loan repayment rates for rice must be the lower of (1) the established loan rate plus interest, or (2) the prevailing world market price. The prevailing world market price and mechanism for announcing the prevailing world market price are to be determined by the Secretary. The prevailing world market price must be calculated with a formula, taking into account the location and quality of U.S. production, and the results announced periodically.

Upland Cotton

Upland cotton producers may repay marketing assistance loans at the lesser of:

- The established loan rate for upland cotton, plus interest, or
- The prevailing world market price for upland cotton, adjusted to U.S. quality and location (the “adjusted world price” (AWP)).

The Secretary must continue to announce the formula used to determine the AWP for upland cotton and a mechanism for periodic announcement of this price. In addition, further adjustments are to be made to the AWP to make U.S. cotton more competitive if the AWP is less than 115 percent of the current crop year loan rate, and the average U.S.-Northern Europe price quotation exceeds the average Northern Europe price quotation.

The U.S.-Northern Europe price quotation in the above comparison is the weekly (Friday through Thursday) average price quotation for the lowest priced U.S. growth, as quoted for Middling (M) 1-3/32-inch cotton, delivered c.i.f. (cost, insurance, freight) Northern Europe. The Northern Europe price is the weekly average of world price quotes for the five lowest priced growths of upland (M 1-3/32 inch) cotton, delivered c.i.f., Northern Europe (as defined in section 134 of the 1996 Act).

The AWP can also be adjusted on the basis of the U.S. share of world exports, the current level of cotton export sales and shipments, or other relevant data as

determined by the Secretary. These adjustments cannot exceed the difference between the above U.S.-Northern Europe price and the Northern Europe price.

ELS Cotton

Repayment rates for ELS cotton are equal to the established loan rate, plus interest.

Loan Deficiency Payments

Except in the case of ELS cotton, the Secretary may make loan deficiency payments available to producers of loan commodities who, although eligible to obtain a marketing assistance loan, agree to forgo obtaining the loan for the commodity in return for a loan deficiency payment. These payments are computed by multiplying the loan payment rate for the loan commodity by the quantity of the loan commodity that the producer is eligible to pledge as collateral for a loan.

The loan payment rate is the amount by which the loan rate established for the loan commodity exceeds the rate at which a loan for the commodity may be repaid.

Special Marketing Loan Provisions for Upland Cotton

Four special provisions for upland cotton continue under the 1996 Act: a discretionary authority to reduce the AWP under certain circumstances, a user marketing certificate program, a special import quota, and a limited global import quota.

Under the user marketing certificate program, the Secretary must issue marketing certificates or cash payments to domestic users of upland cotton for documented purchases and to exporters of upland cotton for documented sales made in a week following a consecutive 4-week period in which:

- The U.S.-Northern Europe price quotation exceeds the Northern Europe price quotation by more than 1.25 cents per pound, and
- The AWP does not exceed 130 percent of the loan rate.

The value of the certificate or payment (known as a step two payment) is equal to the difference (reduced by 1.25 cents per pound) between the U.S.-Northern Europe price and the Northern Europe price during the fourth

week of the consecutive 4-week period multiplied by the quantity of documented purchases or sales. However, these certificates or payments are not issued when the special import quota is in effect. In addition, total expenditures for the user marketing certificate program are limited under the 1996 Act and cannot exceed \$701 million during fiscal years 1996 through 2002.

The President shall authorize a special import quota for upland cotton if for any consecutive 10-week period, the weekly average price quotation for the U.S.-Northern Europe price (adjusted for any certificate value) exceeds the Northern Europe price by more than 1.25 cents per pound. The quota will equal 1 week's domestic mill consumption of upland cotton at the seasonally adjusted average rate for the most recent 3 months for which data are available. This quota will apply to upland cotton purchased within 90 days after the quota announcement and entered into the United States no later than 180 days after such date. Quota periods can overlap, however, a special import quota cannot be established if a limited global import quota is in effect.

The President shall authorize a limited global import quota for upland cotton whenever the average monthly price of the base quality of upland cotton in the designated spot markets exceeds 130 percent of the average price of such quality of cotton in these markets for the preceding 36 months. The quota will equal 21 days of domestic mill consumption of upland cotton at the seasonally adjusted average rate of the most recent 3 months for which data are available.

If the limited global import quota has been established during the preceding 12 months, the quota quantity will be the smaller of either 21 days of domestic mill consumption or the quantity required to increase supply to 130 percent of demand. Supply equals the carry-over from the previous year, plus current production, plus the current marketing year's imports. Demand equals the average seasonally adjusted annual rate of domestic mill consumption in the most recent 3 months, plus the larger of either the average exports during the preceding 6 marketing years or the cumulative exports of upland cotton plus outstanding export sales for the marketing year in which the quota is established. Cotton must enter into the United States within 90 days after the quota announcement. This quota cannot overlap an existing quota period or the special import quota described above.

Both the special import quota and the limited global import quota shall be considered "in quota" quantities

for purposes of various trade agreements, so these imports are not subject to over-quota tariffs.

Recourse Loans for High-Moisture Feed Grains and Seed Cotton

Recourse loans are available for the 1996-2002 crops of high-moisture corn and grain sorghum to producers on a farm containing eligible cropland covered by a PFC. High moisture means corn or grain sorghum having a moisture content in excess of CCC standards for marketing assistance loans. For recourse loan eligibility, producers must: normally harvest all or a portion of their feed grains crop in a high-moisture state, present certified scale tickets or present field or physical measurements of the crop, certify feed grains ownership at time of delivery, and comply with deadlines set by the Secretary.

Certified scale tickets can be from an inspected certified commercial scale, including a licensed warehouse, feedlot, feed mill, distillery, or other similar entity approved by the Secretary. Field or physical measurement of the standing or stored crop is permitted in regions of the United States, as determined by the Secretary, that do not have certified commercial scales for obtaining certified scale tickets within reasonable proximity of harvest operations.

Owners of feed grains must certify that the quantity to be placed under loan was in fact harvested on the farm and delivered to a feedlot, feed mill, or commercial or on-farm high-moisture storage facility, or to a facility maintained by the users of corn and grain sorghum in a high-moisture state.

The Secretary must also make available recourse seed cotton loans to upland and ELS producers. The repayment rates for these loans are the established loan rates plus interest.

Release of Cotton Crop Reports (Section 870 of the 1996 Act)

Existing legislation that specified the release of monthly cotton crop reports at 3:00 p.m. EST was repealed by title VIII of the 1996 Act (subsection (c), section 870). This will allow all crop reports to be released simultaneously at 8:30 a.m. EST before the U.S. commodity markets open for business.

Subtitle D

Other Commodities

Chapter 1—Dairy

Richard Stillman

The 1996 Act presents a departure from past dairy policies. The previous method of supporting milk price through government purchases is extended for 3 years, at reduced support levels, and then eliminated. Starting in the year 2000 is a recourse loan program aimed at providing seasonal price stabilization, rather than price support. The provision for a minimum support level for milk of \$10.10/hundredweight (cwt) is immediately repealed, along with provisions for assessments and for increasing and decreasing support levels over time based on the estimated level of government purchases. The farm bill has no effect on current provisions for import restrictions on dairy products allowed under the Uruguay Round of the General Agreement on Tariffs and Trade (GATT)—provisions that insulate the domestic market from foreign competition.

The farm bill for the first time requires a major restructuring of Federal Milk Marketing Orders (FMMO), a regional system of pricing established pursuant to the Agricultural Marketing Act of the 1937.

The Milk Price Support Program

The 1996 Act states that the Secretary shall support the price of milk through the purchase of cheese, butter, and nonfat dry milk at the following rates per cwt for milk containing 3.67 percent butterfat:

<i>Calendar year</i>	<i>Dollars/cwt</i>
1996	10.35
1997	10.20
1998	10.05
1999	9.90

2000 and beyond	Not applicable

There are no provisions in the 1996 Act to adjust these support levels over time. And there are no provisions at all for government purchases to support milk prices after 1999. The prior program, as extended by the 1990 Act, required support prices to be increased or decreased if the estimated level of government purchases of dairy products (“total solids basis”) reached certain trigger levels.

Assessments

Assessments are eliminated under the 1996 Act (related refunds for 1995 and 1996 will be made). The 1990 Act and the 1993 Omnibus Budget Reconciliation Act mandated milk marketing assessments to help pay the cost of the price support program. The budget reconciliation assessment for 1996 had been established at 10 cents per cwt. Producers who did not increase milk marketings over the previous-year level would receive a refund of the assessment, and an additional assessment would be imposed by the CCC to recapture the cost of these refunds.

Butter and Nonfat Dry Milk and Cheese Provisions

The 1996 Act gives the Secretary flexibility to set butter and nonfat dry milk support prices at levels that will minimize the level of expenditures by the CCC and achieve other appropriate objectives. The purchase prices for these products are set such that a weighted average of these product prices (based on the yield from 100 pounds of milk), less processing costs (“make allowance”) will equal the milk support price. The previous law was more restrictive than the 1996 Act about the support levels for dairy products. The purchase price of butter, under the prior law, could be no higher than \$0.65 per pound and the purchase price of nonfat dry milk could be no lower than \$1.034 per pound.

Recourse Loan Program for Commercial Processors of Dairy Products

Recourse loans will be available to commercial processors of dairy products, beginning January 1, 2000, to promote within-year price stability. The 1996 Act states that the Secretary shall make recourse loans available to commercial processors to assist them in the management of inventories through temporary storage of eligible dairy products. Funds and authorities of the Commodity Credit Corporation (CCC) shall be used to carry out the program. The rate of interest charged participants under this program shall not be less than the rate of interest charged the CCC by the United States Treasury.

The recourse loan rate for dairy products will be established at a milk equivalent value of \$9.90 per cwt (3.67 percent butterfat milk). The eligible products are cheddar cheese, butter, and nonfat dry milk, the same as for the price support program. The term of the loan contracts may not extend beyond the end of the fiscal year, unless the Secretary uses available discretionary power to extend the loan for a period not to exceed the end of the next fiscal year.

Consolidation and Reform of Federal Milk Marketing Orders

The 1996 Act modifies the Federal Milk Marketing Order (FMMO) system that is used to set regional prices of milk used for fluid milk. FMMO's, authorized by the Agricultural Marketing Agreement Act of 1937, regulate the minimum prices paid to dairy farmers by handlers of Grade A milk in specified marketing areas. Milk is classified according to use (classified pricing). The order determines the minimum prices that handlers in the marketing area must pay for different classes of milk. Producers then receive an average (blend) price for all the milk marketed in the marketing area. Class prices in most cases are based on the average price paid for manufacturing grade milk in Minnesota and Wisconsin updated by a product price formula—the basic formula price. Predetermined FMMO class I price differentials for each order are added to the basic formula to determine the Class I price. Class I milk is used in perishable fluid products.

The 1996 Act mandates that the Agricultural Marketing Service (AMS): (1) consolidate the number

of orders from the present 33 orders to not less than 10 or more than 14 orders, (2) allow the California order to enter the FMMO system as a separate order if the producers in California choose to enter the Federal system, (3) use the informal notice and comment rule-making process to implement the changes in the FMMO system, (4) announce the specific proposed amendments to the FMMO system within 2 years of the enactment of the Act, (5) implement final amendments to the FMMO system within 3 years of the passage of the Act, or by April 4, 1999, and (6) submit a report to Congress, through the Secretary of Agriculture, by April 1, 1997, on the progress being made in making the changes to the system, along with recommendations for further changes.

As part of the reform and consolidation of the FMMO system, the Secretary is also authorized to implement: (1) the use of utilization rates and multiple basing points for the pricing of fluid milk, and (2) the use of uniform multiple component pricing when developing a replacement for the basic formula price used for pricing milk in Federal order markets. (See glossary for definitions.)

Multiple Basing Points

Under the 1996 Act, the Secretary may establish multiple basing points to determine Class I prices in different areas. Class I differentials have varied across the country, being lower in the surplus production areas of the upper Midwest and higher in the deficit production areas of the South. Over time, other areas besides the upper Midwest have expanded production and could now be classified as surplus producing areas, which could result in "multiple basing points." The 1996 Act specifically forbids the Secretary from using, in the reform of the FMMO, the Class I differentials mandated in the 1985 Farm Bill.

Rulemaking Process/Timing

Unlike previous changes in orders, where the formal rulemaking process has been used to promulgate or amend Federal orders, informal rulemaking can now be used. This new approach provides for the issuance of a proposed rule by AMS, a period of time for the filing of comments by interested parties, and the issuance of a final rule by the Secretary. Typically, informal rules do not require a referendum, but this proceeding will require a referendum to determine producer approval of the new orders. AMS has 2 years from the date of the enactment to put forth a proposal

and another year to implement the changes. If the changes are challenged in court and a court order stops the reform, additional time is allowed to make the changes. If the reforms are not completed in the specified period, the Secretary may not collect assessments used to pay for the order operations until the consolidation is completed.

Effect on Fluid Milk Standards in State of California

The 1996 Act allows California to maintain its different standards for fluid milk products in terms of fat and nonfat components. At present, California requires that milk sold in California have more nonfat solids in fluid milk than is required in other parts of the country. Milk directly from a cow in the United States averages about 3.67 percent fat. Whole fluid milk as sold in the stores contains a minimum 3.25 percent fat. Two-percent milk and 1-percent milk are aptly named, and skim milk is effectively less than 0.5 percent fat. California requires fluid processors to increase the amount of nonfat solids in milk, so that products are standardized seasonally and among processors.

Milk Manufacturing Marketing Adjustment

Section 145 sets the manufacturing, or “make,” allowance for butter and nonfat dry milk and cheese at not more than \$1.65 per cwt for butter and nonfat dry milk and not more than \$1.80 per cwt for cheese, for any State participating in the Federal support program. California, under its order system, has been providing a higher make allowance to processors than specified by the CCC. The effect, some have contended, was to widen the processor margin and give a lower price to milk producers. The 1990 Act (section 102) contained provisions which addressed State make allowances, although there were wide divergences of opinion on the interpretation and significance of the 1990 language. That debate has ended as section 102 was repealed by the 1996 Act.

Promotion

This section authorizes the continued collection of the fluid milk promotion assessment (different from the marketing assessment) through 2000. The funds are

then used to pay for generic advertising of fluid milk products.

Northeast Interstate Dairy Compact

Under the 1996 Act, if the Secretary finds that there is a compelling public interest in the Northeast in regard to the Northeast Interstate Dairy Compact (the compact) already ratified by six Northeastern States (Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island), then the Secretary may grant these States the authority to implement the compact. This authority was granted by the Secretary on August 9, 1996. This compact will allow these States to place an additional over-order charge on Class I milk marketed in the compact region. The Class I price under the compact can be set at a maximum of \$1.50 a gallon, plus an increase based on the rate of inflation since 1990. In 1995, for example, the level of the Class I price maximum under the compact could have been around \$20.00 per cwt or about \$5.00 over the New England Federal Order Class I price.

Authority for the compact terminates upon the completion of the FMMO consolidation and reform. The States of New York, New Jersey, Delaware, Pennsylvania, Maryland, and Virginia may join the compact if they are contiguous to a participating State when they enter the compact—and if Congress consents to their entry. The compact must compensate the CCC for any additional costs the CCC incurs due to the rate of increase in milk production in the compact region exceeding the national average rate of increase in milk production. The compact cannot limit any movement of milk into the compact area. Further, any fluid milk that is sold in the compact area from non-compact areas will receive the same price, as if it had been produced in one of the compact States.

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) is extended to 2002, and, in addition to requirements under the original provisions of the 1985 Act, the Secretary is now also required to operate the program to ensure the maximum amount of exports that are consistent with obligations of the United States under the Uruguay Round Trade Agreement. The Secretary shall also take into consideration incentives that may be needed to assist in the development of world markets for U.S. dairy products.

Authority To Assist in Establishing and Maintaining One or More Export Trading Companies

The Secretary is required to help the U.S. dairy industry establish and maintain one or more export trading companies under the Export Trading Company Act of 1982 in order to facilitate export market development and the export of U.S. dairy products.

Standby Authority To Indicate Entity Best Suited to Provide International Market Development and Export Services

The Secretary shall indicate which entity or entities are best suited to assist the U.S. dairy industry in the development of international markets if: (1) the industry has not established a trading company under the Export Trading Company Act of 1982 on or before June 30, 1997, or (2) U.S. exports during the 12-month period preceding July 1, 1998, do not exceed the dairy product exports in the 12 months ending July 1, 1997, by 1.5 million pounds (milk equivalent, total solids basis). The Secretary must also assist these entities in

identifying sources of funding. This Section is applicable from July 1, 1997, to September 30, 2000.

Cheese Import Study

The Secretary is required to conduct a study of the potential impacts of the additional cheese granted access to the U.S. as imports under the Uruguay Round of GATT. This study is to be done by variety of cheese and is to provide estimates of effects on U.S. milk prices, dairy producer income, and U.S. dairy program costs. A report to Congress is to be made by July 1, 1997. The limitation on the number of studies imposed on the Department by Congress does not apply to this study.

Promotion of United States Dairy Products in International Markets Through Dairy Promotion Program

The National Dairy Board may expend funds to develop international markets and to promote consumption of U.S. dairy products overseas. This program is authorized for each of the fiscal years 1997 through 2001.

Subtitle D

Other Commodities

Chapter 2—Peanuts

Scott Sanford

The 1996 Act continues the two-tier price support program based on nonrecourse loans for quota peanuts and for additional peanuts for 1996 through 2002, with some significant modifications. The loan rate for quota peanuts shall be held constant from 1996 through 2002, at about 10 percent below the 1995 loan level. The loan rate level for additional peanuts must be set to ensure no losses by the Commodity Credit Corporation (CCC) that are related to the loan program. Cost-of-production is no longer a basis for increasing the support level, as it was in the Food, Agriculture, Conservation, and Trade Act of 1990.

The peanut program is further revised to reduce the chances of the CCC incurring costs due to commodity loan forfeitures. Costs can now be avoided by the CCC bringing quota peanut supply and demand into closer balance, by increasing the assessments on quota and additional peanuts, and by increasing assessments on quota peanuts for specific area quota pools to cover losses in those pools. Undermarketings are also eliminated under the 1996 Act, in contrast to the 1990 Act where a producer's undermarketings of quota peanuts from a previous year's quota allocation could be carried forward and used to increase the producer's current quota.

Price Support

The Secretary continues to be required to make nonrecourse loans available to producers of quota peanuts and of additional peanuts. The loan value is the product of the loan rate and the eligible quantity, and this amount may not be reduced by the Secretary by any deductions for inspection, handling, or storage. The producer portion of assessments, however, shall be deducted from the loan proceeds. There may also be loan rate adjustments for quota peanuts for location of peanuts and such other factors as grade, type, and quality.

To carry out the program, the Secretary must continue to make warehouse storage loans available in each of the producing areas to area producer marketing associations established to carry out the loan activities. In each area, marketing associations must continue to be approved by the Secretary and must establish separate marketing pools for quota peanuts and additional peanuts.

The national average quota loan rate for the 1996-2002 crops of quota peanuts will be \$610 per short ton, about 10 percent below the 1995-crop support rate of \$678.36 per short ton. Additional peanuts will again be supported at levels the Secretary determines appropriate, taking into consideration the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. The support rate level for additional peanuts must ensure no losses to the CCC.

"Additional" peanuts are defined as those peanuts sold from a farm in any marketing year in excess of the farm's eligible quota peanuts. "Additional" peanuts would thus include, but not be limited to, those marketed from a farm on which no farm poundage quota has been established. Generally, where possible, the support rate for both quota and additional peanuts must be announced by February 15 of the relevant calendar year involved in the planting of the crop.

If a peanut producer markets the producer's quota peanuts crop through a marketing association loan 2 years in succession, and declines a written purchase offer for each crop from a handler where the offer is at or above the quota loan rate, the producer will be ineligible for quota price support for the following marketing year.

Loan Pools

Regional grower associations help facilitate the administration of the peanut program. These associations

keep records of quota and additional marketings, arrange warehousing for CCC loan peanuts, and operate the price support loan program. To get the support price, a grower places peanuts in storage arranged by the regional association. Once this is done, the grower no longer has control of the peanuts. They are part of a pool controlled by the association and the CCC. Growers with peanuts in the pool are potentially eligible for dividend payments if association revenues from selling the peanuts in the pool exceed the loan and related costs of the peanut program. However, subject to certain restrictions, if other regional pools experience losses from pool operations, profits made in one pool may be used to offset the losses of the other pools.

Quota Pool Losses

The 1996 Act sets up a prioritized method of covering quota pool loan losses under which gains within an area's pools are used first to offset, or cover, an area pool's losses, followed by use of producer marketing assessments in the pool, followed by gains from pools in other areas, followed by use of the handler marketing assessment. If these actions fail to eliminate the loss, then the assessment on producers of quota peanuts in the production area covered by the pool is increased.

Marketing Assessments

The 1996 Act continues a nonrefundable marketing assessment. The total assessment per pound is 1.15 percent of the applicable loan rate for the 1996 crop, and 1.2 percent of the loan rate for each of the 1997 through 2002 crops. In a private sale by the producer to wholesale dealers, the first purchaser must collect from the producer a portion of the assessment equal to 0.6 percent of the applicable national average loan rate for the 1996 crop, and for the 1997-2002 crops, a portion equal to 0.65 percent of the applicable national average loan rate. The purchaser is then required to remit the total assessment to the Government, providing the additional amount of the assessment from the purchaser's own funds. For peanuts placed under loan, the producer's portion of the assessment is held back from the loan proceeds, and the remainder is remitted by the party purchasing the peanuts from loan inventory. In the case of private marketings by producers directly to consumers, or for sales outside the continental United States, the producer is responsible for the entire amount of the assessment.

Marketing assessments generally can be used, and can be increased, to offset loan pool losses remaining after pool offsets, thereby ensuring that the Government loses no principal or interest on the loan operations. Any increased marketing assessment applies to quota peanuts produced in the pool areas with a loss.

New Mexico Pool

For the 1996 and subsequent crops of peanuts, Valencia peanuts not physically produced in New Mexico may only be placed in the New Mexico pools by a previously qualified Texas producer, and only up to the amount, on an annual basis, that equals the average annual quantity of peanuts that the producer placed in the New Mexico pools for the 1990 through 1995 crops.

National, State, and Farm Poundage Quotas

The Secretary must establish a national poundage quota for each marketing year 1996-2002 at a level equal to estimated domestic edible and related uses. Seed use is no longer a component of the basic quota determination. The minimum national poundage quota prescribed in the 1990 Act (1,350,000 short tons) has been abolished. The new quota determination formula is designed to be a chief mechanism for avoiding costs due to peanut loan forfeitures.

As to seed, however, temporary allocation of quota will be made to all peanut producers for each of the 1996-2002 marketing years. The temporary allocation shall be in addition to the farm poundage otherwise established for the farm. This provision addresses additional-peanut producers' complaints concerning the required use of the higher priced quota peanuts for their peanut planting seed.

Beginning with the 1998 crop, the Secretary shall not establish a farm poundage quota for a farm owned or controlled by a municipality, airport authority, school, college, refuge, or other public entity (except by a university for research purposes); or a person who is not a producer and who resides in another State. Any quota held by such entities at the end of the 1996 marketing year shall be allocated to other farms in the same State. The 1996 marketing year ends on July 31, 1997.

Undermarketings

Under the 1990 Act, a producer's undermarketings of quota peanuts from a previous year's quota allocation could be carried forward and used to increase the producer's quota. The national total of these undermarketings in a particular year could not exceed 10 percent of the announced national quota. The 1996 Act eliminates the undermarketings carryover allowance. That is, if a producer fails to produce sufficient peanuts to market the farm's quota for a particular marketing year, the producer may no longer carry the undermarketings forward and thereby overmarket the farm's basic quota for the following year.

Sale, Lease, or Transfer of Farm Poundage Quotas

Subject to some restrictions, the owner of a farm (or the operator of a farm who has the permission of the owner) in a State for which a farm poundage quota has been established may sell or lease part or all of the poundage quota for that farm to the owner or operator of another farm in the State. The restrictions of the 1990 Act limiting, in most instances, intra-State transfer or sale of quotas to other farms within the same county are relaxed by the 1996 Act. The new law will permit, ultimately in all States, an aggregate of at least

40 percent of the total quota poundage within all counties (as of January 1, 1996) to be transferred outside the county. The 40-percent limit for counties subject to the limit is achieved incrementally, with total transfers limited to a maximum of 15 percent for the 1996 crop, 25 percent for the 1997 crop, 30 percent for the 1998 crop, 35 percent for the 1999 crop, and 40 percent for the 2000 through 2002 crops. Counties in States with less than a 10,000-ton State quota that previously had unlimited inter-county transfer, will still have no limits on such transfers. Further, even in large-quota States where counties are generally limited to 40 percent inter-county transfers, unlimited inter-county transfers will be allowed out of the counties with less than 100,000 pounds of quota.

Disaster Transfers

Disaster transfers of additional peanuts to the quota loan pool for pricing purposes due to the failure of sufficient quota production on a farm may not exceed 25 percent of the total farm quota pounds, excluding pounds transferred by a Fall transfer, and will be supported only at 70 percent of the quota support rate. Under the 1990 Act, 100 percent of the quota poundage could be transferred at 100 percent of the quota support rate minus certain limited deductions.

Subtitle D

Other Commodities

Chapter 2—Sugar

Ron Lord

The 1996 Act continues a loan program for sugar, with loan rates fixed at the 1995 levels for both refined beet and raw cane sugar. Loans can be recourse or nonrecourse, depending upon the import restriction level. When loans are nonrecourse, there is a penalty on borrowers for using the loan forfeiture option—effectively reducing the level of support by 1 cent per pound. Domestic marketing controls on sugar and crystalline fructose are suspended. Sugar marketing assessments are increased, from slightly less than one-fifth of a cent per pound, to slightly over one-fourth of a cent per pound.

Sugar Loan Program Modified

In a change from the 1990 Act, sugar loans will be issued as recourse loans instead of nonrecourse loans unless sugar import tariff-rate quota (TRQ) is set higher than 1.5 million short tons, raw value. If the TRQ is raised higher than 1.5 million tons during the year, then sugar loans are converted to nonrecourse loans, which means that when the loan matures, the Government must accept the sugar pledged as collateral as payment in full, in lieu of cash, at the option of the processor. Nonrecourse loans can effectively support the price of sugar in the market. With recourse loans, the Government requires full cash repayment of the loan at maturity, regardless of the current price of sugar; loan forfeiture is not an option for settling loan obligations. Recourse loans would not support the market price of sugar. Once the TRQ has been set above 1.5 millions tons, all loans in that year will be nonrecourse, regardless of subsequent events.

Sugar loan rates are unchanged from the 1995 levels—18 cents a pound, raw value, for raw cane sugar, and 22.90 cents a pound for sugar beets. These rates apply to each crop year from 1996 through 2002 (fiscal years 1997-2003). Previously, the beet sugar loan rate was

adjusted each year by formula in relation to the cane sugar loan rate. Loans are made by the CCC to sugar processors who store the processed product (sugar) as collateral, since the raw agricultural crop (sugarcane or sugar beets) loses value rapidly if stored for any length of time in unprocessed form. A commodity under CCC loan must be stored at producer/processor expense during the term of the loan.

As before, sugar loans expire at the end of 9 months, or the end of the fiscal year (September 30), whichever comes first. Loans made during the last 3 months of a fiscal year (July through September) are paid off at the end of the fiscal year, and a second loan, which matures in 9 months less the number of months which the first loan was in effect, may be acquired.

Reduction in Loan Rates

The Secretary shall reduce the U.S. sugar loan rates if certain other major producing and exporting countries reduce their export and domestic subsidies for sugar more than already agreed upon in the GATT Uruguay Round. The new rates must be at least as high as the level of support in the other countries.

Forfeiture Penalty

If sugar loans are nonrecourse and a processor forfeits collateral (sugar) to the CCC, the processor must pay a penalty of 1 cent per pound in the case of raw cane sugar. For refined beet sugar, the penalty for forfeiting sugar is 1.072 cents a pound. This provision has the impact of reducing the market price at which a processor has an economic incentive to forfeit the collateral of a nonrecourse loan, thereby reducing the effective level of price support by about 1 cent per pound.

Processor Assurances

As before, in any year during which nonrecourse loans are in effect, processors who obtain a nonrecourse loan must agree to pay farmers an amount for their sugar beets or sugarcane that is proportional to the loan value of sugar. USDA is authorized to establish minimum sugar beet or sugarcane prices per ton that processors must pay growers.

Marketing Assessment Raised

Beginning with fiscal 1997, sellers of domestic raw cane sugar must pay an assessment of 0.2475 cents per pound, raw value. Sellers of domestic refined beet sugar must pay an assessment of 0.2654 cents per pound. These assessments are 25 percent higher than under previous legislation, and will likely raise about \$40 million a year for the Federal Treasury. The penalty for not paying the assessment is the loan value of the quantity of sugar involved. Assessments do not apply to imported sugar.

Domestic Sugar Marketing Allotments Suspended

Domestic marketing allotments on sugar and crystalline fructose from the prior law are suspended. The only remaining government tools for supporting the price of sugar through 2002 are import restrictions and commodity loans.

Tariff Rate Quota Unaffected

The 1996 Act does not change the Harmonized Tariff Schedule (HTS) of the United States, as amended by the Presidential Proclamation to implement the GATT Uruguay Round Agreement on Agriculture. The HTS

authorizes the Secretary to limit the quantity of sugar that can be imported at the lower of two alternative duty rates (chapter 17, additional U.S. note 5). The amount of raw cane sugar subject to the lower duty rate must be no less than 1,117,195 metric tons in a fiscal year. The minimum low-duty quantity of refined sugars is 22,000 metric tons per fiscal year. The amount of sugar allowed to enter at the lower duty rate is often termed the tariff-rate quota, or TRQ, and the minimum TRQ's for raw and refined sugar add up to 1.256 million short tons raw value of sugar a year. The TRQ's are important to the sugar program as a key mechanism for restricting total supply and thereby supporting the U.S. sugar price. Other tariff-rate quotas also apply to certain sugar-containing products.

Reporting Requirements

Exactly as in previous legislation, monthly reporting on production, importation, distribution, and stocks of sugar is required of sugarcane processors, cane sugar refiners, and sugar beet processors. Purchases of sugarcane and sugar beets must also be reported. A civil penalty of \$10,000 will apply for each reporting violation.

No-Cost Provision Ineffective

The 1985 Farm Bill included a provision mandating the President to use all available authorities to operate the sugar program established under Section 206 of the Agricultural Act of 1949 at no cost to the Federal Government. This was to be accomplished by preventing the accumulation of sugar acquired by the CCC, which could be done by adjusting import quotas or employing domestic marketing quotas, for example. Since section 206 of the 1949 Act was repealed by section 171 of the 1996 Act, the above no-cost provision no longer refers to the current sugar program, and is, therefore, no longer effective.

Subtitle E

Administration

Bryan Just and Linwood Hoffman

The Secretary is directed to carry out title I of the Agricultural Market Transition Act (AMTA) through the Commodity Credit Corporation (CCC). In addition, this subtitle gives the Secretary authority to make loan rate adjustments, increases the interest rate applicable to commodity loans by 1 percentage point, establishes conditions for personal liability for commodity loans, and sets CCC sales price restrictions.

Administration Through the CCC

The Secretary shall carry out provisions of the AMTA through the CCC and must implement necessary regulations not later than 90 days after enactment of the 1996 Act (these regulations were published in the Federal Register on July 18, 1996). Determinations made by the Secretary under the AMTA shall be final and conclusive.

Adjustment of Loans

The Secretary may make adjustments in loan rates for any commodity based on differences in grade, type, quality, location, and other factors. However, the national average loan rate cannot be changed by variations caused by this adjustment. The Secretary may establish loan rates for individual counties, whereby no county loan rate is less than 95 percent of the national average loan rate. However, use of the discretionary 95 percent rule shall not result in an increase in outlays and shall not result in an increase in the national average loan rate for any year.

Commodity Credit Corporation Interest Rate

The monthly CCC interest rate for commodity loans shall be 1 percentage point greater than the rate determined under the applicable formula in effect on

October 1, 1995; that is, the interest rate shall be 1 percentage point greater than the cost of funds obtained from the Treasury.

Personal Liability of Producers for Deficiencies

Producers are not responsible for CCC losses from the sale of commodities acquired by the CCC under commodity loan programs, unless the loan was obtained through fraudulent representation by the producer. However, the producer is liable for: (1) deficiencies in grade, quality, or quantity of a commodity stored on a farm or delivered by the producer; (2) failure to properly care for and preserve a commodity; and (3) failure or refusal to deliver a commodity in accordance with a program established under the AMTA.

If the CCC acquires title to the unredeemed collateral, the CCC is under no obligation to pay for any market value that the collateral may have in excess of the loan indebtedness.

CCC Interests in Sugar Protected

CCC interests in raw cane sugar and refined beet sugar used as security for a commodity loan are protected by a provision making CCC claims superior to any other lien on the sugar or on the crops from which the sugar was derived.

Commodity Credit Corporation Sales Price Restrictions

The 1996 Act provides the CCC with greater flexibility in managing inventories through sales than it had under previous law (as specified in the 1949 Act, as amended). The main restriction on the CCC sales prices now is that the CCC may sell any commodity

owned or controlled by the CCC at any price determined by the Secretary that will maximize returns to the CCC. This required maximization-of-returns restriction on sales prices does not apply in several specified cases (listed below).

These same specified cases were also used in the previous law to make exceptions to the then current sales price restrictions. The restrictions in the previous law were that sales prices could not be less than certain specified percentages of the commodity loan rate or repayment rate. When the Farmer-Owned Reserve was in effect for a commodity, for example, sales prices could not be less than 150 percent of the loan rate.

Specified Cases for Exemption From Restrictions

Sales price restrictions do not apply to: (1) sale for new or byproduct uses, (2) sale of peanuts or oilseeds for oil, (3) sale for seed or feed if the sale will not substantially impair any loan program, (4) sale of a commodity that has substantially deteriorated in quality or is in danger of loss or waste through deterioration or spoilage, (5) sale for the purpose of establishing a claim arising out of a contract or against a person who has committed fraud, misrepresentation, or other

wrongful act with respect to the commodity, (6) sale for export, and (7) a sale for other than a primary use. The exemption means, for example, that the CCC may sell commodities for these purposes at less than their market value rather than at prices that maximize returns.

Disaster and Distress Exemption

As in the previous law, the CCC may make available any owned or controlled commodity for relieving economic or major disaster distress as declared by the President. In these situations, the CCC shall make quantities available on terms and conditions the Secretary considers in the public interest, but the CCC shall not bear any nonreimbursable costs other than those for storage, handling, and transportation.

Efficient Operations Exemption

CCC sales restrictions also do not apply to sales that are desirable in the interest of effective and efficient CCC operations because of age or storability of the commodity or because of small quantities involved. This exemption was also implicit in the previous law, except that there was a provision for offsetting purchases by the CCC if the sale would substantially impair the operation of price support programs.

Subtitle F

Permanent Price Support Authority

Bryan Just and Linwood Hoffman

Certain agricultural commodity program provisions of two past farm acts are considered “permanent,” because such provisions do not have a specified termination date. These acts are the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949. These permanent statutory provisions, as amended over the years, would dictate how commodity programs could be implemented for 1996 and beyond, unless steps were taken to amend, suspend, or repeal parts of them.

The 1996 Act temporarily suspended some of the permanent provisions of the 1938 and 1949 Acts, as previously amended, repealed others, and amended still others. Other permanent provisions were left unchanged and thereby apply to current programs (for example, the tobacco program). Some provisions of the 1938 and 1949 Acts, as previously amended, that were not permanent (they had termination dates specified) are also affected by suspensions and repeals under subtitle F.

Agricultural Adjustment Act of 1938

Suspensions

- **Allotments and quotas.** Acreage allotments for corn, wheat, and cotton; marketing quotas for corn, wheat, cotton, and rice (parts II through V of subtitle B of title III (7 U.S.C. 1326-1351)).
- **Peanuts.** Marketing quotas for peanuts (subsections (a) through (j) of section 358 (7 U.S.C. 1358)); sale, lease, and transfer of peanut acreage allotments (subsections (a) through (h) of section 358a (7 U.S.C. 1358a)); marketing penalties for peanut program (subsections (a), (b), (d), and (e) of section 358d (7 U.S.C. 1359)); publication and review of acreage allotments and marketing quotas for peanuts (part I of subtitle C of title III (7 U.S.C. 1361—1368)).
- **Marketing quotas for sugar and crystalline fructose.** Establishes framework for sugar marketing

allotments based on imports of 1.25 million short tons, raw value, for fiscal years 1992-98 (part VII of subtitle B of title III (7 U.S.C. 1359aa—1359jj)).

- **Preservation of unused acreage allotments (in the case of upland cotton).** If planted acreage is less than allotment acreage, under planted acreage will be considered planted in subsequent years if the owner/operator notifies the county committee within 60 days before the new marketing year (section 377 (7 U.S.C. 1377)).
- **Cotton pool participation trust certificates** (title IV (7 U.S.C. 1401-1407)).
- **Wheat marketing allocation and marketing certificates** (subtitle D of title III (7 U.S.C. 1379a—1379j)).

Reports and Records

For the 1996-2002 crops of peanuts, the Secretary continues to have the authority to request from persons and firms engaged in the production of peanuts, as well as those involved in the processing, transporting, or selling of peanuts, information needed to implement peanut marketing quotas and price supports. An amendment to the first sentence of section 373(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1373(a)) provides this authority.

Agricultural Act of 1949

Suspension of Permanent Provisions

- **Parity price support formulas for tobacco, peanuts, corn, wheat, rice, and cotton** (section 101 (7 U.S.C. 1441)).
- **Parity price support.** Feed grain program—parity price support for corn and other feed grains (section 105 (7 U.S.C. 1444b)); wheat program—parity price support for wheat (section 107 (7 U.S.C. 1445a)).

- **Nonbasic agricultural commodities.** Price support levels for designated nonbasic agricultural commodities. Price support for oilseeds (including soybeans, sunflower seed, canola, rapeseed, safflower, flaxseed, mustard seed, and other oilseeds as the Secretary may determine.); honey; sugar beets; and sugarcane; and parity price support for milk (section 201 (7 U.S.C. 1446)); parity price support formulas for other nonbasic agricultural commodities (title III (7 U.S.C. 1447-1449)).
- **Parity price support for cotton** (section 103(a) (7 U.S.C. 1444(a))).
- **Farmer-Owned Reserve Program.** Storage program for wheat and feed grains when supplies are abundant and to ensure adequate carry-over stocks (section 110 (7 U.S.C. 1445e)).
- **Agricultural Commodities Utilization Program.** The Secretary may permit set-aside acreage to be planted to a commodity (other than the set-aside commodity) for conversion into industrial use (section 112 (7 U.S.C. 1445g)).
- **Commodity certificates.** Payments under annual programs for wheat, feed grains, upland cotton, or rice may be with grain delivery, negotiable warehouse receipts, negotiable certificates, or other appropriate method (section 115 (7 U.S.C. 1445k)).
- **Miscellaneous.** Price support, commodity loan operations, CCC operations, amendments, 1990 deficiency payment reduction (sections 401-403, 405, 407-411, 413-415, 417-423 of title IV (7 U.S.C. 1421-1433d)).
- **Emergency Livestock Feed Assistance Act of 1988.** Initiated as an amendment to the 1949 Act, the Emergency Feed Assistance Act provided for the preservation and maintenance of livestock in areas where natural disasters create a livestock emergency (title VI (7 U.S.C. 1471-1471j)).

Suspension of Nonpermanent Provisions

- **Crop acreage base and program payment yield system applicable to the 1991-97 crops of:** wheat, feed grains, upland cotton, and rice (title V (7 U.S.C. 1461-1469)).

Repeal of Nonpermanent Provisions

- **Price support loans, loan deficiency payments, target price/deficiency payments, and acreage reduction programs for the 1991 through 1995 crops of rice** (section 101B (7 U.S.C. 1441-2)); **feed grains (includes rye)** (section 105B (7 U.S.C. 1444f)), and **wheat** (section 107B (7 U.S.C. 1445-3a)) and the **1991 through 1997 upland cotton crops** (section 103B (7 U.S.C. 1444-2)).
- **Price support program (quota and support rates) for the 1991 through 1997 crops of peanuts** (section 108B (7 U.S.C. 1445c-3)).
- **Supplemental set-aside and acreage limitation authority.** The Secretary may implement an acreage limitation program for one or more of the 1991 through 1995 crops of wheat and feed grains if the action is in the public interest as the result of export restrictions (section 113 (7 U.S.C. 1445h)).
- **Land diversion payments and timing of deficiency payments (1991-97).** Under an acreage limitation program, the Secretary may make up to 50 percent of the payment available to the producer as soon as possible after the producer agrees to divert the land in return for payments. Advance deficiency payments are available to producers (subsections (b) and (c) of section 114 (7 U.S.C. 1445j)).
- **Other price support.** Nonrecourse loans and loan deficiency payments for oilseeds (soybeans, sunflower seed, canola, rapeseed, safflower, flaxseed, mustard seed, and other oilseeds as determined by the Secretary) for the 1991 through 1997 marketing years; sugar beet and sugarcane price support for the 1991 through 1997 crops; honey price support through loans and purchases for 1991 through 1998, Sections 205, 206, and 207 (7 U.S.C. 1446f, 1446g, and 1446h).
- **Option to announce 1996 program provisions based on 1995 provisions** (Sec. 406(b) (7 U.S.C. 1426 part)).

Repeal of Permanent Provisions

- **Announcement of price support levels prior to the start of planting season** (Sec. 406(a) (7 U.S.C. 1426 part)).

- ***Crop insurance purchase requirement for 1995 and subsequent crops*** (Sec. 427 (7 U.S.C. 1433f)).

Potential Price Support for Rice

The current level of price support for rice under a new permanent provision established by the 1996 Act would be, except for the fact that it is also suspended under the 1996 Act, "... not less than 50 percent, or more than 90 percent of the parity price for rice as the Secretary determines will not result in increasing stocks of rice to the Commodity Credit Corporation," (section 171 (e)).

Suspension of Certain Quota Provisions

The joint resolution entitled "A joint resolution relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended," approved May 26, 1941 (7 U.S.C. 1330 and 1340),

shall not be applicable to the crops of wheat planted for harvest in the calendar years 1996 through 2002. This suspended resolution specifies some procedures to use in implementing marketing quotas and related penalties for wheat, which will not become relevant unless marketing quotas become effective.

Other

Except where specifically provided, the effect of this title and any amendments shall not affect the authority of the Secretary to carry out a price support or production adjustment program for any of the 1991 through 1995 crops. This title or any amendments shall not affect the liability of any person under any provision of law in effect before the enactment of this act. The tobacco program authorized by the 1949 Act (sections 106, 106A, 106B) was not changed by the 1996 Act.

Subtitle G

Commission on 21st Century Production Agriculture

Linwood Hoffman

A new commission called the Commission on 21st Century Production Agriculture must conduct a comprehensive review of effects of the Agricultural Market Transition Act (AMTA), the future of production agriculture, and the appropriate role of the Federal Government in production agriculture. The Commission's reports are to be submitted to Congress by June 1, 1998, and January 1, 2001.

Composition of Commission

An 11-member commission is to be established by October 1, 1997, with 3 members appointed by the President, 4 members appointed by the Chairman of the Committee on Agriculture of the House of Representatives, and 4 members appointed by the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate. Both committee chairs must consult with their ranking minority member on the membership decisions.

Comprehensive Review of Future Production Agriculture Under the AMTA and the Role of Government

The Commission shall conduct an initial comprehensive review of changes in the condition of production agriculture in the United States since the date of enactment of the AMTA and the extent to which the

changes are the result of the AMTA. This review shall include an assessment of production flexibility contracts, economic risks to farms by size of operation, U.S. food security situation, changes in farmland values and producer incomes, regulatory relief, tax relief for farmers, effects of Federal Government interference in agricultural export markets, and likely effect of the sale, lease, or transfer of farm poundage quota for peanuts across State lines. The report on this initial review is due June 1, 1998.

A subsequent review, with recommendations for legislation, shall be completed by the Commission by January 1, 2001, on the future of production agriculture in the United States and the appropriate role of the Federal Government in support of production agriculture. The review shall include an assessment of changes in the condition of production agriculture in the United States since the initial review, appropriate future relationships of the Federal Government with production agriculture after 2002, personnel and infrastructure requirements of the Department of Agriculture necessary to support the future relationship of the Federal Government with production agriculture, and economic risks to farms delineated by size and location of farm operation. This review will include recommendations for legislation to achieve the appropriate future relationship of the Federal Government with production agriculture. The Commission shall terminate on submission of the final report.

Subtitle H

Miscellaneous Commodity Provisions— Options Pilot Program, Crop Insurance, and Risk Management

Joy Harwood

Miscellaneous commodity provisions in this part of title I address risk management issues in various ways. First, some provisions are aimed at helping producers learn more about futures markets, insurance programs, and other risk management tools—through an Options Pilot Program and through risk management education. Second, the 1996 Act modifies the crop insurance program by: (1) restricting the delivery of catastrophic coverage (CAT) policies by local Farm Service Agency (FSA) offices to those areas where there are not enough private insurers to provide sufficient service, (2) eliminating the mandatory linkage between crop insurance and other farm programs for producers who waive emergency crop loss assistance, (3) establishing an independent Office of Risk Management within the Department of Agriculture, and (4) mandating various pilot insurance programs.

Options Pilot Program

The 1996 Act states that the Secretary may offer a pilot program for one or more agricultural commodities supported under title I to ascertain whether or not futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of commodities. The pilot is to be an alternative to other related programs of the U.S. Department of Agriculture. The pilot may not be operated in more than 100 counties for any eligible crop. No more than six counties may be located in any one State, and it shall not be operated in any one county for more than three of the 1996 through 2002 crop years.

Under the pilot, the Secretary may enter into a contract with a producer who: (1) is eligible for a production flexibility contract, marketing assistance loan, or other assistance under title I, (2) volunteers to participate,

(3) operates a farm located in a county selected for the pilot, and (4) meets other requirements that the Secretary may establish. The Secretary shall fund and operate the options pilot program through the Commodity Credit Corporation. To the extent possible, the program is to be budget neutral.

This options pilot program language in the 1996 Act is similar to that in the 1990 Act. Under the 1990 Act, the options pilot program was to be carried out in selected counties for the 1991 through 1995 corn crops and the 1993 through 1995 crops of wheat and soybeans. The 1996 Act repeals the options pilot program language in the 1990 Act.

Risk Management Education

In consultation with the Commodity Futures Trading Commission, the 1996 Act states that the Secretary shall provide producers with education in managing the financial risks inherent in the production and marketing of agricultural commodities, as the Secretary considers appropriate. The Secretary also may develop and implement programs to facilitate the participation of producers in futures trading programs, forward contracting options, and insurance protection programs. Existing research and extension authorities and resources of the Department may be used in providing this education.

Crop Insurance

The 1996 Act amends the Federal Crop Insurance Act, the permanent legislation for crop insurance. The 1996 amendments modify certain provisions of the amendments made by the Federal Crop Insurance Reform Act of 1994 (the 1994 Act), which was in effect for 1995 crops.

The 1994 Act provided a major overhaul of the Federal crop insurance program. For example, the 1994 Act provided catastrophic (CAT) insurance coverage for a minimal (\$50 per crop) processing fee. CAT coverage was enacted to supplant ad hoc disaster assistance, which had been funded under statutory authorities. These authorities were repealed by the 1994 Act. The 1994 Act linked the purchase of at least CAT coverage for economically significant crops to eligibility for program benefits under annual commodity programs, certain loan programs, and renegotiated Conservation Reserve Program (CRP) contracts. Producers could also purchase additional coverage, with higher yield and price protection, for a flat fee per crop (at either \$10 or \$50, depending on the level of coverage) plus a subsidized premium.

The 1994 Act also instituted the Noninsured Assistance Program (NAP) for crops that are not currently insurable. Producers do not pay premiums under NAP, but loss triggers for both an area and an individual farm must be met for a producer to receive a payment. CAT coverage and NAP are designed to reduce the need for ad hoc disaster assistance. Prior to the 1994 Act, an implicit dual system of crop insurance and ad hoc disaster assistance programs was in place, which was considered to be costly and inefficient.

Delivery by Private Insurers

Under the 1994 Act, CAT coverage could be delivered either through private insurance companies or local Farm Service Agency (FSA) offices. The 1996 Act restricts delivery of CAT policies by local FSA offices to those States or portions of States having an insufficient number of private insurers to provide adequate service to producers. To determine these areas, the Secretary is to consult with private insurers. The 1996 Act thus requires proof of need before local FSA offices are used.

The affected areas must be determined and announced for 1997 crops within 90 days after the enactment of the 1996 Act, and for subsequent crops, by April 30 (or such other time as practicable) of the year preceding the year of harvest. CAT policies currently delivered by local FSA offices in these areas are to be transferred to private insurers for the performance of all sales, service, and loss adjustment functions beginning with 1997 crops.

Delinking Crop Insurance and Other Program Benefits

Under the 1996 Act, producers will no longer be required to purchase at least CAT coverage in order to

receive benefits associated with production flexibility contracts, the Conservation Reserve Program, or other specified programs. Producers must, however, waive eligibility for emergency crop loss assistance for a crop if they do not purchase crop insurance. These provisions are effective for 1996 spring-planted crops and subsequent crops, and, at the option of the Secretary, for 1996 fall-planted crops.

Extended Sales Closing and Cancellation Dates for 1996 Only

The 1996 Act requires the Secretary to allow producers of 1996 spring-planted crops to obtain CAT coverage for spring-planted 1996 crops, and limited and additional coverage for malting barley under the Malting Barley Price and Quality Endorsement for at least 2 weeks—but not more than 4 weeks—after the enactment of the 1996 Act. This coverage is not to be effective until 10 days after the application is received from the producer. The language is designed to prevent producers from signing up if they believe that a crop loss is imminent. The Federal Crop Insurance Corporation (FCIC) may attach limitations and restrictions on obtaining insurance during this period to maintain the actuarial soundness of the crop insurance program.

During this extended period (2 to 4 weeks), a producer may cancel a CAT policy if: (1) the policy continues a policy that was obtained in 1995, and (2) the cancellation request is made before the acreage reporting date for the policy for the 1996 crop year, if the acreage reporting date occurs during this extended period.

Crop Insurance Pilot Projects

The 1996 Act also directs the Secretary to conduct two crop insurance pilot programs. The first pilot program will provide crop insurance coverage that pays indemnities to producers for qualifying crop losses caused by insect infestation and diseases. This pilot program is to be actuarially sound, administered at no net cost to the Government, and in effect for at least 2 years. The FCIC currently covers losses due to insects and diseases in a variety of circumstances.

For the second pilot program, the FCIC is directed to conduct a study and a pilot program on the feasibility of insuring nursery crops. The FCIC currently insures containerized nursery crops. There is no current policy for in-ground nursery, foliar plants, cut flowers, or other nursery crops, although background research has been conducted.

Marketing Windows and Replanting Requirements

The 1996 Act directs the FCIC to consider “marketing windows” in determining whether it is feasible to require the planting or replanting of crops during a crop year. A marketing window refers to the time during which a crop can be most profitably marketed because of reduced competition from other growing areas. This language is particularly important to growers in the South who insure specialty crops (such as tomatoes and peppers), and who currently are required to replant their crops in the event of an early-season crop failure. Growers in these situations who replant the same crop often face low prices at harvest-time because they are in direct competition with more northern growers. This provision also affects contract growers of processing crops, such as green peas, sweet corn, and snap beans.

Funding of Crop Insurance Sales Commissions and the NAP

The 1996 Act modifies the restriction in the 1994 Act regarding the extent to which sales commissions can be funded from the FCIC Fund (mandatory account) to compensate agents in private insurance companies who deliver crop insurance policies to producers. Specifically, the 1994 Act states that payments for sales commissions to agents from the FCIC Fund (the mandatory account) may not exceed 8.5 percent of the total premium paid for additional insurance coverage for the 1997 reinsurance year. The change in the 1996 Act permits the reimbursement of administrative expenses to private insurance companies (including agent commissions) to be paid entirely through the mandatory account in 1997. There is no longer a potential split in outlays for reimbursements to private companies between the mandatory and discretionary accounts in 1997.

The 1996 Act also directs that funding for the NAP will be through the Commodity Credit Corporation rather than the FCIC Fund. This change makes funding sources consistent with the administering agency. NAP will continue to be administered by the Farm Service Agency, while crop insurance will be administered by the newly independent Office of Risk Management (see below).

Risk Management

Establishment of Office of Risk Management

The Secretary is directed to create in the Department an independent Office of Risk Management to supervise and administer crop insurance and other risk management programs. Such programs will, therefore, be independent and separate from the Farm Service Agency, which will continue to administer commodity programs, selected conservation and credit programs, and NAP. The Office of Risk Management will have jurisdiction over the following functions: supervision of the Federal Crop Insurance Corporation; administration and oversight of all aspects of all programs authorized under the Federal Crop Insurance Reform Act of 1994; any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures markets to manage risk and support farm income; and other functions considered appropriate by the Secretary. The administrator of the Office of Risk Management is to be appointed by the Secretary.

Revenue Insurance

The Secretary is directed to carry out a pilot program for crop years 1997, 1998, 1999, and 2000 that provides producers with insurance against a loss in revenue. The pilot is to be carried out in a limited number of counties, and is to be available for wheat, feed grains, soybeans, or other commodities as the Secretary considers appropriate. The revenue insurance pilot is to: be offered through reinsurance arrangements with private insurance companies, offer at least a minimum level of coverage that is an alternative to CAT coverage, be actuarially sound, and require the payment of premiums and administrative fees by an insured producer.

The 1994 Act mandated a pilot cost of production risk protection program that, in effect, was revenue insurance. The resulting 1996 FCIC pilot program, “Income Protection,” uses threshold trigger levels based on a producer’s average historical yield and a spring-time price for the harvest-time futures contract. It pays indemnities if the producer’s gross income (as measured by the product of the producer’s realized yield and the harvest-time futures price) falls below a prede-

terminated level. This pilot was offered for selected spring-planted crops (spring wheat, corn, soybeans, and cotton) in 1996 in selected counties. In addition, a private company introduced “Crop Revenue Coverage” in the spring of 1996. It provided revenue insurance plus replacement cost protection to producers for corn and soybeans in Iowa and Nebraska in that year. Crop revenue coverage is subsidized and reinsured by the FCIC.

Administration and Operation of Noninsured Crop Assistance Program

The Noninsured Crop Assistance Program (NAP) was first enacted as part of the 1994 Crop Insurance Reform Act. NAP provides yield risk protection equivalent to CAT coverage to producers who grow certain crops not currently covered by CAT. The 1996 Act generally does not change basic NAP provisions; it merely removes NAP from the Federal Crop Insurance Act and repeats it as stand-alone language in the 1996 Act. This conforms to the new procedures for separate administration of the crop insurance program and the NAP. Federal crop insurance is now administered by the Office of Risk Management and is funded by the

FCIC Fund. The NAP is now administered by the Farm Service Agency and funded through the Commodity Credit Corporation.

Eligible Crops. NAP provides yield risk protection to producers who grow commercial crops or other agricultural commodities (except livestock) not currently covered by CAT. Eligible crops include those used as food or fiber, floriculture, turfgrass sod, seed crops, aquaculture (including ornamental fish), and industrial crops. Seed crops and ornamental fish were not covered in the past because they were not classified as food or fiber and were not included in the 1994 Act’s list of exceptions. Aquaculture was covered under the 1994 Act, but ornamental fish were not covered.

Payment of Indemnities Under NAP. Payments under the NAP shall be made, as before, when both area and individual yield loss triggers are met. NAP requires that there be an area-wide yield loss of greater than 35 percent before producers in that area are eligible for payments. Then, if an individual producer realizes a yield loss of greater than 50 percent, a payment equivalent to the payment made under CAT crop insurance coverage may be made.

Title II

Agricultural Trade

Karen Z. Ackerman*

Title II of the 1996 Act continues and modifies existing agricultural export programs through 2002. Changes to P.L. 480 international food assistance programs emphasize the market development objectives of the concessional credit sales component of P.L. 480. Other changes allow programming of a wider range of commodities for food assistance and simplify procedures for administering the programs. The Food Security Wheat Reserve, renamed the Food Security Commodity Reserve, is expanded to include corn, grain sorghum, and rice in addition to wheat.

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The 1996 Act also authorizes changes to commercial export programs. Product coverage is expanded for high value products. Annual program levels for the Export Enhancement Program and the Market Promotion Program (renamed the Market Access Program) are reduced. The 1996 Act also revises the section of the Agricultural Trade Act of 1978, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act), by mandating the development of an export promotion strategy; adding an authority to protect producers from the adverse effects of trade embargoes; and prescribing new policies to direct USDA in its monitoring of other countries' Uruguay Round commitments.

Subtitle A

Amendments to the Agricultural Trade Development and Assistance Act of 1954 and Related Statutes (Overseas Food Assistance)

The U.S. Government provides international food aid primarily through titles I, II, and III of Public Law 480 (P.L. 480 or Food for Peace), and to a lesser extent through section 416(b) of the Agricultural Act of 1949, as amended, and the Food for Progress program. Title I of P.L. 480 finances sales of agricultural commodities under long-term credit arrangements to developing countries with insufficient foreign exchange. Title II grants food commodities for distribution overseas for humanitarian needs by private voluntary organizations, by international organizations, and by recipient governments. Title III grants food assistance to support development programs in least developed countries. USDA implements and administers P.L. 480 title I credit sales, and the U.S. Agency for International Development (U.S. AID) implements titles II and III. Title IV of P.L. 480 defines the operational requirements for the administration of overseas food assistance programs. Title V, the Farmer-to-Farmer Program, is a small technical assistance program that U.S. AID administers.

P.L. 480 Title I—Trade and Development Assistance

The title I program authorizes government-to-government sales of agricultural commodities to developing countries on concessional credit terms, including low interest rates, repayment periods of up to 30 years, and a grace period of up to 7 years during which payment of principal is deferred. The 1996 Act modifies the repayment terms for title I credit. The minimum repayment period of 10 years is eliminated and the maximum grace period is reduced from 7 to 5 years.

The priority for determining whether and to what extent a country receives assistance under title I has been the country's need for food, whether the country

is taking steps needed to improve food security and promote economic development, and whether the country demonstrates the potential to become a commercial market for U.S. agricultural products. The 1996 Act reorders the priorities for selecting countries to assist through title I credit sales in order to reinforce market development potential as a criterion in allocating title I funds.

Title I commodities are sold within the country through normal commercial channels. Governments participating in title I then may use the proceeds of the sales to promote mutually agreed-upon development objectives. The 1996 Act authorizes title I agreements to be entered into with private entities as well as with developing countries' governments. In the case of private entity agreements, the 1996 Act also permits a U.S. agricultural trade organization (an organization of agricultural producers whose main objective is commercial export market development) to carry out a project or program in a developing country using funds derived from title I sales if the organization has a market development plan approved by the Secretary.

An issue of great importance to developing countries during the negotiation of the Uruguay Round Agreement of the GATT was the maintenance of food aid to needy countries. Ministers to the GATT agreed to guarantee that the implementation of the Uruguay Round Agreement on Agriculture would not adversely affect food aid commitments to meet authentic food needs of developing countries and stressed the continuing need for bona fide food aid. The 1996 Act expresses a sense-of-Congress resolution that the President should consult with other nations to discuss appropriate levels of food aid commitments to developing countries. A conforming amendment to the Uruguay Round Agreements Act repeals an identical resolution to avoid redundancy.

P.L. 480 Title II—Emergency and Private Assistance Programs

Title II focuses on the humanitarian relief and development initiatives undertaken by private voluntary organizations (PVO's), cooperatives, and international organizations such as the World Food Program with commodities donated under title II. In emergency situations, title II commodities may be donated directly to governments. Many of the organizations that distribute title II food assistance also receive funds to help defray their overseas administrative costs. Organizations eligible to receive funding for overseas administrative support currently include PVO's and cooperatives. The 1996 Act increases the maximum level of funding that can be provided as overseas administrative support for eligible organizations under title II from \$13.5 million to \$28.0 million and adds intergovernmental organizations, such as the World Food Program, to the list of organizations eligible to receive these funds.

PVO's and cooperatives have been authorized to sell up to 10 percent of the commodities distributed under nonemergency title II programs each year to generate foreign currencies needed to finance, transport, store, and distribute title II commodities and for community development and health programs. The 1996 Act authorizes PVO's and cooperatives to use local currencies obtained from the sale of relief commodities for development activities in other countries in the region in which the title II commodities are sold and increases the minimum amount of commodities that are to be sold for local currencies under the title II nonemergency programs from 10 to 15 percent.

U.S. AID administers the title II program. Currently, title II grants are made for programs in countries where U.S. AID has a mission. The 1996 Act precludes U.S. AID from disapproving a proposed title II grant to a country solely because U.S. AID does not have a mission in the country or because the grant is not part of a U.S. AID-administered humanitarian development plan.

The 1996 Act renews through the year 2002 the authority for the Food Aid Consultative Group, a group that meets to review and address issues concerning food assistance programs.

The 1996 Act extends through 2002 the total minimum assistance levels under title II for fiscal year 1995 of 2.025 million metric tons of agricultural commodities

and 1.55 million metric tons of nonemergency food assistance.

Value-added agricultural products figure highly in P.L. 480 title II assistance. Not less than 75 percent of the agricultural commodities distributed under title II must be processed, fortified, or bagged. The 1996 Act also requires that not less than 50 percent of the bagged commodities provided under title II that are whole-grain commodities shall be bagged in the United States.

P.L. 480 Title III—Food for Development

The title III Food for Development Program donates commodities to least-developed countries to help them improve their food security and promote economic development. The commodities provided may be sold by the recipient government with the proceeds devoted to development programs, direct feeding programs, or emergency food reserves. Administration of title III development projects in the least-developed countries has been restricted to local or indigenous private organizations. The 1996 Act expands the list of title III participants to include all private organizations operating in a country.

P.L. 480 Title IV—General Authorities and Requirements

Provisions of title IV, P.L. 480 address: terms of P.L. 480 agreements, determination of the availability of commodities for P.L. 480 credit sales and donations, the transportation of P.L. 480 commodities, and other administrative matters. The 1996 Act extends the authority to sign new P.L. 480 agreements through 2002.

The 1996 Act eliminates the requirement that the Secretary affirmatively determine prior to the beginning of each fiscal year the commodities and quantities available for P.L. 480 programming.

P.L. 480 is funded by annual appropriations. In the 1996 Act, Congress authorizes the administration to allow up to 15 percent of the funds allocated for any of the titles of P.L. 480 to be used to carry out any other P.L. 480 title. In addition, up to 50 percent of title III funds may be used for title II.

The 1996 Act continues to require that USDA and U.S. AID continue to ensure that P.L. 480 food assistance not have a disruptive effect on the farmers or the local economy of the recipient country, but eliminates the requirement for consultations on this issue with inter-governmental and other donor organizations.

The 1996 Act increases USDA and U.S. AID's flexibility in making agreements with developing countries and private organizations by repealing the requirement for multi-year agreements for titles I and III agreements. However, multi-year agreements will continue to be required for title II.

Administrative provisions relating to the transportation of commodities under P.L. 480 are revised under the 1996 Act. The 1996 Act authorizes the CCC to pay ocean freight charges for title II commodities shipped from Canadian transshipment ports. While maintaining competitive procedures for ocean freight procurement, the 1996 Act grants greater flexibility to USDA and U.S. AID to determine necessary and appropriate terms and conditions for ocean freight contracts under P.L. 480 titles I, II, and III.

The 1996 Act requires the Secretary to implement a pilot program under P.L. 480 to assist developing countries in correcting micronutrient deficiencies and to encourage the development of technologies to fortify whole grains and other commodities that may be transferred to developing countries. The 1996 Act also authorizes the continuing use of local currencies obtained from title I sales prior to January 1, 1991, for private enterprise development.

P.L. 480 Title V—The Farmer-to-Farmer Program

The Farmer-to-Farmer Program authorizes U.S. farmers, land grant universities, private agribusinesses, and nonprofit farm organizations to provide technical assistance to developing countries, middle-income countries, and emerging democracies to increase farm production and income. Funding levels for the Farmer-to-Farmer Program equal a specified percentage of P.L. 480 appropriations. The 1996 Act increases the minimum percentage of P.L. 480 funding for the Farmer-to-Farmer Program (title V) from 0.2 percent to 0.4 percent. The program is authorized through fiscal 2002 and extended to emerging markets.

The Food Security Commodity Reserve

The Food Security Wheat Reserve (FSWR), authorized by title III of the Agricultural Act of 1980 and amended by the 1990 Act, is a reserve of up to 4 million metric tons of wheat to meet extraordinary food needs in developing countries through the P.L. 480 program. The President has the authority to release commodities in the reserve when: wheat stocks are not sufficient to meet the availability criteria of P.L. 480 because of tight domestic supply, or if additional food aid commodities cannot be provided to meet urgent humanitarian need through normal programming procedures.

The 1996 Act amends the 1980 Act further by making corn, grain sorghum, and rice in addition to wheat eligible to be included in the reserve, which is now renamed the Food Security Commodity Reserve. The limit on the size of the new reserve is still 4 million tons. The Secretary has authority through fiscal year 2002 to replenish commodities released from the reserve by designating CCC stocks for the reserve, or through additional purchases, provided the use of funds to make the purchases has been approved in advance in an appropriations act. The 1980 Agricultural Act required that the reserve be replenished 18 months after stocks had been released. The 1996 Act does not specify a time by which the reserve must be replenished.

The 1996 Act raises the amount of commodities that can be released through the title II donation programs each fiscal year to meet urgent humanitarian needs without regard to the domestic supply situation from 300,000 tons to 500,000 tons and allows for the release of up to 500,000 additional metric tons of eligible commodities that could have been released but were not released in previous years. The Secretary also may continue to release eligible commodities from the reserve when supplies are so limited that the commodities cannot otherwise be made available for P.L. 480 programming.

The 1996 Act also allows for the reimbursement of the CCC for the release of eligible commodities in a given year from the reserve from funds appropriated in subsequent fiscal years. Reimbursement will be based on the lesser of the actual costs incurred by the CCC with respect to the eligible commodity or the export price of the eligible commodity as of the time that the commodity is released from the reserve.

Food for Progress

The Food for Progress (FFP) Program authorizes the donation or sale of food aid commodities to assist developing countries that are implementing market-oriented policy reform. FFP was first authorized by the Food Security Act of 1985. The FFP program was amended by the 1990 Act to allow the United States to enter into FFP agreements with private voluntary organizations, nonprofit agricultural organizations, and cooperatives, as well as with the governments of developing countries and emerging democracies.

The 1996 Act extends the authority for FFP through December 31, 2002, and extends the authority through fiscal year 2002 to spend not more than \$10 million of CCC funds to provide assistance in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture in recipient countries and to provide technical assistance for projects that use the local currencies obtained from sales of commodities provided under the FFP Program. The

1996 Act allows the U.S. Government to make FFP agreements with intergovernmental organizations in addition to the other government and private entities named in the previous paragraph. Sales on credit terms may be made under the FFP Program to all eligible countries in addition to the newly independent states of the former Soviet Union.

Section 416(b)

Section 416(b) of the Agricultural Act of 1949, as amended, provides for donations of CCC-owned surplus commodities to developing countries. The 1996 Act allows local currencies derived from the sale of commodities donated under section 416(b) to be used to cover the administrative expenses for overseas donation programs carried out under section 416(b) and allows more time within which local sales proceeds must be expended under section 416(b) development projects. (This section is part of Subtitle C, Miscellaneous Agricultural Trade Provisions, but is included for the purposes of this publication under subtitle A.)

Subtitle B

Amendments to Agricultural Trade Act of 1978

The 1996 Act continues and makes changes to commercial agricultural export programs to improve their effectiveness and expand program coverage for high-value products. Funding levels for the Export Enhancement Program and the Market Promotion Program are reduced. The 1996 Act establishes a revised export promotion strategy, new policies governing USDA's role in monitoring other countries' implementation of their Uruguay Round commitments, and an additional embargo protection provision.

Agricultural Export Promotion Strategy

The Agricultural Trade Act of 1978, as amended by the 1990 Act, required the Secretary of Agriculture to develop a long-term agricultural trade strategy every 3 years to be used as a guide in implementing Federal programs designed to promote U.S. agricultural exports. Goals of the strategy were to: (1) ensure U.S. agricultural export growth, (2) efficiently use Federal agricultural export programs, (3) provide food aid and improve the commercial market potential for U.S. agricultural exports in developing countries, and (4) maintain traditional U.S. markets. The trade strategy included developing a list of priority markets and plans to assist exporters to access them. The 1990 Act also provided for the review and confidentiality of the trade strategy and required periodic reports on the trade strategy.

The 1996 Act revises the trade strategy provision in the Agricultural Trade Act of 1978 so that the strategy developed shall have the following annual goals: (1) increasing the value of U.S. agricultural exports, (2) increasing the U.S. world market share for agricultural products, (3) increasing the value of U.S. exports of high-value and value-added agricultural products, (4) boosting the U.S. world market share of high-value and value-added products, (5) ensuring to the extent practicable that the United States implements all of its commitments under current trade agreements to increase access for U.S. agricultural commodities, and (6) requiring that, to the extent practicable, the United

States use all applicable laws to secure U.S. rights under the Uruguay Round Agreement on Agriculture.

In accordance with changes made by the 1996 Act, the Secretary is required to identify the markets with the greatest potential for export increases, including those markets that show the greatest potential for higher exports with the assistance of Federal agricultural export programs. There also is a sense-of-Congress provision stating that House and Senate Agriculture Committees should review agricultural export promotion and food assistance programs no later than December 31, 1998.

Implementation of Commitments Under the Uruguay Round

The United States and 116 other countries signed the Uruguay Round Agreements of the GATT in April 1994, which also established the World Trade Organization (WTO). Signatory countries are required to implement the Uruguay Round Agreements. Major provisions of the Uruguay Round Agreement on Agriculture place constraints on the levels of export subsidies and domestic support and require increased market access. The Agreement on Sanitary and Phytosanitary Measures also requires a scientific basis for countries' sanitary and phytosanitary standards.

The 1996 Act requires the Secretary to evaluate the status of other countries' implementation of their Uruguay Round commitments each fiscal year. If the Secretary believes that, by not implementing its Uruguay Round commitments, another country may be constraining an opportunity for U.S. agricultural exports, the Secretary must submit the evaluation to the U.S. Trade Representative and transmit copies of the evaluation to Congress.

The Secretary also must monitor WTO member countries' commitments in regard to the Uruguay Round requirements on sanitary and phytosanitary measures. If the Secretary finds that a country has failed to meet its WTO commitments on sanitary and phytosanitary

measures, the Secretary must take appropriate action under any applicable provision of law. If the country's failure to meet its WTO commitments on sanitary and phytosanitary measures has a continuing adverse effect on U.S. agricultural exports, the Secretary must submit a report to Congress.

Export Credit Guarantee Programs

The CCC operates the Export Credit Guarantee Program (commonly known as GSM-102, after the General Sales Manager's office, which operates the program) and the Intermediate Export Credit Guarantee Program (known as the GSM-103 program). The GSM-102 and GSM-103 programs guarantee repayment of credit extended to eligible banks which issue letters of credit on behalf of purchasers of U.S. products. Under GSM-102 and GSM-103, the CCC typically guarantees repayment of 98 percent of the principal and a portion of the interest on credit extended for specified U.S. agricultural commodities to selected export markets. The GSM-102 program covers credit extended for up to 3 years, while the GSM-103 program covers credit extended for more than 3 and up to 10 years. Currently, maximum loan terms under GSM-103 do not exceed 7 years. USDA makes available for budget purposes \$5 billion annually for GSM-102 and \$500 million for GSM-103. Only U.S. agricultural products are eligible for coverage under the credit guarantee programs. Credit guarantees are prohibited for countries that the Secretary determines cannot adequately service the associated debt.

Under the Agricultural Trade Act of 1978 as amended by the 1990 Act, credit guarantees generally could be authorized only for agricultural products with 100 percent U.S. content. The 1996 Act modifies the definition of a U.S. agricultural product to authorize credit guarantees for high-value products with at least 90 percent U.S. content (by weight).

The criteria for determining whether a country is creditworthy for GSM-103 intermediate-term credit guarantees may include the following factors in addition to financial, macroeconomic, and monetary indicators: (1) whether the country has restructuring or rescheduling plans underway with international financial institutions such as the International Monetary Fund, (2) the convertibility of the country's currency, (3) adequate protection for foreign investments, (4) the viability of the country's financial markets; and other factors.

The 1996 Act recognizes the authorization of credit guarantees for sales of U.S. agricultural products when the buyer's bank is located in a country other than that of the buyer.

The 1996 Act establishes annual combined program levels for GSM-102 and GSM-103 of \$5.5 billion through 2002, but allows flexibility in how much is made available for each program. The 1996 Act also requires that minimum amounts of total credit guarantees be made available for processed and high-value products: 25 percent in 1996 and 1997, 30 percent in 1998 and 1999, and 35 percent thereafter. However, if the mandated percentages of high-value or processed products will reduce total commodity sales under the GSM-102 and GSM-103 programs, CCC does not have to fulfill this requirement.

The 1996 Act authorizes Supplier Credit Guarantees. Under this authority, the CCC can guarantee a portion of the payments due from a private importer under short-term financing (up to 180 days) that exporters have extended directly to such importers for the purchase of U.S. agricultural products.

The 1990 Act established an upper limit on the origination fee for export credit guarantees of 1 percent of the amount of credit extended under the transaction. The 1996 Act clarifies that the origination fee be applied to the amount of short-term credit to be guaranteed rather than the amount of credit extended to the importer under the transaction and removes the cap on the origination fee to be charged for CCC credit guarantees under the proposed Facilities Guarantee Program.

Emerging Markets Program

The Emerging Democracies Program was authorized by the 1990 Act. Section 1542 of the 1990 Act authorized \$1 billion in credits or credit guarantees to be made available to emerging democracies during the fiscal 1991-95 period. Guarantees also could be made available to help establish or provide facilities, services, or U.S. products to improve handling, marketing, storage, or distribution of imported agricultural products. In addition, up to \$10 million of CCC funds were authorized for technical assistance activities in emerging democracies each year during fiscal years 1991-95.

The 1996 Act retargets the program to emerging markets (defined as countries that the Secretary determines

are taking steps toward market-oriented economies and have the potential to provide viable markets for U.S. agricultural commodities) and extends it through 2002. The CCC must make available not less than \$1 billion of direct credit or credit guarantees to emerging markets during fiscal years 1996-2002 in addition to the amounts separately authorized for GSM-102 and GSM-103 guarantees. Credit guarantees can be made available under a new Facilities Guarantee Program to establish or provide facilities, services, or U.S. products to improve handling, marketing, storage, or distribution of imported agricultural products. The 1996 Act also authorizes \$10 million annually for technical assistance with priority for projects that encourage the privatization of the agricultural sector or benefit private farms or cooperatives in emerging markets.

Export Enhancement Program

The Export Enhancement Program (EEP) is the chief U.S. export (price) subsidy program. Under the EEP, cash bonus payments are made available to exporters of specific U.S. agricultural commodities (wheat and wheat flour, barley and barley malt, rice, poultry, eggs, and vegetable oils), enabling them to price such commodities competitively and, thereby, make sales in targeted markets. The EEP and other price subsidy programs are subject to Uruguay Round Agreement disciplines on export subsidies.

The Agricultural Trade Act of 1978, as amended by the 1996 Act, limits EEP funding to \$350 million in fiscal 1996, \$250 million in 1997, \$500 million in 1998, \$550 million in 1999, \$579 million in 2000, and \$478 million each in 2001 and 2002. (This is a reduction of almost \$1.7 billion from the U.S. Uruguay Round maximum export subsidy levels for 1996 through 1999.) In addition, the Secretary may make available under certain conditions up to \$100 million annually for the sale of intermediate agricultural products to attain the volume of those products exported by the United States during the Uruguay Round base period of 1986 through 1990.

Cottonseed and Sunflowerseed Oil Assistance Programs (COAP and SOAP)

The SOAP and COAP, export price subsidy programs to assist exporters of U.S. vegetable oils to compete in

global markets, were first authorized in 1987 and 1988, respectively. The Disaster Assistance Act of 1988, as amended by the 1990 Act, authorized the Secretary to use \$50 million annually to encourage additional sales of cottonseed and sunflowerseed oil exports. Funds were to be made available from monies obtained as customs receipts, as authorized under section 32 of the Agricultural Adjustment Act of August 24, 1935. The 1996 Act did not extend authority for the COAP and SOAP. However, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1996 provides authority to operate the program in fiscal year 1996.

Market Access Program

The 1990 Act authorized funding for the Market Promotion Program (MPP) at \$200 million annually through 1995. The 1993 Omnibus Budget Reconciliation Act reduced MPP funding to \$110 million annually through 1997 and required that priority for brand promotions be given to small firms. Under the Market Promotion Program, CCC funds have been used to partially reimburse participating organizations for the costs of carrying out foreign market development activities in designated countries. Participating organizations include nonprofit agricultural trade organizations, State regional trade groups, and private companies. Over 80 percent of MPP funds go to the development of markets for high-value and processed products.

The 1996 Act renames the Market Promotion Program as the Market Access Program, reduces program funding from the 1996 level of \$110 million to \$90 million annually for 1996 through 2002, and prohibits direct assistance for brand promotion to large firms unless they are agricultural cooperatives.

Foreign Market Development Program

USDA's Foreign Agricultural Service has operated a Foreign Market Development (Cooperator) Program since 1955, funded under FAS' annual appropriations. The program has been focused chiefly on the promotion of bulk products such as grains and oilseeds. The 1996 Act specifically authorizes the Cooperator Program under the Agricultural Trade Act of 1978. The purpose of the program is to maintain and develop for-

eign markets for U.S. agricultural commodities and products. Funds may be appropriated as needed to carry out the Cooperator Program for fiscal years 1996 through 2002, but specific funding levels are not indicated.

Compensation for Trade Embargoes

Embargo compensation is provided under section 411 of the Agricultural Trade Act of 1978, which requires the Secretary to make specified payments to producers when exports to a country are restricted for reasons of national security or foreign policy. Section 412 requires the Secretary to develop a contingency plan to assess the impact of the embargo and the implementation of producer payments under section 411.

The 1996 Act adds a new provision to the Agricultural Trade Act of 1978 by requiring that compensation be paid to producers if an export embargo is imposed on any country for national security or foreign policy reasons and if no other country with an agricultural economic interest joins the U.S. sanctions within 90 days of the imposition of the embargo. If these conditions are met, USDA must compensate producers of the affected commodity or commodities by either making

payments to producers, by making available funds for export promotion, or by providing commodities to developing countries.

Payments to producers will be based on the Secretary's estimate of the loss suffered by producers due to a decrease in commodity prices resulting from the embargo. The amount of funds provided for export promotion or for food assistance to developing countries would be equal to 90 percent of the average annual value of U.S. exports to the embargoed country for the most recent 3 years prior to the embargo. Funds will be available to compensate producers for each fiscal year or part of a fiscal year that the embargo is in effect, but for no longer than 3 years.

Foreign Agricultural Service

The Foreign Agricultural Service of USDA is charged with acquiring information pertaining to agricultural trade, carrying out market promotion and development activities, and implementing commercial and food assistance programs. The 1996 Act expands the mission of the Foreign Agricultural Service to include the technical assistance and training mission of USDA's International Cooperation and Development program area.

Subtitle C

Miscellaneous Agricultural Trade Provisions

The 1996 Act authorizes the Edward R. Madigan U.S. Agricultural Export Excellence Award to recognize companies' and other private organizations' entrepreneurial efforts in the food and agricultural sector for advancing U.S. agricultural exports.

Two sense-of-Congress trade policy resolutions are revised to reflect current trade policy issues; several others are repealed. Another sense-of-Congress resolution urges that in ongoing Organization for Economic Cooperation and Development negotiations on disci-

plines on export credit guarantees, the United States should not agree to changes in export credit guarantee programs that are inconsistent with authorizing statutes and should insist on disciplines on the operations of state trading enterprises.

Other miscellaneous provisions require the Secretary to establish labeling requirements for imported and domestic lamb and mutton, consistent with international obligations. Several statutes authorizing obsolete programs and requiring regulations or studies are repealed.

Dairy Trade Provisions (under Title I of the 1996 Act)

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) subsidizes exports of U.S. dairy products in selected markets. Under the DEIP, the CCC makes payments on a bid basis to exporters of U.S. dairy products.

The Food Security Act of 1985, as amended by the 1996 Act, extends the DEIP through 2002 and requires the use of the program to the maximum extent allowable under the Uruguay Round Agreement to develop dairy markets worldwide.

Authority To Assist the Dairy Industry To Establish and Maintain One or More Export Trading Companies

The Secretary may provide advice and assistance to the U.S. dairy industry to help them develop and maintain one or more export trading companies under the Export Trading Company Act of 1982. The purpose of such companies is to facilitate international market development and exportation of U.S.-produced dairy products.

If the U.S. dairy industry has not established such an export trading company by June 30, 1997, or the quantity of U.S. dairy product exports from July 1997 through June 1998 does not exceed the previous year's exports by 1.5 billion pounds (milk equivalent, total solids basis), the Secretary must indicate which entity

or entities autonomous of the U.S. Government, which seeks designation as an export trading company, is best suited to facilitate international market development for dairy products. The Secretary must assist the entity or entities to identify sources of funding for market development and export activities. This provision applies only from July 1, 1997, through September 30, 2000.

Cheese Import Study

The Secretary is required to conduct a study for Congress of the impact of certain WTO (GATT) provisions on domestic U.S. dairy prices, dairy producer income, and Federal dairy program costs. These provisions involve increases in the amount of cheese granted import access to the United States under U.S. WTO obligations. Impacts are to be derived on a variety-by-variety of cheese basis, and the report is due by June 30, 1997.

Promotion of U.S. Dairy Products in International Markets Through the Dairy Promotion Program

The Dairy Production Stabilization Act of 1983 is amended to authorize the National Dairy Board to spend revenues obtained from producer assessments for the purpose of developing international markets as well as for the promotion of dairy products for use in the United States.

Title III

Conservation

C. Tim Osborn*

The conservation title amends (1) conservation compliance and highly erodible land (sodbuster) provisions and (2) wetland conservation (swampbuster) provisions. The amendments provide farmers with more flexibility in meeting requirements and conditions of these two sets of provisions.

As established by the Food Security Act of 1985, conservation compliance and sodbuster provisions require that producers implement an approved conservation plan on their highly erodible cropland to remain eligible for a wide range of USDA program benefits. Under swampbuster, producers must refrain from converting

wetlands to make possible the production of an agricultural commodity to remain eligible for USDA program benefits.

The title also extends the Conservation Reserve Program (CRP) and the Wetland Reserve Program (WRP), and establishes several new programs to address high-priority environmental protection goals. New programs include the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program, the Flood Risk Reduction Program, a Farmland Protection Program, a Conservation Farm Option, and a Conservation of Private Grazing Lands initiative. A new National Natural Resource Conservation Foundation is also created as a nonprofit corporation to fund research, education, and demonstration projects related to conservation.

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Subtitle A

Definitions

This subtitle defines important components applicable to the conservation compliance and sodbuster provisions, including “conservation plan,” “conservation system,” and “field.” A conservation system is defined as conservation measures and practices that are based on local resource conditions, available conservation technology, and the standards and guidelines contained in Natural Resources Conservation Service (NRCS) field office technical guides, and is designed to achieve, in a cost-effective and technically practicable manner, a substantial reduction in erosion or a substan-

tial improvement in soil conditions on highly erodible cropland.

The subtitle also requires that within 60 days the Secretary publish in the Federal Register both the universal soil loss equation and the wind erosion equation used by USDA. Any future changes to these equations must involve public notice and comment. Both of these equations are used to determine if there has been a substantial reduction in soil erosion on fields containing highly erodible cropland.

Subtitle B

Highly Erodible Land Conservation

The 1996 Act modifies conservation compliance and sodbuster provisions of the Food Security Act of 1985 to provide producers with more flexibility in developing and implementing conservation plans, in self-certifying compliance, in obtaining variances for problems affecting application of conservation plans, and in obtaining good faith exemptions.

Producers who violate conservation plans, or fail to use a conservation system, on highly erodible land risk loss of eligibility for many payments including production flexibility contract payments, Environmental Quality Incentive Program payments, and WRP payments. Crop insurance payments are no longer at risk due to noncompliance. As before, eligibility for farm storage facility loans; disaster payments; loans made, insured, or guaranteed by the Farm Service Agency (formerly FmHA loans); CRP payments; commodity storage payments; payments under sections 401 or 402 of the Agricultural Credit Act of 1978; and payments under sections 3 or 8 of the Watershed Protection and Flood Prevention Act may be denied for failure to comply with an approved conservation plan or to use an approved conservation system.

The subtitle clarifies that conservation requirements for highly erodible CRP lands returned to production must be no more onerous than those required for similar lands in the area under conservation compliance.

The “good faith” provision of the 1985 Act is also revised. Previously, a producer could receive a good faith exemption from a compliance violation if there had been no other violation within the previous 5 years and it was determined that the producer had acted in good faith and without the intent to violate the conservation compliance or sodbuster provisions. The 1996 Act removes the 1-in-5 year rule and allows a grace period not to exceed 1 year to implement measures needed to be in compliance. Further, if a USDA employee observes possible conservation compliance deficiencies while providing on-site technical assistance, the producer is provided 1 year to correct the deficiencies. USDA must notify the producer within 45 days of corrective actions needed. If corrective

actions are not completed within 1 year, the Secretary may then conduct a compliance status review.

The 1996 Act requires the Secretary to establish expedited procedures for granting temporary conservation plan variances for weather, pest, or disease problems. Once a producer requests a variance, the Secretary must make a decision on whether to grant the variance within 30 days. If the Secretary fails to render a decision within this time frame, the temporary variance is automatically granted.

The 1996 Act requires the Secretary to provide technical guidelines and establish a certification system for third parties to perform residue measurement, and accept residue measurement and other data voluntarily supplied by the producer. The Secretary must use residue measurements supplied by the producer or a certified third party if the Secretary determines that the measurements indicate the residue level for the field meets the level required by the conservation plan.

The 1996 Act allows producers to self-certify compliance with their conservation plan when they apply for benefits. The Secretary is not required to conduct a status review for producers who self-certify. These producers are further allowed to revise their conservation plans in any manner if the level of conservation treatment provided by the plan is maintained. To encourage on-farm conservation research, the Secretary may allow a person to include, on a field trial basis, practices that are not currently approved in NRCS Field Office Technical Guides, but that the Secretary considers have a reasonable likelihood of success.

Based on a producer’s request, county or area committees are authorized to determine if the producer’s conservation system would impose an undue economic hardship, and if so, provide the producer with relief to avoid the hardship.

Finally, the Secretary is also required to establish a wind erosion pilot project that would review and modify as appropriate the use of wind erosion factors in carrying out the conservation compliance and sodbuster provisions of the legislation.

Subtitle C

Wetland Conservation

The swampbuster provision of the 1985 Act was amended to provide producers with increased flexibility to address wetland issues while stressing the protection of overall wetland functions and values. Producers who violate the swampbuster provision risk loss of eligibility for production flexibility contract payments, Environmental Quality Incentive Program payments, and WRP payments. Crop insurance payments are no longer at risk due to swampbuster violations. As before, eligibility for farm storage facility loans, disaster payments, loans made, insured, or guaranteed by the Farm Service Agency (formerly FmHA loans), CRP payments, commodity storage payments, payments under sections 401 or 402 of the Agricultural Credit Act of 1978, and payments under sections 3 or 8 of the Watershed Protection and Flood Prevention Act may be denied for a swampbuster violation. The Secretary shall determine which of, and the amount of, these loans and payments the person shall be ineligible for in proportion to the severity of the violation.

The 1996 Act requires the Secretary to certify wetland determinations as accurate. Once certified, all wetland determinations remain in effect as long as the land is used for agricultural purposes or until the owner or operator requests a review from the Secretary. Wetlands converted to agricultural use prior to December 23, 1985, are not subject to wetland compliance provisions even if wetland conditions return as a result of lack of maintenance, lack of management, or circumstances beyond the control of the person. A converted wetland that was determined by the NRCS to have been manipulated for the production of an agricultural commodity or forage prior to December 23, 1985, and was returned to wetland conditions through a voluntary restoration, enhancement, or creation action, may later be converted and/or used for the production of an agricultural commodity if certain conditions are met. These conditions are: (1) NRCS has documented site conditions before and after the restoration, enhancement, or creation action, (2) the proposed conversion action was approved by NRCS prior to implementation, and (3) the proposed conversion results in wetland functions and values at least equivalent to those that existed before the restoration, enhancement, or creation action.

The Secretary is required to identify, through regulation, categories of actions that constitute minimal effects on wetlands. Wetland mitigation can now be achieved through the enhancement of an existing wetland or through the creation of a new wetland, in addition to restoration of a converted wetland as permitted by previous law, as long as the wetland functions and values are maintained. Wetland conversion activities authorized by a permit issued under Section 404 of the Clean Water Act will not trigger a swampbuster violation if NRCS determines that they were adequately mitigated.

The 1996 Act gives the Secretary broader authority than before to grant complete exemptions for swampbuster violations if the person acted in good faith and without the intent to violate and if the person undertakes active restoration of the wetland within 1 year of the violation. To receive a good faith exemption, previously, a producer had to be actively restoring the wetland and demonstrate that he or she had not otherwise violated swampbuster provisions within the past 10 years. Even so, the producer was still subject to graduated penalties ranging from \$750 to \$10,000.

The legislative requirement for agreement with the U.S. Fish and Wildlife Service and for consultation with the Secretary of the Interior regarding wetland determinations, restoration, mitigation, and monitoring are repealed by the 1996 Act. NRCS is granted sole responsibility for such activities. Finally, the Secretary is authorized to establish and operate a pilot program for mitigation banking of wetlands. Mitigation banking entails the creation of a “bank” of new or restored wetlands. When producers diminish or destroy their own wetlands, they can mitigate their actions by purchasing equivalent wetlands from the “bank.”

The 1996 Act expands the definition of agricultural land contained in the interagency (USDA, Environmental Protection Agency, Department of the Interior, Department of the Army) memorandum of agreement to include not only cropland and pasture, but also tree farms, rangeland, native pasture, and other land used for livestock production. NRCS will begin immediately to provide wetland determinations on these lands at the request of the owner or operator.

Subtitle D

Environmental Conservation Acreage Reserve Program (ECARP)

ECARP was previously composed of the Conservation Reserve Program and the Wetland Reserve Program. The 1996 Act retains ECARP as an umbrella program and adds the new Environmental Quality Incentives Program. The Secretary is authorized to designate watersheds, multistate areas, or regions of special environmental sensitivity as conservation priority areas that are eligible for enhanced assistance under ECARP programs. In the 1990 Act, conservation priority areas, including the Chesapeake Bay region, Long Island Sound region, and Great Lakes region, were established only for the Conservation Reserve Program. ECARP programs are to be funded with Commodity Credit Corporation (CCC) funds. The purposes of the CCC are expanded, effective January 1, 1997, to include conservation and environmental programs authorized by law (see subtitle E).

Conservation Reserve Program (CRP)

The 1996 Act reauthorizes the CRP at a maximum of 36.4 million acres at any one time through the year 2002. The Secretary is authorized to enroll new acres in addition to renewing existing CRP acres.

The Secretary shall allow a participant who entered into a contract before January 1, 1995, to terminate the contract at any time if the contract has been in effect for at least 5 years. This termination is subject to a 60-day notice to USDA. However, CRP acres with filter-strips, grass waterways, riparian areas, windbreaks, shelterbelts, acres having an erodibility index greater than 15, and other lands with high environmental benefits as determined by the Secretary (including wetlands) are ineligible for early withdrawal. Producers will receive prorated rental payments for contracts that are withdrawn before the end of a fiscal year. The 1996 Act further stipulates that early withdrawal of a CRP contract shall not affect the ability of the owner or operator to submit a bid to reenroll the land in the CRP at a future date.

Wetland Reserve Program (WRP)

The WRP is reauthorized through the year 2002 with up to 975,000 acres enrolled at any one time. Beginning October 1, 1996, to the extent practicable, one-third of the newly enrolled land shall be in permanent easements, one-third in 30-year easements, and one-third under wetland restoration agreements with cost sharing. At least 75,000 acres of land in temporary easements must be enrolled in the program before any additional permanent easements are accepted. In addition to eligibility criteria from previous legislation, land eligible for the WRP must now maximize wildlife benefits and wetland values and functions.

Restoration plan development under the WRP is now the responsibility of NRCS, in consultation with the State technical committee, and no longer requires the agreement of the U.S. Fish and Wildlife Service. Compensation for WRP easements can now be made in 5 to 30 annual payments rather than 5 to 20 annual payments under previous law. In addition to cost-sharing levels for permanent and 30-year easements under prior law, the 1996 Act stipulates that the Secretary shall cost-share 50 percent to 75 percent of eligible costs for wetland restoration agreements.

Environmental Quality Incentives Program (EQIP)

The 1996 Act requires the Secretary to establish a new program, EQIP, and to combine in it the functions of the Agricultural Conservation Program, the Great Plains Conservation Program, the Water Quality Incentives Program, and the Colorado River Basin Salinity Control Program. The objective of the program is to encourage farmers and ranchers to adopt practices that reduce environmental and resource problems. Half of the available funds for EQIP are to be targeted at practices relating to livestock production (see subtitle E).

EQIP must be carried out to maximize environmental benefits provided by the program per dollar expended. During 1996-2002, the Secretary shall provide technical assistance, education, cost-sharing, and incentive payments to producers who enter into 5- to 10-year contracts specifying EQIP conservation plans. The program is available to farmers and ranchers who own or operate land on which crops or livestock are produced including cropland, pasture, rangeland, and other lands identified by the Secretary.

EQIP conservation plans will indicate changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, and/or land use changes to be implemented by the producer. The plans will be intended to improve soil, water, and related natural resources including grazing lands, wetlands, and wildlife habitat. Producers who implement land management practices (for example, nutrient management, tillage management, grazing management) can receive technical assistance, education, and incentive payment amounts to be determined by the Secretary. Producers who implement structural practices (for example, animal waste management facilities, terraces, filterstrips) can receive technical assistance, education, and cost-sharing of up to 75 percent of the projected cost of the practice(s). However, large confined livestock operations, subject to definition by the Secretary, will be ineligible for cost sharing to construct animal waste management facilities. An evaluation and selection process for offers will be used to maximize environmental benefits per dollar expended under the EQIP program.

Program funding will be \$200 million annually through 2002 except for fiscal year 1996 in which case funding will be \$130 million (see subtitle E). In general, the total amount of cost-share and incentive pay-

ments paid to a producer under EQIP may not exceed \$10,000 for any fiscal year or \$50,000 for any multi-year contract. However, the Secretary is given authority to pay a producer more in a fiscal year if the Secretary determines it to be essential to accomplish the purposes of the program.

EQIP is to be phased-in over a 180-day period through an interim program. At the end of this time, the authority to use the terms and conditions of the Agricultural Conservation Program, the Great Plains Conservation Program, the Water Quality Incentives Program, and the Colorado River Basin Salinity Control Program shall be terminated.

Conservation Farm Option (CFO)

The Secretary must establish conservation farm option pilot programs for producers of wheat, feed grains, cotton, and rice. Only owners or operators with contract acreage enrolled in the agricultural market transition program are eligible for participation. Under the pilot programs, producers shall have the opportunity to receive one consolidated USDA program payment in lieu of separate payments from CRP, WRP, and EQIP. The producer must implement a conservation farm plan that addresses soil, water, and related resources; water quality; wetlands; or wildlife habitat. Participation is voluntary and based upon a 10-year contract between the Secretary and the producer, with the potential for a 5-year extension. An owner or operator may not terminate a CRP contract and enter into a CFO contract if the Secretary determines that this would reduce net environmental benefits. Initially, funding for fiscal 1997 is \$7.5 million, increasing to \$62.5 million in 2002. A total of \$197.5 million of CCC funds is dedicated to this option for FY 1997-2002.

Subtitle E

Conservation Funding and Administration

This subtitle specifies that the Secretary shall use the funds of the CCC to carry out various conservation programs discussed elsewhere in title III. In carrying out conservation compliance, sodbuster, swampbuster, CRP, WRP, and EQIP, the services of local, county, and State committees shall be used. In carrying out CRP, WRP, and EQIP the Secretary shall consult with, to the extent practicable, the U.S. Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, soil conservation districts, and other appropriate agencies. For swampbuster, CRP, WRP, and EQIP the Secretary is permitted to utilize the services of NRCS, Forest Service, the Fish and Wildlife Service, State forestry agencies, State fish and game agencies, land-grant colleges, local, county, and State committees, soil conservation districts, and other appropriate agencies.

The Secretary shall not enroll more than 25 percent of the cropland in any county in the CRP and WRP combined, and not more than 10 percent of the cropland in a county may be subject to a CRP or WRP easement, excluding shelterbelt and windbreak easements. The

Secretary may exceed these limitations if doing so would not adversely affect the local economy of a county and operators in the county are having difficulty complying with conservation compliance plans.

With the exception of tenants on land subject to extended CRP contracts, the Secretary must provide adequate safeguards for tenants sharing in payments under conservation compliance, sodbuster, swampbuster, CRP, WRP, and EQIP. In addition, the Secretary must permit farmers to secure technical assistance for conservation compliance plans from approved sources other than NRCS.

Membership of State Technical Committees will be expanded to include agricultural producers, nonprofit groups, agribusiness, and other persons with demonstrable expertise in conservation. State Technical Committees will provide public notice of, and allow public attendance at meetings considering conservation title issues. State Technical Committees will take on a larger role in recommending priorities and other policies for management of USDA conservation programs.

Subtitle F

National Natural Resources Conservation Foundation

A National Natural Resources Conservation Foundation is established as a private charitable non-profit corporation to promote and fund innovative solutions to conservation problems through partnerships between government and private interests. It can also conduct research, education, demonstration projects, technical assistance, raise and accept private donations, and make grants to State and local agencies and non-profit organizations for conservation purposes. The foundation is not an agency or instrument of the U.S. Government, and is not permitted to participate in political campaigns or conduct government lobbying. Initial funding of \$1 million per year is authorized to be appropriated for the work of the foundation for fiscal years 1997-99.

A nine-person board of trustees shall administer the foundation. The initial members of the board are to be

appointed by the Secretary and will serve a combination of 1, 2, and 3-year terms. Subsequent members of the board are to be nominated and selected by the board. The board is to be composed of individuals with expertise in agricultural conservation policy matters including a farmer or rancher and a representative each from a statewide conservation organization, a private sector organization, an organization outside the Federal Government dedicated to conservation education, and soil and water conservation districts. One member of the board shall be appointed by the Secretary to act as chairperson for a 2-year term. Members of the board receive no compensation for their service. An Executive Director, also initially appointed by the Secretary and subsequently selected by the board, will serve as the chief operating officer of the foundation. Subsequent directors will be appointed by the Board.

Subtitles G and H

Forestry and Miscellaneous Conservation Provisions

Forestry and Forest Incentives Program

The Forestry Incentives Program (FIP) is reauthorized through 2002. In addition, appropriations are authorized, as necessary, for the Office of International Forestry for this same period and the Secretary is given authority to make grants to States under the Forest Legacy Program.

Floodplain Easements

Authority is provided to obtain floodplain easements under the Emergency Watershed Protection Program.

Resource Conservation and Development Program

The Resource Conservation and Development Program is reauthorized through 2002. The purpose of this program is to assist multicounty areas in enhancing conservation, water quality, wildlife habitat, recreation, and rural development.

Flood Risk Reduction Contracts

The 1996 Act authorizes the Secretary to offer flood risk reduction contracts to producers on farms that have contract acreage under the Agricultural Market Transition Act that is frequently flooded. Individuals can receive up to 95 percent of projected contract payments under the Agricultural Market Transition Act, that the Secretary estimates the producer would otherwise have received, from the time of the contract through September 30, 2002. In return, producers must terminate their production flexibility contract, comply with swampbuster and conservation compliance provisions, and forego future disaster payments, crop insurance payments, conservation program payments, and

loans for contract commodities, oilseeds, and extra long staple cotton. Flood Risk Reduction contract funding is to be provided through the Commodity Credit Corporation.

Grazing Lands Conservation Initiative

The 1996 Act requires the Secretary to conduct, subject to the availability of appropriated funds, a coordinated technical, educational, and related assistance program for owners and managers of non-Federal grazing lands including rangeland, pastureland, grazed forest land, and hay land. Working through local conservation districts, the purpose of the program is to conserve water quality, wildlife and fish habitat, help with weed and brush problems, enhance recreational opportunities, and maintain and improve the aesthetic character of non-Federal grazing lands. Funding is authorized to be appropriated at \$20 million in FY 1996, \$40 million in FY 1997, and \$60 million in FY 1998 and each subsequent year. In addition, the Secretary is authorized to establish two grazing management demonstration districts at the recommendation of the grazing lands conservation initiative steering committee. The purpose of these districts is to promote technical assistance self-help among farmers and ranchers who graze livestock.

Wildlife Habitat Incentives Program

The Secretary is required to establish a Wildlife Habitat Incentive Program to be operated by NRCS. The program provides cost-sharing assistance to landowners to develop habitat for upland wildlife, wetland wildlife, threatened and endangered species, fish, and other types of wildlife. A total of \$50 million is to be made available from CRP funds to conduct the program for fiscal years 1996 through 2002.

Farmland Protection Program

The Secretary is required to establish and carry out a new farmland protection program to purchase voluntary conservation easements or other interests in not less than 170,000 nor more than 340,000 acres of prime and unique farmland. To be eligible, land must be subject to a pending offer from a State or local government for the purposes of protecting topsoil by limiting nonagricultural uses of the land. The Secretary shall use not more than \$35 million of the funds of the Commodity Credit Corporation to carry out this program.

Interim Moratorium On By-Pass-Flows

A seven member task force will be appointed to study the issue of by-pass-flows and related water rights issues on National Forest land, and complete a report within 1 year. The task force is composed of one member appointed by the Secretary, two members appointed by the Speaker of the House, one member appointed by the Minority Leader of the House, two members appointed by the Majority Leader of the Senate, and one member appointed by the Minority Leader of the Senate. In the interim, there will be an 18-month moratorium on the imposition of nonvoluntary bypass flow requirements in Forest Service permits, except to the extent that such requirement protect public health and safety or obligations under the Endangered Species Act.

Everglades Ecosystem Restoration

The Secretary of the Treasury shall provide \$200 million to the Secretary of the Interior to carry out this program. The Secretary of the Interior shall use the funds to purchase and restore land located within the Florida Everglades Restoration area (that is, the area extending from the Kissimmee River basin to the Florida Bay) as a means of improving and restoring the Everglades. Authority was also provided to establish a special account of up to \$100 million from the sale or exchange of surplus Federal land in Florida that is not environmentally sensitive or part of a military base. The use of these special funds requires a contribution from the State of Florida of at least 50 percent of the appraised value of parcels to be acquired. Within 1 year, the Secretary of the Interior is required to submit to Congress a report to determine the feasibility of additional Everglade land acquisition and restoration activities.

Task Force on Agricultural Air Quality

The Chief of the Natural Resources is required to establish a task force to address agricultural air quality issues. The task force will be comprised of USDA employees, industry representatives, and other experts in the fields of agriculture and air quality. The task force will advise the Secretary on oversight and coordination of Federal Government research activities and data relating to agricultural's effects on air quality.

Title IV

Nutrition Assistance

Victor Oliveira*

The Nutrition Assistance Title of the 1996 Act relates to several domestic food assistance programs, including the Food Stamp Program. As reauthorized via the 1996 Act, the various food programs will continue to operate as they have during the past several years, with a few minor changes. Authorizations are granted through fiscal year 2002, except for the Food Stamp Program, which is only covered through fiscal year 1997. New authorization provides start-up assistance for community food projects, and mandatory funds for food assistance to American Samoa.

Food Stamp Program

The cornerstone of USDA's food assistance programs, the Food Stamp Program (FSP), supplements the food purchasing power of eligible low-income households by issuing monthly benefits through coupons or electronic benefit transfer (EBT) cards that are redeemable at authorized retail food stores. The Food Stamp Program was initiated as a pilot program in 1961 and was established as a permanent program by the Food Stamp Act of 1964. The 1964 Act was permanently amended by the Food Stamp Act of 1977, which eliminated purchase requirements and simplified eligibility determinations. The Federal Agriculture Improvement and Reform Act of 1996 reauthorizes the Food Stamp Program through fiscal year 1997. It also amends several provisions of the Food Stamp Act of 1977.

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Employment and Training

The 1996 Act reauthorizes the Secretary to allocate \$75 million annually to carry out the Employment and Training Program through fiscal year 2002. States continue to be required to conduct an employment and training program to assist food stamp recipients in gaining the skills, training, or experience to increase their ability to obtain regular employment.

Pilot Projects

The Act reauthorizes through fiscal year 2002 seven pilot projects for food assistance begun in 1981. Assistance is provided with cash, in lieu of coupons, to households composed entirely of elderly or Supplemental Security Income recipients. These projects were designed to test program changes that might increase the efficiency of the Food Stamp Program and improve the delivery of food stamp benefits to eligible households.

Outreach Demonstration Projects

Outreach demonstration projects designed to increase participation by eligible low-income households in the Food Stamp Program were reauthorized through fiscal year 2002.

Miscellaneous

The 1996 Act also amends a provision of the Food Stamp Act of 1977 concerning the permanent disqualification of stores from participating in the FSP due to program violations. With this amendment, the provision now permits a civil money penalty in lieu of disqualification of a food store if there has been no more than one prior coupon trafficking violation by store management.

Nutrition Assistance Programs

The Nutrition Assistance Programs for Puerto Rico and American Samoa provide food assistance through block grant funds in lieu of food stamps. The Act reauthorizes the Nutrition Assistance Program in Puerto Rico at the following levels:

<i>Fiscal year</i>	<i>Million dollars</i>
1996	1,143
1997	1,174
1998	1,204
1999	1,236
2000	1,268
2001	1,301
2002	1,335

The program in Puerto Rico shall be used to finance 100 percent of the expenditures for food assistance provided to needy persons and 50 percent of the administrative expenses. The level of funding of this program had been \$1,097 million in fiscal year 1994 and \$1,143 million in fiscal year 1995.

The American Samoa nutrition assistance program is authorized as a mandated program through fiscal year 2002, not to exceed the current program level of \$5.3 million per year. These funds are to be used to finance 100 percent of the expenditures for the program.

Commodity Supplemental Food Program

The Commodity Supplemental Food Program (CSFP) was reauthorized through fiscal year 2002. The program provides commodity foods to supplement the diets of low-income infants; children up to age 6; pregnant, postpartum, and breast-feeding women; and persons 60 years of age and older. The 1996 Act also reauthorizes a provision requiring 9 million pounds of cheese and 4 million pounds of nonfat dry milk be transferred to the CSFP, to the extent that Commodity Credit Corporation quantities are available. A new provision requires that not more than 20 percent of any CSFP food funds carried over from a prior year shall be available for administrative expenses of this program.

Food Distribution Program on Indian Reservations

The Food Distribution Program on Indian Reservations provides monthly food packages primarily for Native Americans who live on or near Indian reservations. This program is an alternative food assistance program for Native Americans who cannot or choose not to participate in the Food Stamp Program. The Act reauthorizes the program through fiscal year 2002.

The Emergency Food Assistance Program

The Act reauthorizes The Emergency Food Assistance Program (TEFAP) through fiscal year 2002. TEFAP provides needy Americans with USDA-donated foods through local agencies such as food banks, shelters, and soup kitchens.

Soup Kitchen and Food Bank Program

Authorization of the Soup Kitchen and Food Bank Program was extended through fiscal year 2002. The program provides commodities from USDA surplus stocks and purchases food for distribution to eligible cooperators including orphanages, homes for the elderly, temporary shelters, and hospitals.

National Commodity Processing

The National Commodity Processing Program was reauthorized through fiscal year 2002. Under the program, the Secretary encourages consumption of surplus commodities through agreements with private companies to reprocess commodities into end-food products for use by eligible recipient agencies who pay the expense of reprocessing.

Community Food Projects

New authority is granted to the Secretary to make grants to assist eligible private nonprofit entities in

establishing and carrying out community food projects designed to: (1) meet the food needs of low-income people, (2) increase the self-reliance of communities in providing for their own food needs, and (3) promote comprehensive responses to local food, farm, and nutrition issues. These projects are defined as community-based projects that require a one-time infusion of

Federal assistance to become self-sustaining. The Federal share of the cost of establishing or carrying out a community food project may not exceed 50 percent the cost of the project during the term of the grant. The total amount of funds provided as grants may not exceed \$1 million for fiscal year 1996 and \$2.5 million for each of fiscal years 1997 through 2002.

Title V

Agricultural Promotion

Bruce H. Wright*

Title V authorizes the Secretary to establish an orderly process for developing, financing, and carrying out a program of generic promotion, research, and information for commodities. Under this new program, interested parties can petition USDA to establish an industry-financed promotion program for a commodity without first obtaining specific authorization from Congress, as previously required. This title also requires an independent evaluation of each generic agricultural promotion program's effectiveness, including existing programs, not less than every 5 years. Title V also provides specific authorization for three new commodity promotion programs (popcorn, canola and rapeseed, and kiwifruit).

The promotion programs covered by this title, and similar previous promotion legislation, are “generic” in the sense that the objective is to expand and otherwise promote markets and industry-wide developments for

specific commodities—without reference to specific producers or brand names.

Generic research and promotion programs of the past have been commonly known as checkoff, or self-help, programs because they are funded, with a few exceptions, by deductions or “checkoffs” from private commodity transactions. Producers, processors, and importers pay the assessments and control their check-off programs by referenda voting.

Past enabling legislation for a commodity (including those three embedded in title V of the 1996 Act) provided guidelines for, and authorizes, the Secretary to issue an order based on proposals submitted by industry representatives. Final orders were then issued that reflected comments on published proposed regulations needed to establish the commodity order. The order for each program authorizes a board of directors to run the program, says who will be subject to assessments at specified rates, and provides rules for how the program can be revised or terminated.

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Subtitle A

Commodity Promotion and Evaluation

This subtitle provides a statement of findings of Congress and definitions regarding the rationale for and purposes of generic commodity promotion and research programs. The findings were, for example that:

- It is in the national public interest and vital to the welfare of the agricultural economy of the United States to maintain and expand existing markets and develop new markets and uses for agricultural commodities through industry-funded, Government-supervised, generic commodity promotion programs established under commodity promotion laws; and
- Generic commodity promotion programs are of particular benefit to small producers who often lack the resources or market power to advertise on their own and who are otherwise often unable to benefit from the economies of scale available in promotion and advertising; and
- Periodic independent evaluation of the effectiveness of these generic commodity promotion programs are important, because they will assist Congress and the Secretary in ensuring that the objectives of the programs are met.

Subtitle B

Issuance of Orders for Promotion, Research, and Information Activities Regarding Agricultural Commodities, also cited as the Commodity Promotion, Research, and Information Act of 1996 (CPRI Act)

Purpose of CPRI Act

The purpose of the CPRI Act is to authorize the Secretary to establish an orderly program for developing, financing, and carrying out an effective, continuous, and coordinated program of generic promotion, research, and information for agricultural commodities. This program is designed to:

- (1) Strengthen the position of agricultural commodity industries in the marketplace;
- (2) Maintain and expand existing domestic and foreign markets and uses for agricultural commodities;
- (3) Develop new markets and uses for agricultural commodities; or
- (4) Assist producers in meeting their conservation objectives.

The Secretary may issue and amend from time to time orders applicable to producers, first handlers, other appropriate persons in the marketing chain, and importers, if imports are subject to assessment.

Issuing Orders

A proposed order for an agricultural commodity may be initiated by the Secretary, submitted by an association of producers of the agricultural commodity, or submitted by any other person that may be affected by the issuance of an order.

If the Secretary determines that a proposed order is consistent with and will achieve the purpose of the CPRI Act, the Secretary shall publish the proposed order in the Federal Register and give due notice and

opportunity for public comment on the proposed order. The Secretary shall issue final orders after considering public comments. In most cases, the final order shall be issued and become effective not later than 9 months after the date of publication of the initial proposed order that was the basis for the final order.

In general, each order shall contain terms and conditions defining: establishment of the board that will carry out the program, board membership, reapportionment of board membership, meeting and vacancy notice, term of office, compensation, powers and duties of the board, prohibited board activities, activities and budgets, contracts and agreements, board records, periodic evaluation, and books and records of persons covered by records.

A board is prohibited from: engaging in any action that would be a conflict of interest; using funds collected by the board to engage in any action to influence legislation or governmental action or policy, other than recommending to the Secretary amendments to the order; and advertising activities that may be false, misleading, or disparaging to another agricultural commodity.

The Secretary has authority to exempt small quantities of commodity production or imports if covered, and to authorize use of different payment and reporting schedules, reserve funds, credits, and assessment of imports.

Assessments

When an issued order is in effect, assessments shall be paid to the board by first handlers of commodities produced and marketed in the United States, and by importers (if covered) of the imported commodity. First handlers or importers are limited to one assess-

ment for each agricultural commodity. The board shall recommend to the Secretary one or more assessment rates for approval. If approved, the rates shall take effect. An order may provide that an assessment rate not increase unless approved by a referendum.

Referenda

Four types of referenda are available: initial referendum, required referenda, subsequent referenda, and other referenda.

- (1) **Initial Referendum.** To determine whether the persons to be covered by an order favor the order going into effect, the order may provide for the Secretary to conduct an initial referendum among persons to be subject to an assessment. This referendum may be held among persons engaged in the production or handling of the commodity or the importation of the commodity, during a representative period determined by the Secretary.
- (2) **Required Referenda.** To determine whether the persons covered by an order favor the continuation, suspension, or termination of the order, the Secretary shall conduct a required referendum. The referendum shall be held among persons subject to the assessment engaged in the production or handling of the commodity or the importation of the commodity, during a representative period determined by the Secretary. This referendum shall be held within 3 years of the starting date of the assessments. If an initial referendum was held, this required referenda is exempt.

- (3) **Subsequent Referenda.** To determine if persons favor the continuance, suspension, or termination of the order, the Secretary shall conduct a subsequent referenda: not later than 7 years after assessments begin, at the request of the board, or at the request of 10 percent or more of eligible persons subject to the assessment.

- (4) **Other Referenda.** The Secretary may conduct at any time a referendum to determine whether continuation, suspension, or termination of the order is favored by persons subject to assessments.

An order may provide for its approval in a referendum by: a majority of persons voting, persons voting for approval who represent a majority of the volume of the agricultural commodity, or a majority of persons voting for approval who also represent a majority of the volume of the agricultural commodity.

Suspension, Termination, and Review

The Secretary shall suspend or terminate an order or provision of an order if it does not achieve the purpose of the CPRI Act of 1996 or it is not favored by persons voting in a referendum. Within 2 years of the effective date of an order, a person subject to an order may file a petition with the Secretary. After a hearing, the Secretary shall make a final ruling. The district court of the United States has jurisdiction to review a final decision, if a complaint for that purpose is filed within 20 days after the date of entry of the final ruling.

Subtitle C

The Canola and Rapeseed Research, Promotion, and Consumer Information Act

Title V mandates that the Secretary shall issue one or more orders applicable to producers and first handlers of canola, rapeseed, or canola or rapeseed products. The order shall be national in scope and shall be administered by a National Canola and Rapeseed Board of 15 members: including 11 producers—one from each of 6 regions that produce canola or rapeseed, 5 from the regions allocated according to production in each region (no more than 4 producer members can be from the same State) and 4 industry members (including at least 1 manufacturer and at least 1 merchant). The board shall have the power to meet to make recommendations for assessment rates, and to develop programs or projects for the conduct of research, promotion, industry information, and consumer information.

The program would be funded via a two-tier structure of assessments of 4 cents per hundredweight of canola or rapeseed produced and marketed in non-qualified States and 2 cents per hundredweight in States that have qualified State organizations. The assessment rate may be increased on recommendation by the Board to a rate not exceeding 10 cents per hundredweight of canola or rapeseed produced and marketed (in a State in which there is a qualified State canola and rapeseed board, the maximum assessment is 8 cents per hundredweight of canola or rapeseed produced and marketed). The assessment can be increased above 10 cents per hundredweight only if the increase is approved in a referendum by a majority vote.

Subtitle D

The National Kiwifruit Research, Promotion, and Consumer Information Act

Title V mandates that the Secretary shall issue an order applicable to producers, handlers, and importers of kiwifruit. The purpose is to enable domestic producers, importers, and foreign exporters of fresh kiwifruit to develop, finance, and carry out a nationally coordinated program of research, promotion, and consumer information.

The program would be administered by a National Kiwifruit Board of 11 members; 6 representing producers who are not exempt from assessments, 4 representing importers or foreign exporters who are not exempt from assessments, and 1 representing the general public.

The Secretary shall appoint members (and alternates) representing producers nominated by producers, importers nominated by importers, and a public member nominated by other Board members. Terms of members of the board are for 3 years and a member is limited to two consecutive 3-year terms, except that of members first appointed.

An assessment, up to 10 cents per 7-pound tray of kiwifruit, must be recommended by two-thirds vote of the Board and approved by the Secretary. It is to be collected from the first-handler or importer. Exemptions are provided for those who produce less than 500 pounds per year, for those who import less than 10,000 per year, for producers who sell directly to consumers, and for production or imports that are for processing.

An up-front referendum would be held during the 60-day period preceding the proposed effective date of the order. Continuance referenda are also required. To pass, a referendum must be favored by not less than a majority of the producers and importers voting in the referendum representing more than 50 percent of the total volume of kiwifruit produced and imported by persons voting in the referendum.

The Secretary shall be reimbursed for costs incurred by USDA in implementing and administering the order, including expenses incurred by the Secretary in conducting the referenda.

Subtitle E

The Popcorn Promotion, Research, and Consumer Information Act

The Secretary shall issue 1 or more orders applicable to processors of popcorn. The order shall be applicable to all popcorn production and marketing in the United States. The purpose is to maintain and expand the markets for all popcorn products through enabling processors to develop, finance, and carry out a nationally coordinated program of research, promotion, and consumer information.

The program would be administered by a 4-to 9-member Popcorn Board composed of processors appointed by the Secretary from nominations submitted by processors that represent a geographical distribution of popcorn production throughout the United States. As defined by the 1996 Act, processors are those who process and distribute more than 4 million pounds of popcorn in the market per year.

An assessment rate of up to 8 cents per hundredweight of popcorn must be set by the Board with the approval of the Secretary. Exempt from assessment are processors who process and distribute less than 4 million pounds of popcorn in the market year.

An up-front referendum to be held within the 60-day period immediately preceding the effective date of the order is required. To pass, a referendum must be favored by not less than a majority of the processors voting in the referendum, if the majority processed more than 50 percent of the popcorn processed during the representative period by all of the processors voting in the referendum. In addition, a continuance referendum may be held no earlier than 3 years after the effective date of an order, on the request of the Board, or at the request of 40 percent or more of the processors.

Title VI

Credit

Steven R. Koenig*

Title VI amends the Consolidated Farm and Rural Development Act, affecting the credit programs and lending policies of the Farm Service Agency (FSA). These farm credit programs were previously administered by the Farmers Home Administration, and then transferred to the newly created FSA in 1994. Many of the provisions modify policies set forth by the 1990 Farm Bill and the Agricultural Credit Improvement Act of 1992 (P.L. 102-554). Proposed provisions affecting the Farm Credit System and the Federal Agricultural Mortgage Corporation were not included in the 1996 Act, but were covered in the Farm Credit Reform Act of 1996 (P.L. 104-105), which was signed into law on February 10, 1996 (see legislative history in Appendix III).

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Title VI of the 1996 Act places stricter limits than before on the eligibility of producers to borrow through FSA farm credit programs, and it also limits the purposes for which the loans can be used. To encourage “graduation” from FSA credit programs (that is, shifting from FSA credit programs to commercial credit sources) stricter time limits on the eligibility to borrow through FSA’s programs are mandated. Some provisions target annual loan funds specifically to beginning farmers and ranchers. New debt restructuring rules are included to increase the likelihood that debt restructuring will be successful in helping farmers stay in business, and to reduce the Government’s costs associated with these actions. There are new limits on debt forgiveness and on the eligibility of borrowers for further loans if FSA discharges (forgives) indebtedness. Rules about the sale and management of real inventory property have been streamlined to expedite the disposal of acquired property and reduce program costs. Loan servicing rules are changed.

Subtitle A

Farm Ownership Loans

Farm ownership loans are made directly by FSA or through USDA guarantees of loans made by commercial or cooperative lenders. These loans can be made at subsidized interest rates for the purchase, improvement, or refinancing of farm and ranch land. The 1996 Act restricts direct farm ownership loan program eligibility to discourage long-term use of FSA credit programs. New loans can now only be made to applicants who have operated a farm for at least 3 years and who are qualified beginning farmers (less than 10 years of farming experience), or have not received a previous direct farm ownership loan, or have not received a direct farm ownership loan more than 10 years before the date the new loan would be made.

A transitional rule is provided for borrowers with outstanding direct farm ownership loans at the time of enactment of the 1996 Act. For borrowers that have had such loans for less than 5 years, another 10 years of program eligibility remains. For those borrowers that have had such a loan for 5 or more years, another 5 years of program eligibility remains. Previous FSA

youth loans are not to be considered when determining eligibility. No such eligibility restrictions were placed on guaranteed farm ownership loans.

Authority for making nonfarm loans was eliminated. Purposes no longer authorized include the financing or refinancing of nonfarm business enterprises, such as roadside sales stands, waste pollution abatement facilities, recreational uses and facilities, rural business enterprises, and nonfossil fuel energy systems. Little or no lending has been done for these purposes in recent years. Authorized purposes include: acquiring, enlarging, or making capital improvements to a farm or ranch; paying costs to promote soil and water conservation and protection; and paying loan closing costs. However, FSA can no longer make direct farm ownership loans to refinance existing indebtedness. The Secretary can now provide a 95-percent guarantee on private sector loans used to refinance direct loan debts. This latter provision is designed to facilitate graduation of existing direct loan program borrowers to commercial credit sources.

Subtitle B

Operating Loans

Direct and guaranteed operating loans provide subsidized and nonsubsidized credit for a range of purposes, such as the financing of annual operating expenses or capital purchases and certain debt refinancing. The 1996 Act adds restrictions on the eligibility of persons for direct farm operating loans. Under the Agricultural Credit Improvement Act of 1992 (P.L. 102-554) an applicant became ineligible for a new direct operating loan after receiving annual direct operating loans for 10 years. Borrowers also became ineligible for additional guaranteed loans after receiving either direct or guaranteed operating loans for a total of 15 years. The 1996 Act modifies eligibility for direct operating loans by restricting it to qualified beginning farmer applicants who have operated a farm or ranch for not more than 5 years or who have received direct operating loans in no more than 6 previous years. A transitional rule provides applicants with another 3 years of eligibility if they had a direct operating loans in 4 or more years prior to enactment. Previous youth loans are not to be considered when determining eligibility caps.

The 1996 Act eliminates the authority to use operating loans for the financing of nonfarm business enterprises, such as roadside sales stands, pollution abatement and control projects, recreational uses and facilities, rural business enterprises, and nonfossil fuel energy systems. The refinancing of indebtedness under the direct operating loan program is now limited to persons who refinanced a direct or guaranteed operating

loan fewer than five times before and who are existing direct loan program borrowers that have suffered a qualifying loss because of a natural disaster or is an applicant refinancing loans obtained outside the FSA.

New authority was granted to FSA to make direct operating line-of-credit loans. Such loans allow borrowers to increase their total loan balance up to a predetermined amount over a set period of years by drawing out money as needed. This eliminates costly and time-consuming annual applications and approvals. Line-of-credit loan terms can not exceed 5 years, and if an advance or withdrawal is made during a year, then the loan is counted against program eligibility time caps. If a borrower fails to meet scheduled payments, then no further withdrawals are permitted unless failure to pay was due to conditions beyond the control of the borrower, and the scheduled payments are made up by the end of a marketing period.

Rules governing nonsupervised operating loan accounts are modified. These are discretionary loan accounts in which the borrower can withdraw funds for family subsistence. Provisions that had allowed transfers from these accounts for other purposes and had allowed other adjustments are eliminated. Now the new maximum amount that can be in these accounts is either 10 percent of the operating loan, \$5,000, or an amount equivalent to 3 calendar months of family subsistence needs, whichever is smaller.

Subtitle C

Emergency Loans

Changes were made to the Emergency Disaster Loan Program to reduce program costs. Stricter eligibility requirements are applied, asset valuation procedures are revised, and total indebtedness is capped. Emergency disaster loans help farmers recover from actual production or physical losses inflicted by natural disasters in counties designated as disaster areas by the Secretary.

The 1996 Act tightens eligibility for the program by lowering the waiver on the “credit-elsewhere test” from \$300,000 to \$100,000. This means that for emergency loan requests over \$100,000, the applicant must provide FSA with written confirmations from two commercial creditors that the requested credit could not be obtained. One written denial of credit for emergency loan requests under \$100,000 may be required by FSA.

Maximum borrower indebtedness under the program is now capped at \$500,000. Under prior law, the cap only applied to a particular disaster, allowing total program indebtedness for a borrower to exceed \$500,000. The value of assets used as collateral for an emergency loan will also now be set equal to the value on the day before the disaster. Prior law had directed the Secretary to use the higher of the value on the day prior to the governor’s request to the Secretary for a disaster designation or the value of 1 year and 1 day prior to the governor’s request for disaster designation. Limiting asset valuations to the prior day will make valuations more consistent and reflective of current values, and be less administratively cumbersome to obtain. Also, applicants with financing requests associated with a change in operations must demonstrate that the change is necessitated by the natural disaster, and not simply based on the desire of the applicant, as previously allowed.

Subtitle D

Administrative Procedures

This subtitle covers various procedures for determining who will get loans in the future, how much money is available for loans, when and how debt restructuring will occur, as well as rules for managing and reselling real property assets of the Government, and other topics.

Beginning Farmer Assistance

Numerous provisions in the credit title provide assistance to beginning farmers—those producers with less than 10 years experience operating a farm or ranch. To qualify as a beginning farmer, the 1996 Act increased the maximum acreage an applicant can own from the previous 15 percent to 25 percent of the median acreage in the county where farm operations of the applicant are located, using data from the most recent Census of Agriculture. The mean is used though because the median is unavailable from the Census. This eligibility test no longer applies to farm operating loan programs.

Under the down payment loan program (section 310E) for beginning farmers, FSA may now guarantee up to 95 percent of a farm ownership loan used to acquire a farm or ranch. FSA can also guarantee up to 95 percent of an operating loan made to farm operators participating in the down payment program, but only if they have a direct farm ownership loan outstanding. Previously, FSA could only guarantee up to 90 percent for these situations.

The FSA may now also provide reduced interest rates on direct farm ownership loans made under joint financing arrangements. This will further benefit beginning farmers. Under such arrangements, when a lender other than FSA provides 50 percent or more of the amount financed in a farm ownership transaction, FSA may charge preferential annual interest rates of as little as 4 percent on the portion of financing it provides through its direct farm ownership program. Authority for the special operating loan assistance program for beginning farmers (section 318) was repealed by the 1996 Act. This program had been authorized by the Agricultural

Credit Improvement Act of 1992, but it was seldom used because of numerous eligibility restrictions.

Authorized Loan Amounts

The credit title spells out annual loan program authorization levels for each fiscal year, 1996 through 2002. Specific amounts are set by annual and supplemental appropriation bills. Funding levels throughout the period are set at a maximum of \$85 million for direct farm ownership loans and \$500 million for direct operating loans. For guaranteed farm ownership loans, authorized loan levels gradually rise from \$600 million in fiscal 1996 to \$750 million in fiscal 2000 and subsequent years. Annual guaranteed operating loan authority gradually rises from \$1.9 billion to \$2.1 billion during same period. These authorities are comparable with current funding levels.

Targeting of Authorized Loan Amount

Authorized loan amounts are targeted to specific programs and specific types of borrowers using new targeting formulas. For direct farm ownership loans, 70 percent of the total loan making authority must be reserved for qualified beginning farmers until the beginning of the last month of the fiscal year. Only after September 1 can FSA allocate any unused portion of the targeted annual authority to other applicants. Of the 70 percent targeted to beginning farmers, 60 percent must be reserved for the down payment loan program (section 310E) until April 1 of each fiscal year.

Other programs require similar targeting. Until September 1 of fiscal years 1996 through 1998, 25 percent of total direct operating loan authority must be held in reserve for beginning farmers. This level rises to 30 percent for fiscal year 1999 and 35 percent for fiscal year 2000 and beyond. Until April 1 of each year, 25 percent of guaranteed farm ownership authori-

ty and 40 percent of guaranteed operating loan authority must be reserved for qualified beginning farmer applicants.

Some reserved funds may be transferred among different uses. If sufficient funding is not available to meet program needs of the down payment loan program for beginning farmers, then beginning August 1 of each fiscal year, the Secretary must use available unsubsidized guaranteed farm operating loan funds to fund these direct farm ownership loans. Also, by September 1, the Secretary must make available this same unused funding authority to all qualified beginning farmers applying for direct farm ownership loans if sufficient loan funds are not available to meet demand. However, all guaranteed operating loan applications approved for a given year must be satisfied first.

FSA may also redirect unused emergency loan funds to finance credit sales of farm real estate acquired by FSA. FSA has the authority to sell inventory property by providing nonprogram financing for the transaction. Unused emergency loan-making authority cannot be released until September 1, and any unused supplemental appropriations made for emergency loans cannot be transferred. In transferring unused authority, the Secretary must ensure that all qualified applications for emergency loans are funded.

Socially Disadvantaged Targeting

FSA farm loan programs are currently targeted to members of socially disadvantaged groups—groups whose members have been subject to racial, ethnic, or gender prejudice. Within 180 days of enactment, the Secretary is to ensure that current target participation rules are consistent with the holding of the Supreme Court in *Adarand Constructors, Inc. v. Federico Pena, Secretary of Transportation*, 115 S. Ct. 2097 (1995).

Other Eligibility Rules

Loan program eligibility tests were tightened by the credit title to better ensure that applicants who obtain the loans are in need and to help facilitate graduation of borrowers from FSA direct loan programs to commercial credit sources. Applicants must now submit appropriate written financial statements instead of a simple statement showing net worth. Also, county or area committees must review a borrower's eligibility

for certain loan programs annually to determine if the applicant is eligible to graduate to commercial credit sources. To facilitate graduation, FSA no longer needs to get the borrower's approval when sending a prospectus of borrowers to area lenders. However, the borrower must be notified that a prospectus is being sent.

Debt Restructuring

Debt restructuring rules put in place by the Agricultural Credit Act of 1987 were modified. Under debt restructuring, borrowers unable to make current loan payments may have their loans restructured, allowing them to repay their indebtedness. Restructuring can include reamortizing loan payments, reducing loan interest rates, and even forgiving repayment on some debt. The 1996 Act changes these rules to increase the likelihood that debt restructuring will help farm businesses survive, while reducing program costs. To clarify the debt restructuring process for the purpose of loan servicing, the term "debt forgiveness" was defined to include any writedown or discharge action that results in a loss to the Secretary on a direct or guaranteed loan by FSA. Loan servicing actions that consolidate, reschedule, reamortize, or defer debt are not considered to be debt forgiveness actions. To resolve delinquent loan accounts more quickly, the time in which FSA must notify a borrower with a delinquent loan account of his or her other loan servicing options is shortened from 180 to 90 days.

When restructuring delinquent loan accounts and assessing the ability of the borrower to meet future debt obligations and continue farming operations, the FSA may write down the borrower's loans to create up to a 10-percent cash flow margin instead of the previous 5-percent margin. Prior to the 1990 farm bill, there was no margin requirement and many restructured loan accounts became delinquent again.

In situations where maximum authorized debt forgiveness still cannot remedy a delinquency, the borrower used to have the right to pay off the loan at its net recovery value (collateral value less liquidation costs) within 90 days. The 1996 Act modifies this rule by requiring the borrower to pay off the loan at the security's current market value, a higher amount. Also, when determining the future creditworthiness of an applicant, FSA can now take into account past debt-restructuring actions.

The credit title puts new limits on the eligibility of borrowers for debt forgiveness and for future loans. A direct loan borrower is now limited to just one instance of debt forgiveness, regardless of the debt-servicing mechanism used for the forgiveness. Borrowers whose default on a direct or guaranteed loan results in debt forgiveness by FSA will no longer be eligible for new or additional direct or guaranteed loans. An exception allows FSA to provide direct or guaranteed farm operating loans for annual farm or ranch operating expenses to borrowers that received a section 353 debt writedown.

Borrowers with a delinquent FSA loan are now prohibited from new obtaining direct operating loans. Previous law allowed direct loans for essential operating expenses and family living even if existing debt could not be repaid. Also, loans may no longer be rescheduled or reamortized outside the normal servicing process without a portion of the interest due being paid by the borrower. In the past, borrowers with delinquent accounts did not have to make any payments to be eligible for these loan servicing options.

Inventory Property Management

New rules for the management and sale of real estate acquired by the FSA as collateral on defaulted loans greatly expedite sale procedures and will reduce program costs. Previous rules were complex, providing certain groups of people preference in renting or purchasing FSA's acquired property. These cumbersome rules resulted in acquired property of the Government being held in inventory for years before being sold.

Under the 1996 Act, real property must be advertised for sale within 15 days of acquisition. Unleased real property in inventory prior to enactment must be offered for sale within 60 days of enactment. Property under a lease must be offered for sale within 60 days of the expiration of the lease. New leases on FSA inventory property are now prohibited, except that FSA may provide leases for up to 18 months to qualifying beginning farmers if authority or funding is not available for a credit sale or a direct farm ownership loan. Rental rates are to be determined by the income producing capability of the property, and the rental agreement must end when funding becomes available. Also, homestead protection rules were modified by shortening the time period from 90 to 30 days after FSA acquisition that the borrower may apply.

Property must be advertised for sale to beginning farmers within 15 days of acquisition and then advertised for sale to the highest bidder within 75 days from the date of acquisition if a beginning farmer does not first buy the property. If more than one beginning farmer applicant submits an offer to purchase property, the selection between qualified applicants is to be made randomly by FSA. A person can request a review by the FSA State Director within 30 days concerning their beginning farmer status for purposes of acquiring farm inventory property. The State Director is to provide an expedited decision on the requested review and the Secretary is to report to Congress on whether the reviews are having an adverse impact on the selling of accumulated farm properties.

If an acceptable offer by a qualified beginning farmer is not received by the 75th day after acquisition, the property must be sold to the highest bidder at a public sale within 30 days. If an acceptable bid is not obtained, then the property must be sold by negotiated sale at the best price obtainable. All interests in the property will convey to the purchaser, but the Secretary, for conservation purposes, may grant or sell an easement, restriction, development right, or similar rights to a State or local government body or a private nonprofit organization.

FSA can no longer establish wetland conservation easements on inventory real property that was used as cropland at the time of acquisition or that was used for farming during any of the previous 5 years. The 1990 Act had allowed the establishment of wetland easements on existing cropland. Also, FSA is no longer permitted to place conservation easements on a borrower's security property (FSA collateral). Instead, the FSA may enter into contracts with the borrower for conservation, recreation, and wildlife purposes. FSA is no longer prohibited from receiving compensation when transferring real property for conservation purposes to other Federal or State agencies. When transferring inventory property, FSA must now provide two public notices of the transfer and hold a public hearing if requested, plus FSA must also inform the Governor and at least one elected County official prior to the transfer. Finally, special rules for real property located on an Indian reservation were slightly modified and the outdated inventory property demonstration project with the Farm Credit System, which was authorized by the Agricultural Credit Act of 1987, was repealed.

Loan Servicing

To help reduce high delinquency rates and lower loan default costs, FSA may enter into loan servicing contracts with regulated financial institutions, on a pilot program basis, and may use collection agencies to collect on overdue loans. FSA already had authority to contract for these services. Starting in 1997, by the end of fiscal year the Secretary must report on its experience in using these contracts and make any recommendations for further legislation related to such contracting. Authority for the loan servicing projects ends September 30, 2002.

Hazard Insurance Requirement

FSA borrowers are now required to have and maintain hazard insurance as a condition for obtaining a direct farm ownership loan, an operating loan, or an emergency loan. Hazard insurance must be obtained and maintained on any property acquired or improved using a farm ownership or operating loan. In the case of an emergency loan, the property (farmland, buildings, livestock, equipment, crops, and other farm items) suffering a loss must have had an appropriate amount of hazard insurance coverage prior to the occurrence of the natural disaster. The Secretary shall determine the appropriate level of insurance for farm properties within 180 days of enactment. The requirement cannot become effective until such determinations are made.

Compliance Certification

To reduce regulatory burden, FSA is required to develop and utilize a consolidated short application form for program applicants to use in certifying compliance with laws and regulations (for example, conservation compliance requirements) that serve as prerequisites for a loan.

Credit Study

The Secretary is required to perform a study on the demand and availability of credit in rural areas for agriculture, rural housing, and rural development. The study is to be submitted to Congress.

Electronic Filing of Financing Statements

The Food Security Act of 1985 had established guidelines for States to operate central systems of filing financial statements used by lenders in order to help enforce liens against farm products. This centralized purchaser notification system required that the signatures of both the lender and the borrower be present on financing statements for it to be valid and hence enforceable. For States permitting electronic filing under applicable State law provisions of the Uniform Commercial Code, the debtor's signature is no longer required.

Title VII

Rural Development

Thomas D. Rowley*

Title VII repeals and amends several provisions of previous legislation related to rural development. In addition, it creates new authority for several activities, notably the Rural Community Advancement Program (RCAP) and the Fund for Rural America.

RCAP is a rural assistance delivery system similar to the Administration's Rural Performance Partnership Initiative that was proposed in the 1996 budget. Under RCAP, State Rural Development Directors will be able to mix, to a degree, funding streams to provide a more flexible package of assistance aimed at meeting local needs. Under the new Fund for Rural America, \$100 million of Treasury money is to be made available in 1997, 1998, and 1999 for a wide variety of rural development activities and applied research projects.

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Subtitle A

Amendments to the Food, Agriculture, Conservation, and Trade Act of 1990

Chapter 1—General Provisions

This chapter of the 1996 Act amends several provisions of the 1990 Rural Development Title. Notably, it:

- Repeals the Rural Investment Partnerships that authorized lines of credit to eligible entities in up to 5 States to establish local revolving loan funds. The program was never funded.
- Reauthorizes and streamlines the Distance Learning and Telemedicine Program. This provision authorizes \$100,000,000 for each of fiscal years 1996 through 2002 for encouraging and improving telemedicine and distance learning services in rural areas through the use of telecommunications, computer networks, and related technologies. The funds are available as grants or cost-of-money loans, or both. Funds are available to assist users of telemedicine or distance learning services as well as providers of those services. Funds can be used by recipients for (1) development and acquisition of instructional programming, (2) development and acquisition of equipment and facilities, (3) provision of technical assistance and instruction, and (4) other uses consistent with the provision as determined by the Secretary.
- Repeals the Monitoring Economic Progress of Rural America provision that called for the Census Bureau

to expand collection efforts on statistically significant data concerning the changing economic condition of rural counties and communities.

- Repeals the Rural Health Infrastructure Improvement grant that was to establish a project to demonstrate a model approach to improving rural health infrastructure.
- Repeals the Demonstration Projects provision, which created a program of competitive grants to rural areas to serve as demonstration areas for rural economic development and as models of such development for other areas.

Chapter 2—Alternative Agricultural Research and Commercialization

This chapter changes the legal organizational status of the Alternative Agricultural Research and Commercialization Center by converting it into the Alternative Agricultural Research and Commercialization Corporation—a wholly-owned government corporation within USDA. The purpose of the Corporation is identical to that of the Center previously. Additional changes to the powers and structure of the organization are made.

Subtitle B

Amendments to the Consolidated Farm and Rural Development Act (P. L. 87-128)

Chapter 1—General Provisions

Several notable provisions are contained in this chapter, including:

- Reauthorizes and increases the annual authorization for Water and Waste Treatment grants from \$500 million to \$590 million. The provision requires that sewer, waste, and water treatment projects funded under this section conform to State standards established under the Safe Drinking Water Act and the Clean Water Act.
- Authorizes Rural Business Opportunity grants (not to exceed \$1.5 million annually) to public bodies, private nonprofit community development corporations, and other entities at the discretion of the Secretary for the purposes of :
 - identifying and analyzing business opportunities, including export opportunities, that will use local rural economic and human resources;
 - identifying, training, and providing technical assistance to existing or prospective rural entrepreneurs and managers;
 - establishing business support centers and otherwise assisting in the creation of new rural businesses, developing ways to finance local businesses, and enhancing the capacity of local individuals and entities to engage in sound economic activities;
 - conducting regional, community, and local economic development planning and coordination, and leadership development; and
 - establishing centers for training, technology, and trade that provide assistance to rural businesses to utilize interactive communications technologies for developing export markets.
- Combines the Emergency Community Water Assistance Grant Program for Small Communities with the same program for smallest communities. Under the new, combined program (same name as above), \$35 million is authorized in fiscal years 1996-2002 for communities with populations of 10,000 or less. At least 50 percent of available funds is to be allocated to communities with populations of less than 3,000.
- Amends the Rural Cooperative and Technology Development Grant Program by renaming it the Rural Cooperative Development Grant Program and refocusing it. The modified program is authorized at \$50 million for each of fiscal years 1996-2002.
- Gives the Secretary authority to reduce debt for loan programs administered by the Rural Utilities Service, the Rural Housing Service, and the Rural Business-Cooperative Service.
- Creates a Rural Development Certified Lenders Program and a Preferred Certified Lenders Program. The first provision allows the Secretary to establish a program under which the Secretary may guarantee a loan for any rural development program that is made by a lender certified by the Secretary. The second enables certain lenders to have more latitude in administering loans guaranteed by the Secretary.
- Repeals the State Rural Economic Development Review Panels that were authorized in the 1990 Farm Bill but never used. These panels were to assess, review, and prioritize requests for USDA rural development funds within the individual States.
- Establishes a National Sheep Industry Improvement Center. The Center will promote ways to improve the sheep and goat industry. The Center's activities will be financed by a revolving fund established in the U.S. Treasury.
- Gives the Secretary specific authority to enter into Cooperative Agreements with other Federal agencies and State and local governments and any other organization or individual to improve the coordination

and effectiveness of Federal programs, services, and actions affecting rural areas, including the establishment and financing of interagency groups.

Chapter 2—Rural Community Advancement Program

This chapter establishes the Rural Community Advancement Program (RCAP), a new rural development program delivery mechanism. The structure is similar to the Administration's Rural Performance Partnership Initiative proposed in the 1996 budget. Its purpose is to provide grants, loans, loan guarantees, and other assistance to meet the rural development needs of local communities and federally recognized Indian tribes.

The objectives of RCAP are to:

- Promote strategic development activities and collaborative efforts by State and local communities, and federally recognized Indian tribes, to maximize the impact of Federal assistance;
- Optimize the use of resources;
- Provide assistance in a manner that reflects the complexity of rural needs, including the needs for business development, health care, education, infrastructure, cultural resources, the environment, and housing;
- Advance activities that empower and build the capacity of States, local communities, and federally recognized Indian tribes to design unique responses to their special needs; and
- Adopt flexible and innovative approaches to solving rural development problems.

Important elements of the RCAP include:

- **Strategic Plan.** The program requires that each Rural Economic and Community Development (RECD) State Director prepare a strategic plan for the State and for each federally recognized Indian tribe within the State. That plan must be prepared with State and local communities acting as full partners in the process and in consultation with other entities including State Rural Development Councils, federally recognized Indian tribes, and community-based organizations. Any assistance provided under

RCAP must be consistent with the State strategic plan. Priority must be given to communities with the smallest populations and lowest per capita income.

- **Rural Development Trust Fund.** Monies for RCAP will be held in this fund containing the following accounts: Rural Communities Facilities Account, Rural Utilities Account, and Rural Business and Cooperative Development Account, the National Reserve Account, and the Federally Recognized Indian Tribe Account.

The Secretary will allocate the amounts in these three accounts among the States taking into consideration rural population, income, unemployment, and other relevant factors. State RECD Directors may, during any fiscal year, transfer up to 25 percent from one account to another, as long as the amount transferred nationally does not exceed 10 percent of the total RCAP funds allocated that fiscal year. No monies from the RCAP may be transferred to or from any housing programs.

The National Reserve Account will receive a percentage of the total contained in the Rural Development Trust Fund (RDTF)—15 percent in fiscal year 1997, decreasing to 5 percent in fiscal year 2002. The account may be used to:

- meet situations of exceptional need;
- meet emergency situations; or
- provide funds to entities whose applications for RCAP funds have been approved and who have not received funds sufficient to meet the needs of approved projects.

The Federally Recognized Indian Tribe Account will receive 3 percent of funds contained in the RDTF. These funds are to be distributed to federally recognized Indian tribes for use according to the tribe's strategic plan.

- **Grants to States.** The Secretary is directed to make a grant of up to 5 percent of a State's RCAP allocation to any State that requests one.
- **Matching Grants.** States may also request an additional 5-percent grant, provided the grant is matched at least 2 for 1 with non-Federal monies.

- **Loan Guarantees.** The Secretary may guarantee loans for financing rural development activities authorized and funded under RCAP. Guarantees are limited, however, to not more than five times the amount given to the State in grants in the above provisions.

- **Rural Development Interagency Working Group.** The Secretary shall establish and chair an interagency working group. The group will establish policy for, coordinate, make recommendations with respect to, and evaluate the performance of, all Federal rural development efforts. The conference agreement specifies that this effort should use the National Rural Development Partnership as a foundation for the group.

- **Rural Venture Capital Demonstration Program.** The Secretary may designate for each fiscal year up

to 10 community development venture capital organizations to demonstrate the value of loan guarantees in attracting private investment in rural businesses. USDA will guarantee up to 30 percent of an organization's investment pool. Total guarantees cannot exceed \$15 million in each of fiscal years 1996-2002.

In addition to RCAP, this chapter also calls for Simplified, Uniform Application for Assistance from All Federal Rural Development Programs. The Secretary is required to develop a streamlined, uniform application process for specified rural development programs.

Finally, the chapter establishes the Community Facilities Grant Program. The Secretary may provide grants (not to exceed \$10 million in a fiscal year) to build specific essential community facilities in rural areas.

Subtitle C

Amendments to the Rural Electrification Act of 1936

In addition to amending and repealing various provisions, the subtitle calls for the Secretary to make or commission studies, investigations, and reports regarding financial, technological, and regulatory matters affecting the condition and progress of electric and

telecommunications service and economic development in rural areas. The subtitle also repeals the Rural Business Incubator Fund from the 1990 Rural Development Title.

Subtitle D

Miscellaneous Rural Development Provisions

The most significant provision in this subtitle is the establishment of the Fund for Rural America. The fund is to receive \$100 million in each of the fiscal years 1997, 1999, and 2000. The first installment will be available January 1, 1997, with subsequent amounts available the first of the latter 2 fiscal years. The money is to come directly from funds in the Treasury and does not depend upon the appropriations process. The Secretary is to use one-third of the funds on rural development activities, one-third on competitive research activities, and one-third distributed between both at the discretion of the Secretary.

A wide range of rural development activities are eligible. However, funds for rural development activities are to be used only for activities that received appropriations for fiscal year 1995. Not more than 20 percent of funds dedicated to rural development activities may be used for housing grants and loans. The conference report language makes clear that water and wastewater loans and grants be made a priority.

Funds for research may be used for research, extension, and education activities that:

- Increase international competitiveness, efficiency, and farm profitability;
- Reduce economic and health risks;
- Conserve and enhance natural resources;
- Develop new crops, new crop uses, and new agricultural applications of biotechnology;

- Enhance animal agricultural resources;
- Preserve plant and animal germplasm;
- Increase economic opportunities in farming and rural communities; and
- Expand locally owned value-added processing.

Funds for research may go to:

- A Federal research agency;
- A national laboratory;
- A college or university or research foundation maintained by a college or university; or
- A private research organization with an established and demonstrated capacity to perform research or technology transfer.

Criteria for allocating research funds will be set in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board. Funds will be given in the form of grants, will be awarded on a competitive basis, and will have terms not to exceed 5 years. Grants will be administered through the Cooperative State Research, Education, and Extension Service.

Finally, the Rural Economic and Community Development mission area of USDA is renamed the Rural Development mission area.

Title VIII

Research, Extension, and Education

Margot Anderson*

The 1996 Act amends and extends for two years (fiscal year 1996 and 1997) the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA), relevant sections of the Food, Agriculture, Conservation and Trade Act of 1990 (the 1990 Act), and other related acts. The purposes of agricultural research, education, extension and eco-

nomics are expanded. A new advisory and review board is formed to replace the previously existing ones. The Act also authorizes new research, and clarifies and strengthens existing research, extension, and education programs. A task force is provided for by the 1996 Act to prepare a 10-year strategic plan for development, modernization construction, consolidation, and/or closure of Federal agricultural facilities and of facilities proposed to be constructed with Federal funds.

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Subtitle A

Modification and Extension of Activities Under the 1977 Act

NARETPA (originally enacted as Title XIV of the Food and Agriculture Act of 1977) established USDA as the lead agency for the food and agricultural sciences; emphasized that research, extension, and teaching are distinct missions of USDA; improved coordination and planning of USDA research; and established a new system of competitive grants for research and facilities (competitive grants for facilities have never been offered).

Purposes of Agricultural Research, Extension and Education

The 1996 Act amends NARETPA (7 U.S.C. 3101) to define eight purposes of federally supported agricultural research, extension, and education. These eight purposes are to:

- (1) Enhance the competitiveness of the U.S. agriculture and food industry in an increasingly competitive world environment;
- (2) Increase the long-term productivity of U.S. agriculture and the food industry while maintaining and enhancing the natural resource base on which rural America and the United States agricultural economy depend;
- (3) Develop new uses and new products for agricultural commodities, such as alternative fuels, and develop new crops;
- (4) Support agricultural research and extension to promote economic opportunity in rural communities and to meet the increasing demand for information and technology transfer throughout the U.S. agriculture industry;
- (5) Improve risk management in the U.S. agriculture industry;
- (6) Improve the safe production of, processing of, and adding of value to, U.S. food and fiber resources

using methods that maintain the balance between yield and environmental soundness;

- (7) Support higher education in agriculture to give the next generation of Americans the knowledge, technology, and applications necessary to enhance the competitiveness of U.S. agriculture; and,
- (8) Maintain an adequate, nutritious, and safe supply of food to meet human nutritional needs and requirements.

Establishment of a National Agricultural Research, Extension, Education, and Economics Advisory Board

The 1996 Act consolidates three existing boards—USDA's Agricultural Science and Technology Review Board, the Joint Council on Food and Agricultural Sciences, and the National Agricultural Research and Extension Users Advisory Board—into a single National Agricultural Research, Extension, Education, and Economics Advisory Board. This new Board will consist of 30 members appointed by the Secretary, representing a broad array of agricultural interests, including farm cooperatives, national farm organizations, national consumer interests groups, national conservation or natural resource groups, national aquaculture associations, food and agricultural transportation groups, national forestry groups, and others. Ex Officio members include the Secretary, the Under Secretary for Research, Education, and Economics, the Administrator of the Cooperative State Research, Education, and Extension Service, the Administrator of the Agricultural Research Service, the Administrator of the Economic Research Service, and the Administrator of the National Agricultural Statistics Service. The Board will remain in existence until September 30, 2002.

The Advisory Board is charged with reviewing and providing consultation to the Secretary and the land-grant colleges and universities on national policies and

priorities relating to agricultural research, extension, education, and economics. In its review, the Board will evaluate the results and effectiveness of agricultural research, education, extension, and economics with respect to policies and priorities. The Board will review and make recommendations to the Under Secretary for Research, Education, and Economics on the research, extension, education and economics portion of a mandated draft strategic plan (5 U.S.C. 306).

Federal Advisory Board Committee Act Exemption

The 1996 Act specifically exempts groups composed of State cooperative institution employees, other public universities and postsecondary institution employees, and full-time Federal employees from the Federal Advisory Committee Act (FACA) provisions. The exemption applies to committees, boards, task forces, etc. created for purposes related to cooperative efforts in agricultural research, extension, or teaching. Meeting of such groups, however, are required to be announced in advance and open to the public.

Coordination and Planning of Agricultural Research, Extension, and Education

The Secretary is required to develop and carry out a system to monitor and evaluate agricultural research and extension activities conducted or supported by USDA that will enable the Secretary to measure the impact and effectiveness of research, extension, and education programs according to priorities, goals, and mandates established by law. In developing the monitoring and evaluation system, the Secretary shall also incorporate information transfer technologies to optimize public access to research information.

Grants and Fellowships for Food and Agricultural Sciences Education

The 1996 Act extends, through fiscal year 1997, USDA's role as the lead Federal agency for higher education in the food and agricultural sciences. NARETPA of 1977 is also amended to: (1) broaden eligibility to receive higher education grants to include research foundations maintained by eligible colleges

and universities, and (2) administer grants to build teaching and research capacity at colleges and universities with significant minority enrollments. NAREPTA is further amended to authorize USDA to administer national grants programs to promote and strengthen public secondary school education curricula, faculty, and enrollments in agriscience and agribusiness.

Grants for Research on the Production and Marketing of Alcohols and Industrial Hydrocarbons From Agricultural Commodities and Forest Products

The 1996 Act extends through fiscal year 1997 the authorization of grants for research on the production and marketing of alcohol and industrial hydrocarbons from agricultural commodities and forest products. The Secretary may award grants to educational institutions and Federal laboratories to conduct research related to alcohol fuels, industrial oilseed crops for diesel fuel, other forms of biomass fuel, and other industrial hydrocarbons made from agricultural commodities and forest products; and to develop economical and commercially feasible means for producing, collecting, and transporting agricultural crops, wastes, residues, and byproducts for use as feedstocks for the production of alcohol and other forms of biomass energy.

Policy Research Centers

The new legislation amends the NARETPA to authorize the Secretary to make grants, competitive grants, and special research grants, and enter into cooperative agreements and other contracting instruments with policy research centers including State experiment stations, colleges and universities, and other research institutions and private organizations, corporations, and individuals to conduct objective and operationally independent research and education programs on: (1) the farm and agricultural sectors, (2) the environment, (3) rural families, households and economies, and (4) consumers, food and nutrition. Funding may be provided for disciplinary and interdisciplinary research and education concerning policy research activities including: (1) quantification of the implications of public policies and regulations, (2) development of theoretical and research methods, (3) collection and analysis of data for policy makers, analysts, and individuals, and (4) development of programs to train analysts.

Human Nutrition Intervention and Health Promotion Research Program

The Secretary is authorized to establish and award grants for multi-year research on human nutrition intervention and health promotion. Specific emphasis will be given to coordinated longitudinal research assessments of nutritional status and the implementation of unified, innovative intervention strategies that aim to identify and solve problems of nutritional inadequacy and contribute to the maintenance of health, well-being, performance, and productivity of individuals. A pilot research program (through CSREES) will combine medical and agricultural research to link major cancer and heart and other circulatory disease research with agricultural research to identify compounds in vegetables and fruits that may prevent these diseases.

Food and Nutrition Education Program

The 1996 Act increases the authorization for appropriation to \$83 million annually for the Food and Nutrition Education Program (FNEP) through fiscal year 1997. This provision allows the Secretary to continue a national education program that includes the dissemination of the results of food and human nutrition research performed or funded by USDA. FNEP authorizes the employment and training of professional and paraprofessional aides to engage in direct nutrition education of low-income families and in other appropriate nutrition education programs.

Animal Health and Disease Research

The 1996 Act extends animal health and disease research programs through fiscal year 1997. The legislation expands and clarifies the definition and purpose of animal health and disease research and encourages increased research coordination between State and Federal institutions. Commercial aquaculture is specifically included as a form of livestock and the scope of national or regional animal health and disease research is expanded to include pre-harvest, on-farm food safety, and animal well-being related research. The Animal Health Sciences Research Advisory Board authorization is repealed under the new legislation (see subtitle C).

Grants to Upgrade Agricultural and Food Science Facilities at 1890 Land-Grant Colleges

The authorization is extended through fiscal year 1997 and an increase of \$8.0 million per fiscal year to \$15.0 million per fiscal year is provided. These grants are used to acquire and improve agricultural and food science facilities and equipment (including libraries) so that those eligible institutions (the 1890 institutions including Tuskegee University) may fully participate in the production of human capital.

National Research and Teaching Centennial Centers

The Secretary's authority to make competitive grants through fiscal year 1997 is extended to institutions designated as national research and training centennial centers located at colleges (or consortia of such colleges) eligible to receive funds under the Act of August 30, 1890, including Tuskegee University. As stated under pre-existing legislation, the centers receiving grants shall be those having the best demonstrable capacity, as determined by the Secretary, to provide administrative leadership for goat research and training, agricultural engineering, water quality and agricultural production research, sustainable agricultural research, and domestic and international trade and development research.

Programs for Hispanic-Serving Institutions

By amending the NARETPA, the 1996 Act establishes broad authority to make grants for the purpose of promoting and strengthening the ability of Hispanic-serving institutions to carry out education, applied research, and related community development programs. The authorization for fiscal year 1997 is \$20 million.

International Agricultural Research and Extension

Minor amendments were made—but the 1996 Act does not extend this provision beyond fiscal year 1997.

Authorization of Appropriations for Agricultural Research Programs and Extension Education

The 1996 legislation extends general authorization of appropriations for Federal agricultural research, extension, and education programs through fiscal year 1997. There is broad authorization of appropriation of such sums necessary to carry out the agricultural research, extension, and education activities and initiatives of USDA for fiscal year 1998 through fiscal year 2002, subject to specific provision in annual appropriation acts. This authorization is intended as a “fail-safe” mechanism in the event Congress has not completed an intended review of Federal agricultural research, extension, and education, and enacted replacement authorizing legislation.

Supplemental and Alternative Crops Research

The authorization for appropriations for research to develop supplemental and alternative crops is extended through fiscal year 1997.

Aquaculture Assistance Programs

The authorization of appropriations for aquaculture research facilities and for aquaculture research and

extension is extended through fiscal year 1997. The aquaculture research program focuses on the development, management, and production of important aquatic food species and on enhancing the safety of food products derived from the aquaculture industry. The new legislation repeals the requirement of an annual aquaculture report by the Secretary to Congress and includes ornamental fish in the definition of aquaculture.

Rangeland Research

The authorization of appropriations for a rangeland research program, in coordination with the Renewable Resources Extension Act program, is extended through fiscal year 1997. As previously authorized, this program includes: (1) studies that address management of rangelands and agricultural land as integrated systems, (2) studies of methods designed for managing rangeland watersheds to maximize efficient use of water, to improve water quality, and water conservation, and to protect against onsite and offsite damage of rangeland resources, and (3) studies that focus on revegetation and rehabilitation of rangelands. The requirement for the Secretary to submit a report to the Congress and the President outlining the progress of USDA in meeting rangeland research program goals is repealed along with the requirement for a Rangeland Research Advisory Board (see subtitle C).

Subtitle B

Modification and Extension of Activities Under the 1990 Act

This subtitle provides funds or authorization for appropriations for fiscal years 1996-1997 (and for other years in a few cases) for a number of activities included in the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act). Topics covered by these provisions are wide ranging, and include agricultural research, weather, water quality, technology for farmers with disabilities, extension programs, information systems, and others

Water Quality Research, Education, and Coordination

The purpose of this section is to ensure that the USDA develops, implements, and sustains a coordinated, integrated, and comprehensive intra-agency program to protect waters from contamination from agricultural chemical and production practices. Authorization of appropriations is extended through fiscal year 1997.

National Genetics Resources Program

The 1996 Act extends the authorization for appropriations for such sums as may be necessary for the National Genetics Resources Program and allows the Secretary to make genetic material available to other countries. The National Genetics Resources Program, established under the 1990 Act, is designed to maintain and enhance a program for the collection, preservation, and dissemination of genetic material of importance to American food and agriculture production. The program, administered by the Agricultural Research Service, provides for the collection, classification, preservation, and dissemination of important genetic material; conducts research on the genetic materials collected; coordinates the activities of the program with other, similar domestic activities; makes available upon request the genetic material that the program collects (without charge and without regard to regard to the country from which a request might be

made, unless other wise prohibited by law); and expands the types of genetic resources included in the program to develop a comprehensive genetic resource program.

National Agricultural Weather Information System

The National Agricultural Weather Information System is designed to meet weather and climatic information needs of agricultural producers by providing weather information. Its funding authority, \$5.0 million annually, is extended through fiscal year 1997.

Livestock Product Safety and Inspection Program

This special grants program is intended to promote research to improve the efficiency and effectiveness of safety and inspection systems for livestock products. The authorization of appropriations, on a matching basis, is extended through fiscal year 1997.

Plant Genome Mapping Program

This program authorizes the Secretary to conduct a competitive research grants program to support basic and applied research and technology development on plant genome structure and function. The authorization is extended through fiscal year 1997.

Certain Specialized Research Programs

The authorization of appropriations for three (of eight authorized under FACTA of 1990) specialized research programs: mesquite research, prickly pear research, and deer tick ecology and related research are extended through fiscal year 1997.

Agricultural Telecommunications Program

This program encourages the development and utilization of an agricultural communications network to facilitate and strengthen agricultural extension, education, and marketing. Its authorization of appropriations for \$12 million annually is extended through fiscal year 1997.

National Centers for Agricultural Product Quality Research

The purpose of the national centers is expanded to include enhancing agricultural competitiveness through product quality research and technology implementation. Regional centers are intended to conduct a broad spectrum of research, development, and education programs to enhance the competitiveness, quality, safety, and wholesomeness of agricultural products. The authorization of appropriations is extended through fiscal year 1997.

Red Meat Safety Research Center

The 1996 Act repeals the provision authorizing a turkey research center (never funded) and in its place authorizes, on a competitive basis, a research facility to carry out research related to red meat safety, including developing strategies to reduce microbiological contamination of carcass surfaces and developing model hazard analysis and critical control point plans (HAACP). The legislation specifies a facility located close to a livestock slaughter and processing facility.

Indian Reservation Extension Agent Program

The 1996 Act authorizes the Secretary to implement a reduced re-application process for the continuing

operation of the program to reduce the regulatory burdens on participating university and tribal entities. This program establishes extension education programs on Indian reservations and tribal jurisdictions.

Assistive Technology Programs for Farmers with Disabilities

The 1996 Act extends the authorization of appropriations (through fiscal year 1997) for this program, which authorizes demonstration grants for on-the-farm agricultural education and assistance for individuals with disabilities who are engaged in farming and farm-related occupations and their families.

National Rural Information Center Clearinghouse

The authorization for appropriations of the National Rural Information Clearinghouse, which provides and distributes information and data on rural assistance programs is extended through fiscal year 1997.

Global Climate Change

The authorization for appropriations for this program is extended through fiscal year 1997. The purpose of the global change research program is to coordinate policy analysis, long-range planning, research and response strategies relating to climate change issues; provide liaison to other Federal agencies; inform the Department of scientific developments and policy issues relating to the effects of climate change on agriculture and forestry; recommend to the Secretary alternative courses of action which respond to scientific developments and policy issues; and ensure the recognition of the potential for climate change is fully integrated into the research, planning and decision-making processes of the Department.

Subtitle C

Repeal of Certain Activities and Authorities

The 1996 Act repeals the authority for the Joint Council of Food and Agricultural Sciences, the Agricultural Science and Technology Review Board, and the Animal Health Sciences Research Advisory Board. Other authorities and provisions repealed under the new legislation include:

- ***Resident Instruction Program at 1890 Land-Grant Colleges.*** This program would have provided grants for teaching program at 1890 institutions—but it was never funded. Authority is repealed.
- ***Grants to States for International Trade Development Centers.*** Repealed.
- ***Rangeland Research.*** The requirement for the Secretary to submit a report to Congress and the President outlining the progress of the Department in meeting rangeland research program goals is repealed along with the requirement for a Rangeland Research Advisory Board (see subtitle A).
- ***Composting Research and Extension Program.*** This program required education about appropriate methods of composting agricultural wastes and potential uses for such compost. Authority is repealed.
- ***Education Program Regarding Handling of Agricultural Chemicals and Agricultural Chemical Containers.*** Authority is repealed for this program that provided for cataloging Federal, State and local laws and regulations governing the handling of unused or unwanted agricultural chemical and agricultural chemical containers.
- ***Program Administration Regarding Sustainable Agriculture Research and Education, Best Utilization of Biological Applications, Research and Extension Projects.*** Amendments were made to repeal reporting requirements and abolish the National Sustainable Agriculture Advisory Council.
- ***Research Regarding Production, Preparation, Processing, Handling, and the Storage of Agricultural Products.*** This research program was designed to measure microbiological and chemical agents in or affecting agricultural products. Program authority is repealed.
- ***Plant and Animal Pest and Disease Control Program.*** Repealed.
- ***Certain Specialized Research Programs.*** The 1996 Act repeals authority for several research programs—lean animal content research, immunoassay research, niche market research, and new commercial products from natural plant materials research.
- ***Commission on Agricultural Research Facilities.*** Repealed.
- ***Special Grant to Study Constraints on Agricultural Trade.*** The authority had provided for special grants to land-grant colleges and universities to conduct studies evaluating the trade impacts of technical barriers, quality factors, and end-use characteristics—but these grants were never funded. Authority is repealed.
- ***Pilot Program to Coordinate Food and Nutrition Education Research.*** This program, repealed under the new legislation, created the authority to make grants for enhancing interagency and interagency coordination in the design and delivery of food and nutrition programs and to develop more efficient methods and improved organization to inform the public about food and nutrition programs.
- ***Demonstration Areas for Rural Economic Development.*** This grant program, repealed under the 1996 Act, was designed to establish a program of competitive grants to rural areas to serve as a demonstration area for rural economic development and as models of such development for other areas.

- **Technical Advisory Committee Regarding Global Climate Change.** Repealed.
- **Cotton Crop Reports.** The provision that required cotton crop production reports be issued at 3:00 p.m. is repealed.
- **Rural Economic and Business Development Programs.** Specific rural economic and business development and rural development extension programs are repealed.
- **Human Nutrition Research.** The 1996 Act repeals a requirement for an annual report of human nutrition research activities.
- **Grants to Upgrade 1890 Land-Grant Colleges Extension Facilities.** The new legislation repeals the obsolete authority for this program.
- **Indian Subsistence Farming Demonstration Grant Program.** Repealed.

Subtitle D

Miscellaneous Provisions

This subtitle provides authorization for appropriations for fiscal years 1996-1997 and/or makes other modifications for a number of existing programs and activities. Topics covered by these provisions include agricultural research, remote sensing information systems (5-year authorization), extension and education activities, and others. A 10-year strategic plan for agricultural research facility development and modernization is to be developed by a task force.

Critical Agricultural Materials Research

The 1996 Act extends authorization for appropriations through fiscal year 1997 and repeals annual reporting requirements.

1994 Institutions

The Secretary is required to develop and implement a formal memorandum of agreement with the 1994 Institutions by January 6, 1997, to ensure that tribally controlled colleges and Native American communities equitably participate in USDA's employment, programs, services, and resources.

Smith-Lever Funding for 1890 Land—Grant Colleges

The 1996 Act makes the 1890 Institutions (including Tuskegee University) eligible to participate in new or increased extension programs carried out under Section 3(d) of the Smith-Lever Act.

Agricultural Research Facilities

The Research Facilities Act is amended to add several new criteria and procedures for reviewing proposals for grants to college, university, and nonprofit institu-

tion agricultural research facilities. The Secretary is required to establish a 15-member Strategic Planning Task Force to review all currently operating agricultural research facilities constructed in whole or in part with Federal funds and all planned facilities to ensure that a comprehensive research capacity is maintained. The task force will prepare for the Secretary and the congressional agriculture committees a 10-year strategic plan, reflecting both national and regional perspectives for development, modernization, construction, consolidation and closure of Federal agricultural research facilities and agricultural research facilities proposed to be constructed with Federal funds. The report is due 2 years after the formation of the task force.

The Secretary shall select members of the Strategic Planning Task Force from recommendations of the Advisory Board established by Section 1408 of the NARETPA (7 U.S.C. 3123). This Board may recommend individuals with expertise in facilities development, modernization, construction, consolidation and closure.

National Competitive Research Initiative

The authorization of appropriations is extended through fiscal year 1997 and the proportion of funds allocated for mission-linked research is increased to 40 percent (from 20 percent).

Rural Development Research and Education

The Rural Development Act of 1977 (7 U.S.C. 2662(a)) is amended to add goals for extension programs in the area of coordinated and integrated rural community initiatives using leadership development, entrepreneurship, and other steps to increase jobs, income, and quality of life in rural communities.

Dairy Goat Research Program

Authority for appropriations is extended through 1997.

Competitive Grants for Research To Eradicate and Control Brown Citrus Aphid and Citrus Tristeza Virus

The 1996 legislation authorizes a competitive research grant program on the brown citrus aphid and the citrus tristeza virus focusing on developing methods to eradicate these pests from citrus crops grown in the United States and developing citrus varieties not injured by the brown citrus aphid and the citrus tristeza virus.

Aquaculture Research Centers

The 1996 Act renames the Fish Farming Experimental Laboratory (in Stuttgart and Kelso, Arkansas) as the Stuttgart National Aquaculture Research Center and transfers the laboratory to the Department of Agriculture (from the Department of Interior). The Southeastern Fish Culture Laboratory in Marion, Alabama, is renamed the Claude Harris National Aquacultural Research Center and may be transferred to the Department of Agriculture, in whole or in part, subject to the consent of the Secretary.

National Arboretum

The Secretary is authorized to solicit services to operate concessions for food, drink, and nursery sales, grant concessions to nonprofit scientific or education organizations, and to charge fees for certain uses, and to accept voluntary services for the benefit of the National Arboretum.

Remote Sensing

The Secretary of Agriculture and Administrator of the National Aeronautics and Space Administration are given a 5-year authorization to jointly make available timely information—developed through remote sensing data—on crop conditions, soil conditions, projected food, and feed and fiber production.

Methyl Bromide—Sense of the Senate

USDA is urged to continue to make methyl bromide alternative research and extension activities a high Departmental priority and to continue discussions with the Environmental Protection Agency, producer and processor organizations, environmental organizations, and State agencies on the risks and benefits of extending the 2001 methyl bromide phaseout deadline.

Subtitle E

Research Authority After FY 1977

The 1996 Act authorizes annual appropriations for fiscal year 1998 through fiscal year 2002 of such sums as are necessary to carry out the agricultural research, extension, and education activities and initiatives of

USDA—but only if they are specifically provided for in an appropriation act for the fiscal year. This subtitle anticipates passage of new legislation prior to the end of fiscal year 1997.

Title IX

Miscellaneous

Kathryn L. Lipton*

Title IX contains a variety of provisions largely independent of the other titles. The provisions authorize the Secretary to conduct a range of activities, including establishing guidelines for regulating the commercial transportation of equine for slaughter; making user fees available to cover the cost, without appropriation,

of quarantine and inspection services for international passengers, aircraft, vessels, railcars, and trucks; and creating a permanent advisory panel on meat and poultry inspection. The provisions also authorize the continued operation of the Graduate School of the United States Department of Agriculture (USDA), the disposal of excess Federal personal property, the sale and conveyance of specified land, and the support for student intern programs.

*The author is an agricultural economist in the Office of the Administrator, Economic Research Service, USDA.

Subtitle A

Commercial Transportation of Equine for Slaughter

Subject to the availability of appropriations, the Secretary is authorized to issue guidelines for regulating the commercial transportation of equine to slaughter, including food, water, rest, segregation of stallions, and other appropriate issues to ensure the safe and humane treatment. These guidelines apply only to persons who regularly are engaged in the commercial transport of equine for slaughter within the United States.

The Secretary is authorized to conduct any investigations and inspections considered necessary to establish and enforce the regulations. The Secretary also may establish recordkeeping and reporting requirements considered necessary to assure compliance and establish and enforce appropriate civil penalties.

Subtitle B

General Provisions

Interstate Quarantine

The Secretary is directed to consider enhancing passenger movement and commerce on and between islands when the Secretary determines that it is necessary to quarantine a State entirely comprised of islands. This provision was included in order to reduce the economic impact of any State-wide agricultural quarantines imposed to protect farm production in the mainland United States.

Cotton Classification Services

The USDA's cotton classification services are extended through 2002. The Secretary is also required to maintain all classing offices located in Missouri on January 1, 1996, until at least January 1, 1999.

Plant Variety Protection to Certain Tuber-propagated Varieties

The Plant Variety Protection Act (PVPA) is amended to allow developers of varieties of potatoes that have been marketed for more than 4 years in another country to apply for and receive protection in the United States. The PVPA provides patent-like protection for developers of new plant varieties in order to encourage investment in basic research and product development.

Application for potato varieties may occur for up to 1 year after enactment of the Federal Agriculture and Improvement Act of 1996. Protection would be limited to a total of 20 years, including the time protected in another country.

Swine Health Protection

The Secretary is authorized, upon request of the Governor or other appropriate official of a State, to immediately terminate the State's primary enforcement responsibility under the Swine Health Protection Act,

which provides authority to regulate the feeding of garbage to swine to prevent the transmission of animal diseases. This provision would allow for transfer of responsibility to USDA's Animal and Plant Health Inspection Service without a 90-day waiting period if a State cannot continue for reasons other than failure to meet the enforcement requirements established by the Swine Health Protection Act. The State would still be responsible for providing some level of support to the program.

The Swine Health Protection Act currently authorizes States to have primary enforcement responsibility, and many States exercise that authority. If the USDA's Animal and Plant Health Inspection Service determines that a State is not effectively carrying out enforcement, the State has 90 days under the law to bring its program back into compliance. If the State has not done so by the end of the 90-day period, the Secretary can assume primary enforcement responsibility. A State may re-assume primary enforcement responsibility when the Secretary determines that the State meets the established eligibility requirements. The new provisions expand the conditions under which the Federal Government can assume primary enforcement responsibility.

The requirement that an advisory committee be appointed to evaluate State programs regulating the treatment of garbage to be fed to swine is deleted.

Designation of Mount Pleasant National Scenic Area

The name of the George Washington National Forest Mount Pleasant Scenic Area is changed to the Mount Pleasant National Scenic Area.

Pseudorabies Eradication Program

The Pseudorabies Eradication Program for swine established by the Food, Agriculture, Conservation, and Trade Act of 1990 is extended through 2002.

Agricultural Quarantine and Inspection

Under previous law, the Secretary prescribes and collects fees from operators or owners of vessels or aircraft to cover the cost of providing agricultural quarantine and inspection services in connection with the arrival of international passengers, commercial vessel, aircraft, or trucks, or railroad cars. The Secretary must ensure that the amount of the fees is commensurate with the costs of agricultural quarantine and inspection services. The Secretary is also authorized to collect late payment penalties and the associated interest charges.

The 1996 Act requires appropriation from the “Agricultural Quarantine Inspection User Fee Account” of up to \$100 million for each of fiscal years 1996 through 2002 to cover the costs of quarantine and inspection services. In addition, funds collected by the Animal and Plant Health Inspection Service in excess of \$100 million will be available to the Secretary to cover the cost of providing quarantine and inspection services, without further appropriations. The funds will be available until expended.

After September 30, 2002, all funds collected for agricultural quarantine and inspection services will be available without appropriation until expended. In addition, the number of full-time equivalent (FTE) positions in the Department of Agriculture associated with agricultural quarantine and inspection services and administration of those services will not be counted toward the limit on FTE positions specified under the Federal Workforce Restructuring Act.

Meat And Poultry Inspection

A permanent advisory panel, known as the “Safe Meat and Poultry Inspection Panel,” must be established in the Department of Agriculture to review and evaluate inspection policies and procedures and any proposed changes to them. The panel will be composed of seven members, with at least five of those members from the food science, meat science, or poultry science professions. The Secretary will appoint panel members from nominations received from the National Institutes of Health and the Federation of American Societies of

Food Animal Science. Terms will be staggered and cannot exceed 3 years.

The panel must submit to the Secretary reports on the results of each review and evaluation, including any recommendations the panel considers appropriate. Each report will be published in the *Federal Register*. The Secretary must publish any required response in the *Federal Register* within 90 days.

The Secretary is required to submit to Congress within 90 days of enactment of the Federal Agricultural Improvement and Reform Act of 1996, recommendations on the steps necessary to achieve interstate shipment of meat and poultry products inspected under State inspection programs developed and administered under Federal law. Meat and poultry products inspected under State inspection systems currently are prohibited from moving in interstate commerce.

Reimbursable Agreements

The Secretary is authorized to enter into reimbursable fee agreements for the pre-clearance of imported plants, plant products, animals, and articles at locations outside the United States. Pre-clearance in the country of origin benefits the importer by reducing problems at the port of entry. It also reduces the risk of the entry of commodities containing pests and disease into the United States.

Persons for whom pre-clearance is performed may be required to reimburse the Secretary for the cost of those services. Funds collected for pre-clearance will be credited to accounts established by the Secretary that incur the costs and remain available for pre-clearance activities until expended. The Secretary is authorized to pay overtime, night, and holiday rates to employees performing pre-clearance services.

Overseas Tort Claims

The Secretary is authorized to pay tort claims when claims arise outside the United States in connection with activities of individuals performing services for the Secretary. A claim must be presented to the Secretary within 2 years after the claim accrues. An

award or denial of a claim by the Secretary under this authority is final and not subject to judicial review of any kind.

Graduate School of the U.S. Department of Agriculture

The Graduate School will continue to operate as an instrumentality of the USDA that is not financed with appropriated funds. Operational expenses will continue to be financed by program fees. The Graduate School may charge reasonable fees for its activities based upon the cost of providing the service and may retain those fees rather than depositing them in the United States Treasury.

The Graduate School is authorized to continue to develop, administer, and provide education, training, and professional development activities for Federal agencies, employees, nonprofit organizations, other entities, and members of the public.

The General Administration Board appointed by the Secretary will govern the activities of the Graduate School in accordance with the Secretary's regulations. The Board will be responsible for determining the policies by which the school is administered and for taking steps necessary, including the selection of a Director and other officers, to assure that the policies are carried out.

The Graduate School is authorized to accept gifts of money and property for the benefit of the school. However, gifts from parties with a business relationship to the school are prohibited.

Student Internship Programs

The Secretary may pay for transportation, subsistence, and lodging expenses of student interns out of appropriated funds or user fee funds. Student interns are defined as employees who assist scientific, professional, administrative, or technical employees of the Department and who are bona fide students of accredited colleges or universities pursuing courses related to the field in which the person is employed by the Department.

The Secretary also may enter into annual cooperative agreements with one or more associations of institutions of higher education to provide for USDA participation in internship programs for graduate and undergraduate students. These internship programs will provide work assignments for students within the Department and other activities deemed appropriate by the associations and the Secretary.

The cooperating association will coordinate the program, including recruitment of students, travel arrangements to Washington, DC, and other agency field offices, and housing arrangements. Final selection of students will be made by the Secretary from a pool of candidates provided by the cooperating association.

Excess Federal Personal Property

The Secretary of Agriculture is authorized to convey title to excess Federal personal property to any 1994 Institution (defined in the Equity in Education Land-Grant Status Act of 1994 (P.L. 103-382; 7 U.S.C. 301 note)), any Hispanic-Serving Institution (defined under the Higher Education Act of 1965 (20 U.S.C. 1059c(b))), or 1890 institutions (any college or university eligible to receive funds under the Act of August 30, 1890 (7 U.S.C. 321 et seq.)), including Tuskegee University. The property may be provided to eligible institutions with or without monetary compensation for such purposes as determined by the Secretary.

The Secretary may also acquire from, exchange with, or dispose of personal property to other Federal agencies or departments without monetary compensation.

Conveyance of Land

Land is conveyed to the Board of Trustees of the University of Arkansas to be used in the White Oak Cemetery. The land would revert to the United States if not used as a cemetery. The 1996 Act removes a stipulation that the land be used for public purposes or revert to the United States. The approximately 2.2 acres was conveyed to the Board of Trustees of the University of Arkansas on November 18, 1953.

Sale of Land

The 1996 Act exempts the sale of land by the University of Arkansas known as the “Walker Tract” from provisions of the Hatch Act of 1887, on the condition that all proceeds from the sale are used for agricultural research facilities and programs of the University of Arkansas.

Designation of a Research Center

The Agricultural Research Service small farms research facility located near Booneville, Arkansas,

is renamed the “Dale Bumpers Small Farms Research Center.”

USDA Washington Area Strategic Space Plan

The Secretary may obligate up to \$5 million from funds appropriated for agriculture buildings and facilities and rental payments to improve State and local roads at the Beltsville Agriculture Research Center, Maryland, as part of the USDA Washington Area Strategic Space Plan.

1996 Farm Bill



1996 FAIR Act Frames Farm Policy For 7 Years

After the longest farm bill debate in U.S. history, the Federal Agriculture Improvement and Reform (FAIR) Act of 1996 became law on April 4, 1996, significantly changing U.S. agricultural policy. The new Farm Act (P.L. 104-127) removes the link between income support payments and farm prices by providing for seven annual fixed but declining "production flexibility contract payments" whereby participating producers may receive government payments largely independent of farm prices, in contrast to the past when deficiency payments were dependent on farm prices.

Farm Payment Program Increases Market Reliance

Federal outlays to the farm sector will decline over the next 7 years. Constraints in individual farm decision making imposed as a condition for the receipt of payments by past programs

will be greatly reduced. Farmers will have much greater flexibility to make planting decisions, with the elimination of annual acreage idling programs and given the freedom to plant any crop on contract acres, with limitations on fruits and vegetables. As a result, producers will rely more heavily on the market as a guide for production decisions. Producers will also bear greater income risk because payments are fixed and not related to the level of market prices.

The FAIR Act specifies total annual payments for production flexibility contracts from 1996 through 2002. However, marketing loan gains will remain, in addition to specified contract payment levels. Cumulative outlays for contract payments for fiscal 1996-2002 are fixed at nearly \$35.6 billion. Payment levels for each crop will be adjusted for prior-year crop program payments still due to farmers in FY 1996, except for rice. Adjustments will also be made in FY 1996-2002 for any repayments still owed to the government.

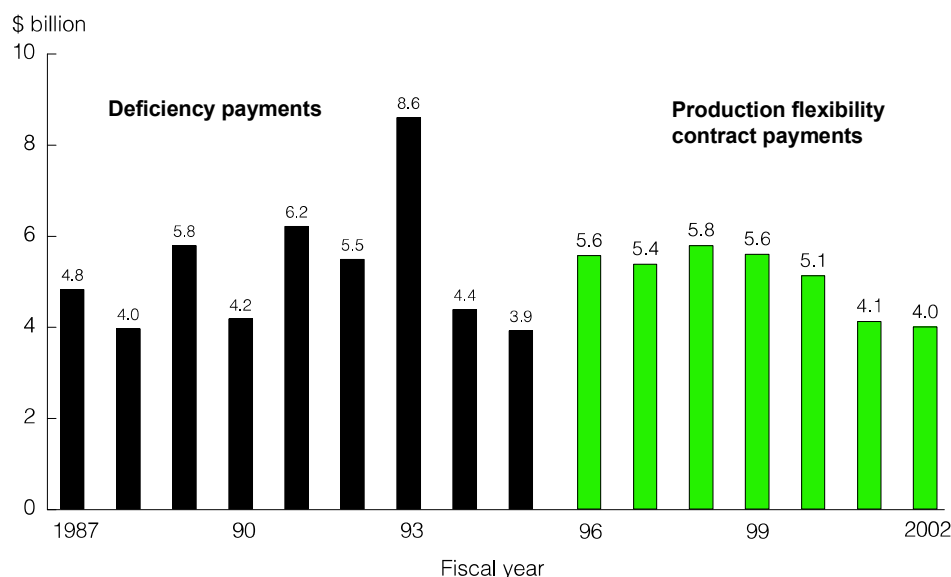
To receive payments and loans on program commodities, producers must enter into a "production flexibility contract" for the period 1996-2002. That contract will require participating producers to

comply with existing conservation plans for the farm, wetland provisions, and planting flexibility provisions, as well as to keep the land in agricultural uses. Farmers need not obtain catastrophic crop insurance if they agree to waive eligibility for disaster assistance.

Payment levels are allocated among contract commodities according to FAIR Act-specified percentages, generally derived from each commodity's share of projected deficiency payments for fiscal 1996-2002 in the Congressional Budget Office's (CBO's) February 1995 budget baseline, which assumed extension of the 1990 FACT Act.

The payment share allocated to each commodity will be apportioned to individual farms based on each contracting farm's payment quantity of a contract commodity (program yield times 85 percent of contract acreage for participating farms). A farm's eligibility to enter into a contract depends on whether it had at least one crop acreage base that participated in a production adjustment program for any of the crop years 1991 through 1995—or that was considered planted under program rules (certified acreage).

Production Flexibility Contract Payments Will Decline Between 1996 and 2002



Production flexibility contract payments have not been adjusted for deficiency payment requirements nor for repayments owed to the government from the previous farm program.

Economic Research Service, USDA

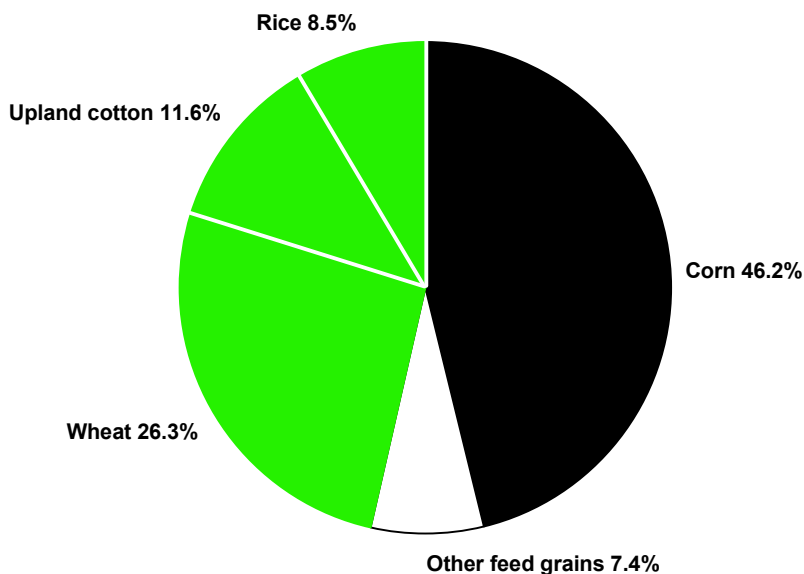
1996 Farm Bill

An eligible farm's payment quantity for a given contract commodity is the product of the farm's program payment yield for that commodity, times 85 percent of the contract acreage (base acres established for the crop for 1996, adjusted for base acres leaving the Conservation Reserve Program and for new base enrollment in the CRP). A per-unit payment rate (e.g., per bushel, per cwt, etc.) for each contract commodity will be determined annually by dividing the annual contract payment level for a contract commodity by the total of all contract farms' program payment production.

The annual payment rate for a contract commodity will be multiplied by each farm's payment quantity for that commodity, and the sum of such payments across contract commodities, subject to any payment limitation considerations, will be the farm's annual payment. Contract payments are limited to \$40,000 per person, a \$10,000 reduction from the current \$50,000 limit. Under the three-entity rule, an individual may receive directly from the government up to \$80,000 in contract payments on three separate entities so long as his/her stake in the second and third entities does not exceed 50 percent of each such entity. In addition, marketing loan gain and loan deficiency payments are limited to \$75,000 per farm, and \$150,000 under the three-entity rule.

Also, producers' planting flexibility increases. Under past law—the Food, Agriculture, Conservation and Trade (FACT) Act of 1990—producers' payments were reduced if more than 15 percent of their base acreage was planted to other crops or idled. Under FAIR, participating producers are permitted to plant 100 percent of their total contract acreage plus additional acreage to any crop (with limitations on fruits and vegetables) with no loss in payments. Unlimited haying and grazing and alfalfa production are also permitted without loss of benefits. Planting of fruits and vegetables is prohibited unless there is a history of double cropping with fruits and vegetables in the region, if the farm has a history of planting fruits and vegetables, or if the producer has a history of planting fruits and vegetables on con-

Feed Grains Account for Over Half of Production Flexibility Contract Payments



Economic Research Service, USDA

tract acreage. Contract payments will be reduced acre for acre for planting non-double-cropped fruits and vegetables.

Loan Rates Retained In Modified Form

Basic nonrecourse commodity loans are retained, in a modified form, under which farmers may receive a loan from the government at a designated rate per unit (loan rate) by pledging and storing a quantity of a commodity as collateral.

Loan rates for wheat and corn continue to be based on 85 percent of the preceding 5-year olympic average (i.e., excluding the high- and low-price years) of farm prices. As under past law, wheat and corn loan rates may be reduced by up to 10 percent depending on the projected stocks-to-use ratio. Maximum loan rates for wheat and corn are established at their 1995 levels. Loan rates for grain sorghum, barley, and oats are to be set at levels considered "fair and equitable" relative to the feed value of corn.

Loan rates for oilseeds are also based on 85 percent of the previous 5-year olympic average of farm prices. Soy-

bean loan rates are limited to a range of \$4.92 to \$5.26 per bushel. Under previous law, loan rates for oilseeds were set at a fixed per-unit rate. Minor oilseeds (sunflowerseed, canola, rapeseed, safflower, mustard seed, and flaxseed) are based on 85 percent of the 5-year olympic average of prices received by producers of sunflowerseed, with a limiting range of \$0.087 to \$0.093 per pound.

The extra long staple (ELS) cotton loan rate is also based on the previous 5-year olympic average farm price, except that the maximum rate may not exceed the 1995 level of \$0.7965 per pound. The upland cotton loan rate continues to be the lesser of 85 percent of the previous 5-year olympic average farm price, or 90 percent of the Northern Europe-based average price, but not less than \$0.50 per pound nor more than \$0.5192 per pound (the 1995 level).

Loan rates for rice are frozen at the 1995 level, \$6.50 per cwt. Marketing loan provisions are retained for feed grains, wheat, rice, upland cotton, and oilseeds. Legislation providing for the Farmer-Owned Reserve, a long-term grain storage program, is suspended through the 2002 crop.

1996 Farm Bill

The interest rate on Commodity Credit Corporation (CCC) loans is increased by 1 percentage point over the rate the CCC is charged for borrowing. Currently, the CCC rate reflects the cost to the CCC to borrow from the U.S. Treasury (1-year Treasury bills.) For April 1996, the CCC interest rate was 5.25 percent.

Producers are no longer required to purchase crop insurance to be eligible for farm program payments. However, producers must waive eligibility, in writing, for emergency crop loss assistance for any crop for which they declined to obtain insurance. USDA is required to implement a revenue insurance pilot program for crop years 1997-2000.

Sugar, Peanut, & Dairy Programs Modified

The sugar program continues to operate as a "no net cost program" to the Federal government. USDA must use all authorities to avoid the costs associated with forfeitures of sugar by price support loan recipients. The raw cane sugar loan rate would continue to be fixed at \$0.18 a pound. Under the FAIR Act, the refined beet sugar loan rate is also frozen at the 1995 level of \$0.229 per pound. Nonrecourse loans are available only when the tariff-rate quota on sugar imports exceeds 1.5 million short tons. Cane processors are required to pay \$0.01 on each pound of sugar forfeited to the government. Beet processors are required to pay \$0.0107 per pound of sugar forfeited. The marketing assessments paid on all processed sugar are increased by 25 percent. Authority for domestic sugar marketing allotments is repealed, but the remaining authority to restrict imports (which must be at least 1.5 million tons under the Uruguay Round agreement) provides a measure of price support.

The peanut program is revised to make it a "no net cost program" to the Federal government. The minimum national poundage quota is eliminated, requiring the quota to be set equal to projected domestic food use demand. Carryover of undermarketings was eliminated, permitting greater control of program costs. The loan rate for quota peanuts is frozen at \$610 per short ton, down from \$678

Calculating Production Flexibility Contract Payments: An Example

For fiscal 1998, the total allocation for corn is 46.22 percent of total annual payments of \$5.8 billion, or \$2.68 billion. The annual *payment rate* for corn equals total annual payments (\$2.68 billion) divided by the sum of all individual corn payment contract quantities for the year. For corn, as for other program commodities, an individual farm's *payment quantity* equals the farm's program payment yield multiplied by 85 percent of the farm's corn contract acreage. A farm's *contract acreage* is limited to the 1996 base acreage for the commodity, plus any returning CRP base for the commodity, less any CRP enrollments. Program yields and base acreage are determined in the same manner as under the 1990 FACT Act. An individual farmer's *production flexibility contract payment* is his or her payment quantity times the annual payment rate.

The Senate Committee on Agriculture, Nutrition and Forestry estimated that the fiscal 1998 corn payment rate would be \$0.41 per bushel, but the actual payment rate depends on the number of producers who enroll in the program as well as CRP enrollment. Assuming that the payment rate estimate is accurate, a farmer with 500 acres of corn base (425 payment acres) and a program yield of 105 bushels per acre would receive \$18,296 as a fiscal 1998 FAIR payment. The farmer is free to plant any crop, with limitations on fruits and vegetables, on the 500 acres.

in 1995. The marketing assessment for peanuts is set at 1.15 percent of the loan rate for the 1996 crop and 1.2 percent for the 1997-2002 crops, shared by producers and purchasers.

Dairy price supports are phased down for milk over 4 years from \$10.35 to \$9.90 per cwt. The price support program ends after 1999. Starting in 2000, a recourse loan program is implemented for butter, nonfat dry milk, and cheese at loan rates equivalent to \$9.90 per cwt for milk. This loan rate is intended to assist in the management of dairy product inventories. The budget assessment on producers is eliminated. Assessments collected in 1996 will be refunded to producers whose annual 1996 marketings do not exceed their marketings in 1995.

Federal milk marketing orders are to be consolidated from 33 into 10-14 orders within 3 years. California is allowed to maintain its own fluid milk standards. The Secretary may, upon the finding of a compelling public interest in the area, grant the New England region authority to enter into a dairy compact. The compact would terminate with the completion of price and order reform. The Dairy Export Incentive Program (DEIP) is extended through 2002 and the

Secretary is directed to use the maximum volume permitted under GATT, so long as the GATT funding limit is not exceeded.

Trade Provisions Are Targeted

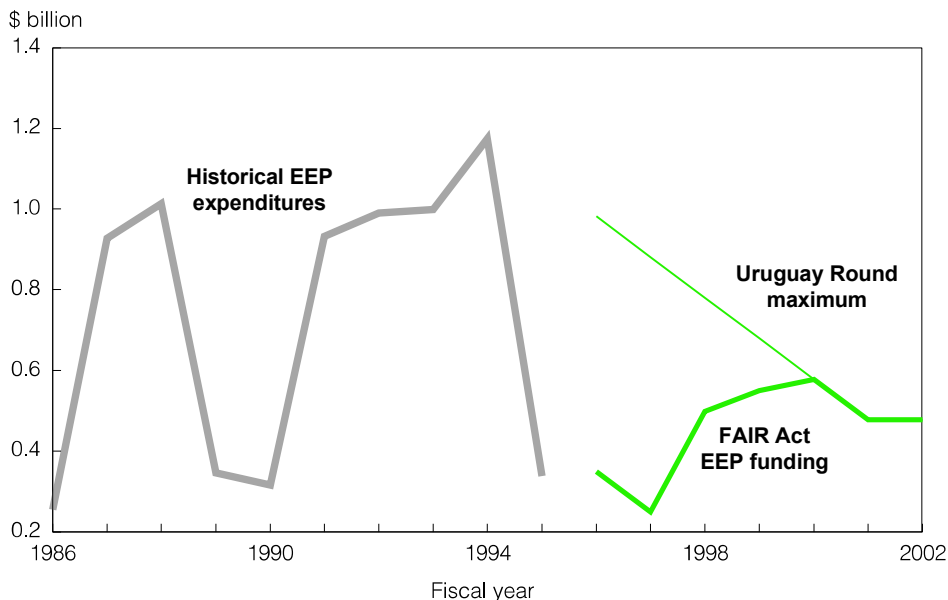
Trade and food aid programs are reoriented towards greater market development, with increased emphasis on high-value and value-added products. Annual Export Enhancement Program (EEP) expenditures are capped. In addition, total EEP funding during fiscal 1996-2000 is more than \$1.6 billion less than the maximum levels permitted under the Uruguay Round Agreement.

The Market Promotion Program is renamed the Market Access Program. Participating organizations include non-profit trade associations, state regional trade groups, and private companies. Fund authority is capped at \$90 million annually for fiscal 1996-2002.

The bill authorizes P.L. 480 Title I agreements with private entities in addition to foreign governments. Other major changes to P.L. 480 broaden the range of commodities available for P.L. 480 programming, provide greater pro-

1996 Farm Bill

EEP Expenditures To Be Below GATT Maximum For Several Years



Economic Research Service, USDA

gram flexibility, and improve the operational and administrative aspects of the program. The 4-million-metric-ton Food Security Commodity Reserve, formerly the Food Security Wheat Reserve, is expanded to include rice, corn, and sorghum in addition to wheat, which can be used to meet humanitarian food aid needs.

The legislation also provides protection for farmers against unilateral export embargoes, and places new emphasis on high-value products in the GSM-102 export credit program.

Major Conservation Provisions

The Environmental Conservation Acreage Reserve Program was continued, to serve as an umbrella to enable the Secretary to operate conservation programs in a consistent manner. Conservation Reserve Program (CRP) enrollment can be maintained at up to 36.4 million acres. Early outs are permitted for less environmentally sensitive land that has been enrolled in the CRP for at least 5 years. New enrollment of environmentally sensitive land is permitted to replace the early outs and contracts that expire.

An Environmental Quality Incentives Program (EQIP) is authorized at \$1.3 billion over 7 years to provide technical, educational, and cost-share assistance and incentive payments to crop and livestock producers in implementing structural and management practices to protect soil and water resources. At least half of the fund is allocated to livestock practices. EQIP is to be operated to maximize the environmental benefits per dollar expended.

A \$200-million fund from the U.S. Treasury is created to restore the Everglades ecosystem under the direction of the Secretary of the Interior. An additional \$100 million of Federal support will be financed through the sale or swap of other federally owned land in Florida. Purchase of private land by the Federal government in the Everglades Agricultural Area is permitted.

Other Major Provisions

A variety of other titles and programs is included in the new Farm Act. The Food Stamp Program is reauthorized for 2 years while Congress continues to work on comprehensive welfare reform. Farm credit programs are reauthorized, but authority to make loans for non-

agricultural purposes, such as recreational facilities and small businesses, is repealed.

A Fund for Rural America is established to augment existing resources for agricultural research and rural development. Funding will be provided from the Commodity Credit Corporation for \$50 million in fiscal 1996, \$100 million in fiscal 1997, and \$150 million in fiscal 1998. Appropriations for Federal agricultural research, extension, and education programs administered by the Agricultural Research Service and the Cooperative State Research, Education, and Extension Service are reauthorized for 2 years. Further funding is authorized subject to appropriations for fiscal years 1998-2002.

A Commission on 21st Century Production Agriculture is established to conduct a comprehensive review of changes to production agriculture in the U.S. under the 1996 Farm Act. The Commission will also study the future of production agriculture in the U.S. and the appropriate role of the Federal government. The Commission will have 11 members: (1) three members appointed by the President, (2) four appointed by the Chairman of the Agriculture Committee in the U.S. House of Representatives, and (3) four members appointed by the Chairman of the Senate Committee on Agriculture, Nutrition and Forestry. At least one member appointed under each person must be primarily involved in production agriculture. All other members of the Commission must have knowledge and experience in agricultural production, marketing, finance, or trade.

The so-called "permanent provisions" in the Agricultural Adjustment Act of 1938 and in the Agricultural Act of 1949 are continued after 2002. The provisions authorize marketing quotas, marketing certificates, acreage allotments, and parity-based price support for wheat, feed grains, cotton, and sugar. Preventing reversion to costly permanent provisions, such as parity-based prices, is among the incentives to enact new, or to extend existing, commodity program provisions under each farm act.

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AO

1996 Farm Bill

Glossary of Agricultural Policy Terms

Base or contract acreage—A farm's average acreage eligible for contract payments of wheat, feed grains, upland cotton, or rice planted for harvest, plus any land not planted to these crops because of an acreage reduction or diversion program in effect during a specified period of time. A farmer's crop acreage base is reduced by the portion of land placed in the Conservation Reserve Program, but is increased by CRP base acreage for expiring contracts and early outs.

Commodity Credit Corporation (CCC)—A federally owned and operated corporation within the U.S. Department of Agriculture created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. All money transactions for agricultural price and income support and related programs are handled through the CCC. Under past legislation the CCC also helped maintain balanced, adequate supplies of agricultural commodities and helped in their orderly distribution.

Commodity loan rates—Price per unit (pound, bushel, bale, or cwt) at which the CCC provides nonrecourse loans to farmers to enable them to hold program crops for later sale. Loans can be recourse for dairy farmers and sugar processors.

Conservation Reserve Program (CRP)—A major provision of the Food Security Act of 1985 designed to reduce erosion and protect water quality on up to 45 million acres of farmland. Under the program, landowners who sign contracts agree to convert environmentally sensitive land to approved permanent conserving uses for 10-15 years. In exchange the land owner receives an annual rental payment and cash or payments-in-kind to share up to 50 percent of the cost of establishing permanent vegetative cover.

Crop year—Generally, the 12-month period from the beginning of harvest.

Contract acreage—Enrolled 1996 commodity base acreage under the FAIR Act, less any base enrolled in the CRP, plus any base acreage exiting the CRP.

Contract crops—Crops eligible for production flexibility payments: wheat, corn, sorghum, barley, oats, rice, and upland cotton.

Deficiency payment—A direct government payment made to farmers who participated in wheat, feed grains, rice, or cotton programs prior to 1996. The payment rate was based on the difference between the target price and the higher of the loan rate or the national average market price during a specified time. The total payment was equal to the payment rate, multiplied by a farm's eligible payment acreage and the program yield established for the particular farm. Farmers could have received up to one-half of their projected deficiency payment at planting. If actual deficiency payments, which were determined after harvest, were less than the advance deficiency payment, a farmer had to reimburse the government for the difference.

Direct payments—Payments in the form of cash or commodity certificates made directly to producers for such purposes as production flexibility contract payments, deficiency payments, annual land diversion, or Conservation Reserve payments.

Export Credit Guarantee Program (GSM-102)—The largest U.S. agricultural export promotion program, functioning since 1982; guarantees repayment of private, short-term credit for up to 3 years.

Export Enhancement Program (EEP)—Begun in May 1985 under the Commodity Credit Corporation Charter Act to help U.S. exporters meet competitors' prices in subsidized markets. Under the EEP exporters are awarded bonuses, enabling them to compete for sales in specified countries.

Food, Agriculture, Conservation and Trade (FACT) Act of 1990 (P.L. 101-624)—The omnibus food and agriculture legislation signed into law on November 28, 1990 that provided a 5-year framework for the Secretary of Agriculture to administer various agricultural and food programs.

Food Security Act of 1985 (P.L. 99-198)—The omnibus food and agriculture legislation signed into law on December 23, 1985, that provided a 5-year framework for the Secretary of Agriculture to administer various agricultural and food programs.

General Agreement on Tariffs and Trade (GATT)—An agreement originally negotiated in Geneva, Switzerland in 1947 to increase international trade by reducing tariffs and other trade barriers. The agreement provides a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion. The Uruguay Round Agreement established the World Trade Organization (WTO) to replace the GATT. The WTO officially replaced the GATT on January 1, 1996.

Intermediate Export Credit Guarantee Program (GSM-103)—Established by the Food Security Act of 1985, this program complements GSM-102 by guaranteeing repayment of private credit for 3-10 years.

Loan deficiency payments—A provision begun in the Food Security Act of 1985 giving the Secretary of Agriculture the discretion to provide direct payments to producers who, although eligible to obtain price support loans for wheat, feed grains, upland cotton, rice, or oilseeds, agree not to obtain loans.

Marketing allotments—Provide each processor or producer of a particular commodity a specific limit on sales for the year, above which penalties would apply.

Marketing assessments—Require producers, processors, or first purchasers to pay a fee per unit of domestic production sold in order to share program costs with the government.

Marketing loan program—Allows producers to repay nonrecourse price support loans at less than the announced loan rates whenever the world market price or posted county price for the commodity is less than the commodity loan rate.

Marketing orders—Federal marketing orders authorize agricultural producers to promote orderly marketing by influencing such factors as supply and quality, and to pool funds for promotion and research. Marketing orders are initiated by the industry, and are approved by the Secretary of Agriculture and by a vote among producers. Once approved, a marketing order is mandatory.

Market Promotion Program (MPP)—Renamed the Market Access Program. Participating organizations include nonprofit trade associations, state regional trade groups, and private companies. Fund authority is capped at \$90 million annually for fiscal 1996-2002.

1996 Farm Bill

Marketing year—Generally, the 12-month period from the beginning of a new harvest.

Nonrecourse loans—The major government price support instrument, providing operating capital to producers of wheat, feed grains, cotton, peanuts, tobacco, rice, and oilseeds. Sugar processors are also eligible for nonrecourse loans. Farmers or processors who agree to comply with each commodity program provision may pledge a quantity of a commodity as collateral and obtain a loan from the CCC. The borrower may repay the loan with interest within a specified period and regain control of the commodity, or forfeit the commodity to the CCC with no interest penalty (the government has no *recourse* but to accept the commodity as payment). For those commodities eligible for marketing loan benefits, producers may repay the loan at the world price (rice and upland cotton) or posted county price (wheat, feed grains, and oilseeds).

Normal flex acreage—Provision of the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) requiring a mandatory 15-percent reduction in payment acreage. Under this provision, producers were ineligible to receive deficiency payments on 15 percent of their crop acreage base (not including any acreage removed from production under any production adjustment program). Producers, however, were allowed to plant any crop on this acreage, except fruits, vegetables, and other prohibited crops. Normal flex acres no longer exist under the FAIR Act.

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

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)—Signed November 5, 1990. This law amended the Food, Agriculture, Conservation and Trade Act of 1990 to reduce agricultural payments for 1991-95. It included a mandatory reduction of 15 percent of payment acreage, and assessments on certain other crop loans and incentive payments.

Optional flex acreage—Under the planting flexibility provision of the 1990 FACT Act, producers could choose to plant up to 25 percent of the crop acreage base to other CCC-specified crops (except fruits and vegetables) without a reduction in crop acreage bases on the farm, but receive no deficiency payments on this acreage. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) made a 15-percent reduction in payment acreage mandatory. The remaining 10 percent was optional flex acreage. Optional flex acreage was eligible for deficiency payments when planted to the program crop. Optional flex acres no longer exist under the FAIR Act.

Parity-based support prices—A measurement of the purchasing power that a unit (e.g., bushel, cwt) of a farm product would have had in the 1910-14 base period. The base prices used in the calculation are the most recent 10-year average prices for commodities. Under “permanent provisions,” prices would be supported at 50 to 90 percent of parity through direct government purchases or nonrecourse loans.

Payment rate—The amount paid per unit of production to each participating farmer for eligible payment production under the FAIR Act.

Payment quantity—The quantity of production eligible for production flexibility contract payments under the FAIR Act. Payment quantity is calculated as the farm’s program yield (per acre) multiplied by 85 percent of the farm’s contract acreage, subject to payment limitations.

Permanent legislation—Legislation that would be in force in the absence of all temporary amendments (farm acts). The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 serve as the basic laws authorizing the major commodity programs. Technically, each new farm act amends the permanent legislation for a specified period.

Production flexibility contract payments—Payments to be made to farmers for contract crops through 2002 under the FAIR Act. Payments for each crop are allocated each fiscal year based on the Congressional Budget Office’s February 1995 forecast of what deficiency payments would have been under the FACT Act.

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

Program or payment yield—The farm commodity yield of record (per acre), determined by a procedure outlined in legislation. Previous law allowed USDA to update program yields at the average of the preceding 5 years’ harvested yield (dropping the high and low years). This provision has not been implemented as program yields continue to be frozen at 1985 levels.

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

Target prices—Price levels established by past law for wheat, corn, grain sorghum, barley, oats, rice, and upland cotton. Prior to 1996, farmers participating in Federal commodity programs received deficiency payments based on the difference between the target price and the higher of the national market price during a specified time period, or the price support (nonrecourse) loan rate. Target prices were eliminated by the FAIR Act.

Tariff-rate quota (TRQ)—System by which a certain quantity of imports, called a quota amount, receives a low tariff, and imported quantities above that quota level are assessed a higher tariff.

Uruguay Round—The Uruguay Round of Multilateral Trade Negotiations (UR) under the auspices of the GATT; a trade agreement designed to open world agricultural markets. The UR agricultural agreement covers four areas; export subsidies, market access, internal supports, and sanitary and phytosanitary rules. The agreement is implemented over a 6-year period, 1995-2000.

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

TITLE I-- AGRICULTURAL MARKET TRANSITION ACT

Income support remained tied to farm prices and crop-specific planting requirements. Farmers gained planting flexibility but received support payments on fewer acres. The nonrecourse loan program continued. Marketing loans were mandated for cotton, rice, and oilseeds and were permitted for wheat, feed grains, and honey.

Income support for wheat, feed grains, cotton, and rice

Income support was provided through deficiency payments that were made when average farm prices fell below the target price. Deficiency payments were calculated by multiplying a payment rate times a program payment yield times the number of acres eligible for payments. The deficiency payment rate for each commodity was based on the difference between the target price and either the market price during a specified period or the price support (loan) rate, whichever was higher.

Target prices were frozen for wheat at \$4 per bushel, corn at \$2.75, oats at \$1.45, sorghum at \$2.61, barley at \$2.36, cotton at 72.9 cents per pound, and rice at \$10.71 per cwt. Producers were eligible for payments on at most 85% of base acres.

Total Federal spending on deficiency payments increased when farm prices declined and vice versa.

Contract acreage (acreage base) and yield

For wheat and feed grains, a farm's crop acreage base was equal to the average of acres planted and considered planted during the previous 5 years. For upland cotton and rice, bases were set using the previous 3-year average of planted and considered planted acreage, with some exceptions for 1991 and 1992. Payment yields for program crops could be frozen at 1990 levels or based on a moving average of the yields for the past 5 crop years (dropping the high- and low-yield years), subject to the Secretary's discretion.

The level of income support is no longer related to current farm prices. Support is based on the CBO's February 1995 forecast of income support assuming extension of the 1990 FACT Act. Restrictions on acreage and crops planted are substantially reduced. The nonrecourse loan program with marketing loan provisions continues, subject to maximum loan rates.

Farmers who have participated in the wheat, feed grains, cotton, and rice programs in any one of the past 5 years can enter into 7-year *production flexibility contracts* for 1996-2002. An eligible farm's payment quantity for a given contract commodity is equal to 85 percent of its contract acreage times its program yield for that commodity. Land from expiring Conservation Reserve Program (CRP) contracts can be enrolled as contracts expire. A per-unit payment rate (e.g., per bushel) for each contract commodity will be determined annually by dividing the total annual contract payment level for each commodity by the total of all contract farms' program payment production. The annual payment rate for a contract commodity would be multiplied by each farm's payment quantity for that commodity, and the sum of such payments across contract commodities on the farm would be that farm's annual payment, subject to any payment limits.

Total production flexibility contract payment levels for each fiscal year are fixed at: \$5.570 billion in 1996, \$5.385 billion in 1997, \$5.800 billion in 1998, \$5.603 billion in 1999, \$5.130 billion in 2000, \$4.130 billion in 2001, and \$4.008 billion in 2002. Spending caps for each crop, except rice, will be adjusted for prior-year crop program payments to farmers made in fiscal year 1996 and any 1995 crop repayments owed to the government. The amount allocated for rice is increased by \$8.5 million annually for fiscal years 1997 through 2002. Allocations of the above payment levels are: 26.26% for wheat, 46.22% for corn, 5.11% for sorghum, 2.16% for barley, 0.15% for oats, 11.63% for upland cotton, and 8.47% for rice.

Land eligible for contract acreage is equal to a farm's base acreage for 1996 calculated under the previous farm program, plus any returning CRP base and less any CRP enrollment. A producer may enroll less than the maximum eligible acreage. Program payment yields are frozen at 1995 levels.

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

Planting flexibility and restrictions

Planting of any crop except fruits and vegetables was permitted on up to 25 percent of any participating program crop's acreage base. This acreage was known as flex acreage and planting of other crops was credited as considered planted to the program crop for acreage base protection. The first 15 percent of flex acreage was known as normal flex acreage (NFA) and the remainder as optional flex acreage (OFA). Crops grown on NFA were not eligible for deficiency payments. Deficiency payments were paid on OFA only if the original program crop was planted.

Acreage Reduction Programs (ARP's) restricted the acreage that participants could plant to any single program crop. ARP levels were determined in part by the ratios of ending stocks to total use. ARP's could be set separately for each of the feed grains. A zero ARP for oats was mandated for all 5 years. Maximum ARP was set at 25% for cotton and at 35% for rice.

0/85/92 and 50/85/92 Programs

The voluntary 0/85/92 and 50/85/92 programs allowed producers to devote all or a portion of their permitted acres to conserving uses and receive deficiency payments on a portion of these acres. Planting of minor oilseeds was allowed for wheat and feed grains. Producers had the option of receiving deficiency payments or oilseed loans, but not both. Payment rate was at least equal to the projected deficiency payment rate. Cotton and rice producers had to plant at least 50% of a crop's maximum payment acres.

Price support is provided to program participants through nonrecourse loans. Marketing loans and loan deficiency payments are available to minimize potential loan forfeitures and subsequent government accumulation of stocks.

A farmer could receive a loan from the government at a designated per-unit rate (the loan rate) by pledging the commodity as loan collateral and storing it. Basic loan rates were set at 85% of a 5-year moving average of farm prices, excluding high and low years (called "Olympic average") for wheat, corn, ELS cotton, and rice. The basic loan rates could not be less than 95% of the year-earlier value and were subject to the specified minimum for rice.

Wheat and feed grains

The minimum basic loan rate was set at \$2.44 a bushel for wheat and \$1.76 for corn, unless these exceeded 85% of the Olympic average of farm prices. The Secretary could reduce loan rates by up to 10% based on an ending stocks-to-use formula, and up to another 10% at his/her discretion to ensure that U.S. commodities were competitive in world markets. Marketing loans were permitted, which allowed producers to repay commodity loans at a rate less than the original loan rate per bushel. Repayment rates were determined by the Secretary, based on the prevailing world market price adjusted for U.S.

Participants may plant 100 percent of their total contract acreage to any crop, except with limitations on fruits and vegetables. Land must be maintained in agricultural use. Unlimited haying and grazing and planting and harvesting of alfalfa and other forage crops are permitted with no reduction in payments. Planting of fruits and vegetables (excluding mung beans, lentils, and dry peas) on contract acres is prohibited unless the producer or the farm has a history of planting fruits and vegetables, but payments are reduced acre-for-acre on such plantings. Double cropping of fruits and vegetables is permitted without loss of payments if there is a history of such double cropping in the region.

Eliminates authority for ARP's.

Eliminates 0/85/92 and 50/85/92 program provisions. However, the Agricultural Market Transition Program allows essentially a "0/100" option for farmers, who can plant any portion of their acreage and receive a full payment as long as the land is kept in agricultural uses.

Nonrecourse loans with marketing loan provisions are extended. Any production of a contract commodity by a producer who has entered into a production flexibility contract is eligible for loans. The formulas for establishing loan rates for wheat, feed grains, and upland cotton are retained, subject to specified maximums. Continues marketing loan provisions allowing repayment of loans at less than full principal plus interest when prices are below loan rates.

Loan rates are set at 85% of the 5-year olympic average of farm prices, subject to a maximum of \$2.58 per bushel for wheat and \$1.89 per bushel for corn, the same rates as in 1995. The Secretary retains authority to decrease wheat and feed grain loan rates depending on the projected stocks-to-use ratio. The loan rates may be reduced as much as 5% if the ratio is between 15 and 30% for wheat or 12.5 and 25% for corn. If the ratios are higher than these, the loan rates may be reduced up to 10%. There is no longer authority for an additional 10% discretionary adjustment. Loan rates for grain sorghum, barley, and oats are set at a level

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

quality and location (subsequently called “posted county price”).

considered fair and equitable relative to the feed value of corn. Rye is no longer eligible for price support.

Cotton

The basic loan rate for upland cotton was set at the lesser of 85% of the 5-year Olympic average of spot market prices, or 90% of the Northern Europe-based average price, subject to a minimum loan rate of 50 cents per pound. Marketing loans continued to be mandatory, which allowed producers to repay loans at a rate less than the original loan rate per bushel. Repayment rates were determined by the Secretary, based on the prevailing world market price for upland cotton, adjusted for U.S. quality and location.

The loan rate for upland cotton is set at the lesser of 85% of the 5-year Olympic average of spot market prices, or 90% of the Northern Europe-based average price, subject to a maximum of \$0.5192 per pound and a minimum of \$0.50 per pound. The loan rate for extra long staple (ELS) cotton is set at 85% of the 5-year Olympic average of farm prices, subject to a maximum of \$0.7965 per pound. Certain reforms are made to the cotton loan program, including elimination of the 8-month cotton loan extension. Marketing loan provisions are continued for upland cotton.

Upland cotton user marketing certificates (Step 2)

Required that marketing certificates be issued to domestic users and exporters when the Friday through Thursday (F-Th) average of the lowest price U.S. growth as quoted in Northern Europe exceeded the F-Th average of the five cheapest Northern Europe prices by more than 1.25 cents per pound, for 4 consecutive weeks, and the prevailing world market price did not exceed 130 percent of the upland cotton loan rate.

Maintains provisions for various adjustment mechanisms and import quotas. Total expenditures for Step 2 payments cannot exceed \$701 million over the period FY 1996-2002.

Rice

The loan rate was set at the 5-year Olympic average of farm prices, subject to a minimum of \$6.50 per cwt. Mandatory marketing loans continued, which allowed producers to repay loans at a rate less than the original loan rate per bushel. Repayment rates were determined by the Secretary, based on the prevailing world market price.

The rice loan rate is \$6.50 per cwt. Marketing loan provisions are continued.

Oilseeds and soybeans

The minimum loan rate for soybeans was set at \$5.02 per bushel for the 1991-95 marketing year, and a new price support program instituted for minor oilseeds, including sunflowerseed, canola, rapeseed, safflower, flaxseed, mustard seed, and others as determined by the Secretary. The minimum loan rate for minor oilseeds was set at 8.9 cents per pound for the 1991-95 marketing years. Under the Omnibus Budget Reconciliation Act of 1990, oilseed loans required a 2% origination fee, which reduced the effective loan rate to \$4.92 per bushel. The fee was discontinued later and the loan rate was set at \$4.92.

The soybean loan rate is set at not less than 85% of the 5-year Olympic average of farm prices, but no lower than \$4.92 per bushel and no higher than \$5.26 per bushel. The loan rates for sunflower seed, canola, rapeseed, safflower, mustard seed, and flaxseed cannot be less than 85 percent of the Olympic average of farm prices for sunflower seed, subject to a minimum of \$0.087 and maximum of \$0.093 per pound.

A mandatory marketing loan program was established to allow producers to repay soybean and oilseed loans at a rate less than the original loan rate per bushel. The lower repayment rates could have been either the prevailing world market price for oilseeds (adjusted for U.S. quality and location) or a rate determined by the Secretary to minimize loan forfeitures and government stock accumulation.

Marketing loan provisions are continued.

Loan deficiency payments

To cut administrative costs, loan deficiency payments (based on the difference between the

Loan deficiency payments are available for all loan commodities except ELS cotton.

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

loan rate and loan repayment rate) could be available to producers who agreed not to place their crop under a loan.

GENERAL PROVISIONS

Conservation compliance

To remain eligible for specified program benefits, farmers cropping highly erodible land were required to implement an approved conservation plan by 1995 (highly erodible land conservation provisions), and they had to be in compliance with wetland conservation provisions (swampbuster).

Participants must continue to maintain conservation plans including compliance with highly erodible land conservation provisions and wetland conservation provisions (swampbuster) to receive contract payments.

Payment limitations

Set a \$50,000-per-person limit for deficiency and diversion payments; \$75,000 for marketing loan gains, loan deficiency, and Findley payments; and an overall limit of \$250,000. The 3-entity rule was retained, whereby an individual could receive payments for 3 separate operating units so long as his/her stakes in the second and third entities did not exceed 50% of each such entity. An individual could receive up to \$100,000 in deficiency payments under the 3-entity rule. Conservation Reserve Program, wool and mohair, and honey program payments had separate limits.

Sets payment limits at \$40,000 per person for payments on production flexibility contracts. Maintains limits at \$75,000 on marketing loan gains and loan deficiency payments for one or more crops of contract commodities or oilseeds. Under the 3-entity rule, individual farmers can receive up to \$80,000 per year in total contract payments on 3 separate farming operations, down from \$100,000. Sub-limits are \$40,000 on the first operation and \$20,000 each on 2 additional entities. Limits on marketing loan gains continue at \$75,000 on the first farm and \$37,500 each on 2 additional entities.

Farmer-Owned Reserve (FOR) allowed producers holding regular CCC 9-month loans for wheat or feed grains to extend their loans beyond the regular term and receive additional storage payments.

The Secretary had authority to allow entry into FOR only if (1) the projected wheat ending stocks/use ratio exceeded 37.5%, or corn's exceeded 22.5%; or (2) the market price for wheat or corn was less than 120% of the loan rate. If both conditions were met, the Secretary was *required* to permit entry into the FOR. Storage subsidies were to stop when prices were 95% of target. Interest charges were possible if prices reached 105% of target.

Suspends authority for Farmer-Owned Reserve through the 2002 crop year.

DAIRY

Price support is provided through government purchases of butter, nonfat dry milk, and cheese.

Set a \$10.10 per cwt minimum support price for milk containing 3.67% milkfat. If Commodity Credit Corporation (CCC) purchases were projected to exceed 5 billion pounds (total milk solids basis), the Secretary was required to reduce support 25-50 cents per year but not below \$10.10 per cwt; if below 3.5 billion pounds, support had to increase by 25 cents. Under the 1990 Budget Act, producer assessments were set at 5 cents per cwt in 1991 and 11.25 cents for 1992-95. Producers who did not increase milk production from a year earlier received a refund of the assessment.

The minimum support price for milk declines from \$10.35 per cwt in 1996 to \$9.90 in 1999 (\$0.15 per year) and is maintained through government purchases of butter, nonfat dry milk, and cheese. Price support is eliminated after December 31, 1999. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures. Budget assessment on dairy producers is immediately eliminated. Assessments collected in 1996 will be refunded to producers whose annual 1996 marketings do not exceed their marketings in 1995. Starting in 2000, a recourse loan program is implemented for butter, nonfat dry milk, and cheese at loan rates equivalent to \$9.90 per cwt for milk. The loan program is intended to assist in the management of dairy product inventories.

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

Import quotas

Imports remained subject to quotas under Section 22 of the Agricultural Adjustment Act of 1933. Under commitments from the Uruguay Round agreement of the General Agreement on Tariffs and Trade (UR-GATT), import quotas were converted to tariff-rate quotas, which will be reduced over time.

No change.

Federal milk marketing orders classify and fix minimum prices according to the products in which milk is used.

Required hearings to consider replacing the Minnesota-Wisconsin price series, which provided the basis for minimum-class prices under the Federal milk marketing orders. The Secretary was required to consider alternative pricing formulas, including a series based on prices paid by milk processors for Grade A milk, and for manufacturing grade milk that is used to manufacture dairy products. The Fluid Milk Promotion Program was authorized and subsequently enacted to promote domestic milk consumption.

Federal milk marketing orders are consolidated into 10-14 orders, down from 33. Multiple basing points for the pricing of milk are authorized. California may maintain its own fluid milk standards. The Fluid Milk Promotion Program is extended through 2002.

The Secretary may, upon the finding of a compelling public interest in the area, grant the New England region the authority to enter into a dairy compact. The compact would terminate with the implementation of Federal order reforms.

Dairy Export Incentive Program (DEIP) subsidizes exports of U.S. dairy products. Under the DEIP the CCC was required to make payments, on a bid basis, to an entity that sells U.S. dairy products for export.

Reauthorized DEIP.

DEIP is extended to 2002. The Secretary must authorize subsidies sufficient to export the maximum volume of dairy products allowable under the UR-GATT (net of exports under the dairy sales program), subject to UR-GATT funding limits. DEIP is to be used for market development purposes.

PEANUTS

Price support

The price support for "quota" peanuts (primarily sold for domestic eligible use) was based on the previous year's loan rate, adjusted upward no more than 5% for higher production costs. The considerably lower rate for "additional" peanuts (mostly sold for export) was established by the Secretary. An assessment fee of 1% of the loan rate was established.

The peanut program is revised to make it a "no net cost program." The quota support rate is frozen at \$610 per ton, reduced from \$678 in 1995. Loans for "additional" peanuts remain available. The marketing assessment is 1.15% of the loan rate for the 1996 crop and 1.2% for the 1997-2002 crops, shared by growers and purchasers.

Quota

Each year's national peanut poundage quota was set equal to estimated domestic use of peanuts for food products and seed, subject to a minimum of 1.35 million short tons. The quota appropriated to each state was equal to the percent allocated for 1990. Quota could be sold, leased, and transferred only within a county in major producing states.

The minimum national quota and provisions for carryover of under-marketings are eliminated. Quota is redefined to exclude seed. Government entities and out-of-state nonfarmers cannot hold quotas. Sale, lease, and transfer of quota is now permitted across county lines within a state up to specified amounts of quota annually.

SUGAR

Price support

To support sugarcane and sugar beet prices, a nonrecourse loan program continued to support prices of processed cane and beet sugar. The

No-net-cost provisions and the associated tariff-rate quota for imports are retained. USDA must use all authorities to avoid the costs associated

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

loan rates remained the same as under 1985 and 1990 farm legislation at 18 cents per pound for raw cane sugar, with refined beet sugar rates set annually relative to the raw cane sugar rate. The no-net-cost provisions continued, relying principally on import quotas. Assessments of 1% of the loan rate (1.07% for sugar beets) were placed on the amount starting in fiscal 1992, and raised by 10% beginning with fiscal 1995.

with forfeitures of sugar by price support loan recipients. The raw cane sugar loan rate continues to be fixed at 18 cents per pound. The refined beet sugar loan rate is also frozen at the 1995 level of 22.9 cents per pound (instead of varying each year). Loans are recourse when the level of the TRQ is at or below 1.5 million short tons (raw value); if the quota is raised above that level, loans become nonrecourse. Cane processors must pay a penalty of \$0.01 on each pound of sugar forfeited to the government; beet processors pay a penalty of \$0.0107 per pound. The marketing assessments paid on all processed sugar increase from 1.1 to 1.375% of the raw sugar loan rate for sugarcane processors, and from 1.1794 to 1.47425% of the raw sugar loan rate for beet sugar refiners.

Marketing allotments

Mandatory marketing allotments (supply control) for domestically produced sugar were triggered if USDA projected import requirements below 1.25 million short tons in a fiscal year. A 200,000-ton sugar-equivalent limit on marketings was set for crystalline fructose whenever marketing allotments were in effect for sugar.

Eliminates authority for domestic sugar and crystalline fructose marketing allotments.

Tariff-rate quota (TRQ) is part of the Harmonized Tariff Schedule of the U.S., as amended in the UR-GATT.

A TRQ limited imports and helped maintain U.S. prices at levels to prevent forfeiture of CCC loans. Under the UR-GATT, the TRQ cannot be less than 1.23 million short tons for raw cane sugar and not less than 24,250 short tons for refined sugar. The tariff on imports above the TRQ is 17.17 cents a pound for raw cane sugar in 1996, and is scheduled to decline to 15.36 cents in the year 2000.

No change.

HONEY

The loan rate was set at 53.8 cents per pound. The Secretary could implement a marketing loan. Loan deficiency payments were available.

Eliminates authority for the honey program.

MISCELLANEOUS

CCC interest rate

The interest rate on Commodity Credit Corporation loans reflected the cost to the CCC to borrow from the U.S. Treasury (1-year Treasury Bills).

The interest rate on CCC loans is increased by 1 percentage point over the rate that the CCC is charged for borrowing.

Permanent law

Maintained permanent law and temporarily suspended provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949.

Permanent law is maintained, but temporarily suspended. Some unused and outdated provisions are repealed.

Commission on 21st Century Production Agriculture

No provisions.

Establishes a Commission to conduct a comprehensive review of changes to production agriculture in the U.S. under the 1996 FAIR Act. The Commission will also study the future of

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

Pilot programs for futures and options

Mandated an Options Pilot Program to help producers purchase put option contracts for their 1993, 1994, and 1995 wheat and corn crops. Contracts were offered to eligible producers in specified counties.

production agriculture in the U.S. and the appropriate role of the Federal government in it.

The Secretary is authorized to conduct research through pilot programs to determine if futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of agricultural commodities.

Crop insurance is available for a wide variety of crops, but not always in each locality where a crop is grown. The premiums are federally subsidized.

The Federal Crop Insurance Reform Act of 1994 supplemented the crop insurance program with a new catastrophic (CAT) coverage level available to farmers for a processing fee of \$50 per crop. To be eligible for commodity program benefits, for certain Farm Service Agency loan programs, or for renegotiated CRP contracts, a farmer had to have at least CAT coverage on crops of economic significance. CAT coverage can be purchased through private insurance companies or Farm Service Agency offices. Farmers may purchase additional insurance coverage, providing higher yield and/or price protection, for a fee and subsidized premium. Additional coverage is available only through private companies. A Noninsured Assistance Program, which requires both an area and an individual trigger for payments to be made, is in place for noninsurable crops. Reform has been in effect for 1995 crops.

Beginning with 1996 spring-planted crops (and 1996 fall-planted crops at the option of the Secretary), purchase of crop insurance is no longer required to be eligible for farm program benefits if producers waive all emergency crop loss assistance.

Beginning with the 1997 crop year, dual delivery of crop insurance by the Farm Service Agency and private insurance agents is eliminated in states (or portions of states) that have adequate access to private crop insurance providers.

Revenue Insurance Pilot Program

The Federal Crop Insurance Reform Act of 1994 mandated a pilot cost of production risk protection plan that would indemnify the producer if his or her gross income is less than a predetermined amount. The Federal Crop Insurance Corporation's (FCIC) response is an income protection pilot program offered for selected spring-planted crops in 1996 in selected areas. A private company has introduced a crop revenue coverage policy in spring 1996, which also provides revenue insurance protection.

Requires a revenue insurance pilot program for crop years 1997-2000 under which a producer of feed grains, wheat, soybeans, or other such crop may elect to receive insurance against loss of revenue.

TITLE II-- AGRICULTURAL TRADE

The U.S. Government provides overseas food aid primarily through the **P.L. 480 Program**, also known as "Food for Peace," which includes concessional sales through Title I, and donations and grants through Titles II and III.

The FACT Act gave the Secretary of Agriculture sole responsibility for Title I credit sales and gave the U.S. Agency for International Development authority to execute Titles II and III programs. Title I loans were shortened from 40 to 30 years and the grace period for repayment from 10 to 7 years. Priorities for allocations of Title I assistance were revised to promote broad-based development and to promote food security and agricultural development. The role of the private sector was emphasized through the establishment of a Food

Extends the authority to enter into new P.L. 480 agreements through 2002. Authorizes Title I agreements with private entities in addition to foreign governments. Modifies the repayment terms for Title I credit, including the elimination of the minimum repayment period of 10 years and reduction of the maximum grace period from 7 to 5 years. Increases the maximum level of funding that can be provided as overseas administrative support for eligible organizations under Title II from \$13.5 million to \$28.0 million; adds intergovernmental

Provisions

1990 FACTACT, As Amended

Aid Consultative Group. The minimum levels of assistance under Title II were increased annually to 2,025,000 metric tons for overall Title II food donations and 1,550,000 metric tons for nonemergency food assistance in 1995. The Title III program retained its name, "Food for Development," but was completely revised to provide an all-grant program for least-developed countries based on explicit poverty and malnutrition standards.

Food for Progress was originally authorized under Section 416b of the Agricultural Act of 1949.

Food for Progress Program (FFP) was authorized through 1995 in the 1985 farm bill to provide commodities to the governments of developing countries and emerging democracies or to private voluntary organizations to introduce elements of free enterprise into the countries' agricultural economies through changes in commodity pricing, marketing, input availability, and private sector involvement. Commodities provided under the program may be funded through P.L. 480 or under Section 416(b).

Food Security Commodity Reserve provides for a reserve to meet emergency humanitarian food needs in developing countries.

The Food Security Wheat Reserve authorized by the Agricultural Act of 1980 is a reserve of up to 4 million metric tons of wheat to meet extraordinary needs in developing countries. The President had authority to tap the Reserve when domestic wheat supplies were so limited that wheat cannot be made available for programming under P.L. 480 and in the case of urgent humanitarian need. Withdrawn stocks had to be replenished within 18 months of release to the extent that undesignated CCC inventories were available or funds were specifically appropriated.

Under the **Export Credit Guarantee Programs**, USDA facilitates commercial sales of U.S. agricultural products. The Export Credit Guarantee Program (GSM-102) covers private credit extended for up to 3 years. The Intermediate Export Credit Guarantee

Credit guarantee programs were authorized through 1995. CCC was prohibited from offering credit guarantees for loans to countries that the Secretary determined could not adequately service the debt associated with the sale. Credit guarantees could not cover financing for the foreign content of an exported product under the programs.

1996 FAIRACT

organizations such as the World Food Program to the list of organizations eligible to receive these funds; and extends the authority for the Food Aid Consultative Group through the year 2002. Increases the minimum amount of commodities that are to be sold for local currencies under the nonemergency programs under Title II from 10 to 15%. Extends the minimum levels of assistance under Title II through 2002 at the 1995 levels. Amends P.L. 480 Title IV (Administrative Provisions) to broaden the range of commodities available for programming under the P.L. 480 program, provide greater programming flexibility, and improve the operational and administrative aspects of the program. Allows up to 15% of the funds available for any title of P.L. 480 to be used to carry out any other P.L. 480 title. Up to 50% of Title III funds may be used for Title II.

Extends the authority for FFP agreements and authority to provide assistance in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture in recipient countries through 2002. Includes intergovernmental organizations in FFP programming. Expands the authority to make sales on credit terms under the Act to all eligible countries in addition to the newly independent states of the former Soviet Union.

Amends the Agricultural Act of 1980 to establish a Food Security Commodity Reserve. Commodities authorized for the 4-million-ton reserve are expanded to include corn, grain sorghum, and rice in addition to wheat. Raises the existing 300,000-ton release authority for urgent humanitarian relief in disasters to 500,000 tons in the case of unanticipated need and allows for the release of an additional 500,000 metric tons of eligible commodities that could have been released but were not released in previous years. To replenish the Reserve, commodities may be acquired from eligible CCC stocks, purchased from producers, or purchased on the market. Authorizes the reimbursement of the CCC for the release of eligible commodities from the Reserve from funds appropriated in subsequent fiscal years.

Authorizes short-term supplier credit guarantees. Lists criteria to be used by the Secretary in deciding whether a country is creditworthy for GSM-103 intermediate-term credit guarantees. Mandates annual program levels for GSM-102 and GSM-103 at \$5.5 billion through 2002, but allows flexibility in how much is made available for each program. Allows credit guarantees for high-value products with at least 90% U.S. content (by weight). Minimum amounts of credit guarantees will be required to be available for processed and

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

Program (GSM-103) covers private credit extended for more than 3 to 7 years.

Emerging Markets Program

Authorized \$1 billion in credits or credit guarantees to be made available to emerging democracies annually for fiscal 1991-95. Funds could be used to establish or provide facilities, services, or U.S. products to improve handling, marketing, processing, storage, or distribution of imported agricultural products. Up to \$10 million annually was authorized for technical assistance for fiscal 1990-95.

The **Market Access Program** is designed to develop, maintain, and expand markets for agricultural products.

Renamed the Targeted Export Assistance Program the Market Promotion Program (MPP). Authorized funding at \$200 million annually. Gave priority for MPP funding to organizations that could demonstrate they had been harmed by another country's unfair trade practices. The 1993 Omnibus Budget Reconciliation Act reauthorized the MPP through 1997 and reduced MPP funding to \$110 million annually. Required that priority be given to small firms for branded promotions.

The **Export Enhancement Program (EEP)** is used to help U.S. exporters compete against subsidized prices in specific export markets.

The EEP, set up primarily to counter unfair trade practices, was reauthorized through 1995. Established a minimum funding level of \$500 million annually for the EEP. The 1994 Uruguay Round Agreements Act extended the authorization for the EEP through 2001, required that the program be operated consistent with U.S. export subsidy volume and value commitments under the Uruguay Round, and widened the program's focus to market development.

The **Cottonseed and Sunflowerseed Oil Assistance Programs (COAP and SOAP)** are used to facilitate export sales in specified world markets.

The Secretary was authorized to use \$50 million annually to encourage additional sales of cottonseed and sunflowerseed exports. Funds for this program were made available under Section 32 of the Agricultural Adjustment Act of 1935.

Embargo compensation is provided under Section 411 of the Agricultural Trade Act of 1978, which requires the Secretary to make specified payments to producers when exports to a country are restricted for reasons of national security or foreign policy. Section

No new provisions.

high-value products: 25% in 1996 and 1997; 30% in 1998 and 1999; and 35% thereafter. Minimum requirements are not applicable if they cause a reduction in total commodity sales under the programs.

Authorized through 2002 and retargeted to "emerging markets" which offer growth potential for U.S. agricultural exports. Requires that CCC make available not less than \$1 billion of direct credit or credit guarantees to emerging markets during fiscal 1996-2002. Authorizes up to \$10 million annually for technical assistance.

Changes the name of the MPP to Market Access Program (MAP). Authorizes funding for the program at \$90 million annually for fiscal 1996-2002. Participating organizations include nonprofit agricultural trade organizations, regional trade groups, and private companies.

EEP expenditures are capped at \$350 million in fiscal 1996, \$250 million in 1997, \$500 million in 1998, \$550 in 1999, \$579 million in 2000, and \$478 million for 2001 and 2002. The 1996-99 values total about \$1.6 billion less than UR-GATT commitments. Allows the Secretary to make available up to \$100 million annually for the sale of intermediate-value products to attain the volume of intermediate agricultural products exported by the U.S. during the Uruguay Round base period years of 1986 through 1990.

COAP and SOAP are not reauthorized.

If a future export embargo is imposed on any country for national security or foreign policy reasons, and, if no other country with an agricultural economic interest joins the U.S. sanctions within 90 days of the imposition of the embargo, USDA must compensate producers of the affected commodity or commodities by either making payments to producers, by making available funds for export promotion, or by providing commodities to developing countries. Payments to producers will be based on the

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

412 requires the Secretary to develop a contingency plan to assess the impact of the embargo and the implementation of producer payments under Section 411.

Agricultural export promotion strategy

The Secretary was required to prepare a long-term agricultural trade strategy report for initial submission to Congress prior to October 1, 1991, with annual updates.

Secretary's estimate of the loss suffered by producers due to a decrease in commodity prices resulting from the embargo. The amount of funds provided for export promotion or for food assistance to developing countries would be equal to 90% of the average annual value of U.S. exports to the embargoed country for the most recent 3 years prior to the embargo.

Authorizes a new trade strategy that establishes export goals for USDA. The Secretary is required to identify markets with the greatest potential for export increases with the assistance of Federal export programs, and supporting offices that provide assistance to exporters in the priority markets.

TITLE III- CONSERVATION

Highly erodible land conservation provisions protect highly erodible land by denying program benefits to producers not using conservation practices.

Updated conservation compliance provisions. The list of program benefits lost for sodbuster violations was expanded. Graduated sanctions of \$500-\$5,000 were possible for inadvertent violations of a compliance plan or planting without a plan if no more than one violation occurred in the last 5 years. Failure to comply meant the loss of eligibility for program benefits.

Conservation compliance provisions are retained. Under conservation compliance provisions, producers are allowed to modify conservation practices in their plan if they can demonstrate that the modifications will provide greater erosion control. Producers are encouraged to obtain and maintain records of residue management to be used when appropriate in determining the level of annual erosion. Allows county committees to provide appropriate relief in legitimate cases where application of a conservation system would, after consideration of variances and exceptions, as allowed by law, impose an undue economic hardship on the producer. Requires public notice of future changes in technical standards and guidelines.

Swampbuster provisions promote wetland conservation.

The list of program benefits lost for swampbuster violations was expanded. Violations occurred when a wetland was drained. On-site reviews were required before imposing penalties.

USDA's Natural Resources Conservation Service is designated the lead agency in wetlands delineation and regulation on grazing lands. Current wetland delineations remain valid unless a producer requests a review.

Environmental Conservation Acreage Reserve Program (ECARP)

enables the Secretary to operate the various conservation programs in a consistent manner to provide long-term protection of environmentally sensitive land. Contracts and easements are used to assist owners and operators

The Agricultural Resources Conservation Program (ARC) was formed, which contained ECARP, a new Water Quality Incentives Program (WQIP), and a new Environmental Easement Program.

ECARP included CRP and Wetlands Reserve Program (WRP). Enrollment was set at not less than 40 million acres or more than 45 million acres by 1995. Environmentally sensitive lands, shelter belts, windbreaks, and marginal pasture land on which trees had been planted were eligible. However, USDA did not make pasture eligible in program rulemaking.

ECARP continues the CRP and WRP and creates the Environmental Quality Incentives Program (EQIP). EQIP will provide technical, educational, and cost-share assistance programs aimed at reducing soil, water, and related natural resource problems--replacing conservation programs such as the Water Quality Incentives Program, the Great Plains Conservation Program, and the Environmental Easement Program.

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

of farms and ranches to conserve and enhance soil, water, and related natural resources, including grazing land, wetland, and wildlife habitat.

Conservation Reserve Program

Under the voluntary CRP, producers could enroll up to 38 million acres under 10-15-year paid contracts. Producers submitted bids to enroll land and received annual rental payments for taking enrolled land out of crop production and maintaining specified conservation practices.

Maximum CRP area is capped at 36.4 million acres. Base acres in expiring contracts or in contracts terminated prior to expiration may be enrolled in production flexibility contracts and receive production flexibility contract payments. The Secretary can enroll new land in CRP to replace acreage in expired contracts or early termination. However, new acreage will have to meet higher criteria regarding environment and conservation to be accepted, and provide significant soil erosion, water quality, or wildlife benefits. With 60 days' notice, farmers can remove land from the program prior to contract expiration if it has been enrolled for 5 years. Wetlands, highly erodible land, and other environmentally sensitive areas are not eligible for early release.

Wetlands Reserve Program

Under the voluntary WRP, producers were able to restore up to 975,000 acres of wetlands and enroll the acreage into paid easements of 30 years or longer. Priority was given to restoring wetlands to enhance wildlife habitat.

Maximum WRP area is maintained at 975,000 acres. Beginning in fiscal 1997, area will be split into three equal portions: permanent easements, 30-year easements, and restoration cost-share agreements.

Environmental Quality Incentives Program

Under the Water Quality Incentives Program (WQIP), producers could enroll up to 10 million acres. Farmers who work with USDA to develop and implement plans to reduce water pollution could receive incentive payments of \$3,500 a year and up to \$1,500 in cost sharing. Producers who improved wildlife habitat were eligible for up to \$1,500 more in cost sharing.

The Environmental Easement Program ensured long-term protection of environmentally sensitive lands through easement agreements. The program shared up to 100% of the costs to carry out conservation measures.

EQIP is authorized at \$1.3 billion over 7 years to assist crop and livestock producers with environmental and conservation improvements on the farm. The program is to be operated to maximize environmental benefits per dollar expended. At least half of the funding is for environmental concerns associated with livestock production. The program awards 5- to 10-year cost-share or incentive payment contracts for certain land management and structural practices based on a competitive application and evaluation process. The farmer must implement an approved plan stating intended practices. Producer payment limits are \$10,000 per fiscal year or \$50,000 for any multiyear contract. Large operators, as defined by the Secretary, will be ineligible for cost-sharing assistance to construct animal waste management facilities. However, they are eligible for technical assistance, educational assistance, and incentive payments for animal waste facilities, as well as cost sharing for other approved practices.

Conservation farm option contract

No provisions.

Producers who are eligible to receive production flexibility payments may enter a conservation farm option contract to consolidate payments from CRP, WRP, and EQIP in exchange for implementing practices to protect soil, water, and wildlife. Production flexibility contract payments may also be included at the Secretary's discretion.

Provisions	1990 FACTACT, As Amended	1996 FAIRACT
Conservation priority areas	Three priority areas were established for CRP-- Great Lakes Region, Long Island Sound Region, and the Chesapeake Bay Region.	The Secretary may designate watersheds or regions of special environmental sensitivity as conservation priority areas eligible for enhanced assistance.
Integrated Farm Management Program (IFMP)	The IFMP was designed to assist producers in adopting resource-conserving crop rotations by protecting participants' base acreage, payment yields, and program payments. The program's goal was to enroll 3 to 5 million acres over 5 years.	Provisions not extended, but replaced by production flexibility contracts and conservation farm option contracts.
National Natural Resources Conservation Foundation (NNRCF)	No provisions.	The NNRCF is established to conduct research, undertake educational activities, support demonstration projects, and make grants to state and local governments and nonprofit organizations. Appropriations are authorized at \$1 million per year for 1997-99.
Grazing Lands Conservation Initiative (GLCI)	No provisions.	The GLCI authorizes increased technical and educational assistance for the conservation and enhancement of private grazing lands. Annual funding is authorized at \$20-60 million.
Flood risk reduction	No provisions.	On "frequently flooded" land eligible for production flexibility contract payments, producers can receive up to 95% of projected contract payments and other payments--subject to appropriation of funds--by complying with certain conservation requirements. A producer must agree to terminate any contract acreage, forego commodity loans, not apply for crop insurance, comply with conservation requirements, and not apply for any conservation program payment or disaster program benefits. Flood risk reduction provisions are separate from the conservation farm option.
Interim moratorium on by-pass-flows	No provisions.	A water rights task force will be appointed to study the issue of by-pass-flows and related water rights issues on national forest land. In the interim, there will be an 18-month moratorium on issuance of Forest Service permits for by-pass-flows.
Everglades Agricultural Area	No provisions.	Provides \$200 million from the U.S. Treasury (not CCC funds) to the Secretary of Interior to conduct restoration activities, which may include land acquisition, in the Everglades ecosystem. An additional \$100 million worth of Federal land in Florida may be sold or swapped for land in the Everglades.
Wildlife Habitat Incentives Program	No provisions.	A Wildlife Habitat Incentives Program will promote the voluntary implementation of various on-farm management practices to improve wildlife habitat. Cost-sharing will be available with funding

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

authorized at \$50 million for fiscal 1996-2002 from CRP funds.

Farmland Protection Program

No provisions.

The Farmland Protection Program funds the purchase of conservation easements of 170,000 - 340,000 acres of land threatened by urban development. Eligibility depends on having a pending offer from a state or local government for protecting topsoil by limiting nonagricultural use. The Secretary shall not use more than \$35 million of funds from the CCC.

TITLE IV--NUTRITION ASSISTANCE

The Food Stamp Program aids qualified low-income households with food purchases.

Reauthorized the Food Stamp Program with simplified rules. Additional penalties for fraud and misuse of food coupons were imposed. Electronic benefit transfer program was encouraged. Authority to use food stamps in soup kitchens and restaurants was extended.

Reauthorizes for 2 years, with additional criteria for disqualification of food stores and wholesale food concerns for program violations.

Commodity distribution programs provide needy persons with access to a more nutritious diet.

Reauthorized the Commodity Supplemental Food Program (CSFP) and other food distribution programs.

Reauthorizes food distribution programs, including CSFP and the Soup Kitchen and Food Bank Program.

Temporary Emergency Food Assistance Program (TEFAP) provides for the purchase and distribution of commodities to the needy.

Reauthorized TEFAP.

Reauthorizes TEFAP.

TITLE V--AGRICULTURAL PROMOTIONS

Assessment-funded research and promotion programs were authorized for soybeans, pecans, mushrooms, and limes. Assessments were extended to imports (except soybeans). Authorized referendum on funding generic fluid milk promotion that was later approved by dairy farmers.

Authorizes producer-funded research and promotion programs for canola and rapeseed, kiwifruit, and popcorn. Extends existing promotion program for fluid milk. Periodic independent evaluations of all promotion programs are now required.

TITLE VI--CREDIT

Farm loan programs are administered by USDA's Farm Service Agency, and previously by the **Farmers Home Administration (FmHA)**. The Secretary can make or guarantee real

The amount of time FmHA could hold farm property in inventory before offering it for sale was shortened from 3 years to 1. Beginning farmers were extended the right of first refusal and were included among those receiving sale preference. Lease-back/buy-back privileges were eliminated on acquired nonfarm properties.

Farm lending programs are reauthorized, placing new restrictions on the purposes for which loans can be used and the length of time borrowers are eligible for new credit assistance. Authority to make loans for most nonagricultural purposes is repealed, and new restrictions on emergency loans are invoked. Borrowers with delinquent accounts face tighter restructuring rules. Forfeited property

Provisions

1990 FACTACT, As Amended

1996 FAIRACT

estate loans, operating, and emergency loans to individuals whose primary business is farming and ranching. Loans are targeted to family-sized farmers who are unable to obtain sufficient credit elsewhere on reasonable terms.

Farm Credit System (FCS) is a combination of cooperatively owned financial institutions that finance farm and farm-related mortgages and operating loans. FCS institutions specialize in providing farmland loans and operating credit, or loans to farmer-owned supply, marketing, and processing cooperatives. The bond market is their source of funds.

TITLE VII--RURAL DEVELOPMENT

The Secretary of Agriculture is responsible for coordinating most **rural development programs**.

Alternative Agricultural Research and Commercialization Corp.

Water and Waste Facility Funding

A lifetime cap of \$300,000 was imposed on write-downs and write-offs. Borrowers were limited to a single write-down on loans made after Jan. 6, 1988.

The interest rate subsidy was increased on certain guaranteed loans to 4%. Direct loan funds were shifted to guaranteed loans.

FCS was allowed to extend credit to farmers who use any portion of their on-farm production in processing or marketing an agricultural product. This type of loan was limited to 15% of a district bank's outstanding loans. Farmer Mac was allowed to pool FmHA-guaranteed loans.

A new Rural Development Agency (RDA) was set up to consolidate USDA's rural development efforts. FmHA's divisions that handled water, sewer, other community facilities, and business and industrial loan or grant programs were moved under the RDA.

An Applied Agricultural Research Commercialization Center was established to assist research, development, and commercialization of new nonfood products from agricultural commodities through grants, loans, and interest subsidy payments.

Authorized funds for water and waste facility grants at \$500 million. Authorized the FCS Banks for Cooperatives and rural electric cooperatives (REC) to finance rural water and sewer loans.

will be sold more rapidly. The Secretary is given authority to use collection agencies to recover delinquent loans. A portion of loan funding is reserved for new and beginning farmers.

The Farm Credit System Reform Act of 1996, which became law in February 1996, streamlines the regulation of the Farm Credit System and reforms the Federal Agricultural Mortgage Corporation.

Under the FAIR Act, the Secretary is required to conduct a study for Congress on the demand for and availability of credit in rural areas for agriculture, housing, and rural development. The study will analyze how well the FCS, commercial banks, and other Federal agencies satisfy rural demand for credit.

Existing programs are streamlined and consolidated to provide a more focused Federal effort and encourage additional decision making at the state level. Under a new Rural Community Advancement Program (RCAP), the Secretary is authorized to provide grants, direct and guaranteed loans, and other assistance to meet rural development needs across the country. Funding under RCAP will be allocated to three areas: 1) Rural Community Facilities, 2) Rural Utilities, and 3) Rural Business and Cooperative Development. A simplified, uniform application process is required for all Federal rural development programs.

The renamed Alternative Agricultural Research and Commercialization Corporation has enhanced abilities to finance new industrial uses for agricultural products.

The funding authorization for water and waste facility grants is increased to \$590 million.

Provisions	1990 FACTACT, As Amended	1996 FAIRACT
Telecommunications	Rural schools, hospitals, and clinics were linked to urban institutes to receive state-of-the-art instruction by TV.	Programs for telemedicine and distance learning services are reauthorized and streamlined. Under these programs, the Secretary can make grants and loans to assist rural communities with construction of facilities and services to provide distance learning and telemedicine services. Funding is authorized at \$100 million annually.
Fund for Rural America	No provisions.	Establishes the Fund for Rural America to augment existing resources for agricultural research and rural development. Funding is authorized from the Commodity Credit Corporation for \$100 million in fiscal 1996, \$100 million in fiscal 1997, and \$100 million in fiscal 1998.
TITLE VIII--RESEARCH, EXTENSION, AND EDUCATION		
Existing programs	Reauthorized programs administered by the Agricultural Research Service, Cooperative State Research Service, the Extension Service, and other general research programs.	Provides specific authorizations in fiscal 1996 and 1997 for Federal agricultural research, extension, and education programs. Broad authorization for all programs is provided subject to appropriations for fiscal years 1998-2002.
National Agricultural Research, Extension, Education, and Economics Advisory Board	New responsibilities of the existing Users Advisory Board included providing recommendations to the Secretary on the allocation of research funds and evaluating the results and effectiveness of agricultural research programs.	Establishes the National Agricultural Research, Extension, Education, and Economics Advisory Board to advise USDA on national research priorities and policies. The Board replaces 3 separate advisory committees.
Strategic Plan for Review of Agricultural Research Facilities	The FACT Act required the Secretary to establish an Agricultural Research Facilities Planning and Closure Study Commission to review all operating and planned agricultural research facilities that use Federal funding or are under the jurisdiction of the Secretary.	Authorizes a task force to develop a comprehensive plan for the development and consolidation of federally supported agricultural research facilities. Proposals for constructing new agricultural research facilities will come under more objective review to better meet national research priorities.
TITLE IX--MISC.		
Agricultural quarantine and inspection	The Secretary could set and collect fees to cover the cost of providing agricultural quarantine and inspection services in connection with animals and plants arriving in U.S. territories.	The Secretary may collect in excess of \$100 million to cover the cost of providing quarantine and inspection services for imports, without further appropriations.
Safe Meat and Poultry Inspection Panel	No provisions.	Amends the Federal Meat Inspection Act to authorize a panel of scientists to review and evaluate inspection policies and procedures and any proposed changes to them.

Appendix II

Glossary of Terms

Kathryn L. Lipton*

Acreage reduction program (ARP). An annual voluntary land retirement system in which participating farmers idled a prescribed portion of their crop acreage base of wheat, feed grains, cotton, or rice. Farmers were required to participate in the ARP to be eligible for benefits such as Commodity Credit Corporation (CCC) loans and deficiency payments. The 1996 Act repealed or did not reauthorize ARPs.

Additional peanuts. Peanuts sold from a farm in any marketing year in excess of the amount of quota peanuts sold from that farm. Additional peanuts are eligible only for the lower of two price support levels. The level is determined by the Secretary, taking into consideration the demand for peanut oil and meal, expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets. Under the 1996 Act, loans for additional peanuts remain available.

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

Alternative Agricultural Research and Commercialization Corporation (AARCC). Originally established by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) as the Applied Agricultural Research Commercialization Center, the purpose of the AARCC is to assist in the research, development, and commercialization of new nonfood products from agricultural commodities through grants, loans, and interest subsidy payments. The 1996 Act created the corporate status and enhanced the center's ability to finance new industrial uses for agricultural products.

Base (or contract) acreage. A farm's average acreage eligible for contract payments of wheat, feed grains, upland cotton, or rice planted for harvest, plus any land not planted to these crops because of an acreage reduction or diversion program in effect during a specified period of time.

Basic Formula Price (BFP). The value of milk used in manufacturing products, based on the per-unit value of the products made from milk and the amount of each product made from a unit of milk (the yield). The BFP is used as the Class III, or "III-A" price in a milk marketing order.

Basing point. A geographical site used to establish fixed rates and/or prices under the Federal milk marketing orders. Generally, rates or prices increase according to the distance from the basing point. The 1996 Act authorizes multiple basing points.

By-pass flow. Water required by a regulating or permitting body to continue instream in order to protect fish habitat and other water-based functions and values. For example, the Forest Service often requires

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some dam operators to allow a certain amount of water to bypass the dam to preserve endangered fish habitat.

Catastrophic (CAT) Crop Insurance Coverage. A Federal insurance program, introduced by the Federal Crop Insurance Reform Act of 1994, that compensates farmers for crop yield losses exceeding 50 percent of their average historical yield at a payment rate of 60 percent of the projected season average market price. CAT coverage requires that a farmer realize a yield loss of more than 50 percent and only makes payments on losses exceeding the 50-percent threshold. Producers must pay a fee of \$50 per crop, up to a maximum of \$200 per county and \$600 in total (across all counties) for CAT protection. Under the 1994 Reform Act, producers were required to obtain coverage at the CAT (or higher) level for crops of economic significance (accounting for 10 percent or more of their farm's crop production value) in order to be eligible for various other USDA program benefits. The 1996 Act relaxed this requirement.

Commission on 21st Century Production Agriculture. A Commission established by the 1996 Act to conduct a comprehensive review of changes to production agriculture in the United States under the Agricultural Market Transition Act (Title I) of the 1996 Act. The Commission will also study the future of production agriculture in the United States and the appropriate role of the Federal Government in it.

Commodity Credit Corporation (CCC). A federally owned and operated corporation within the U.S. Department of Agriculture created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. The CCC handles all money transactions for agricultural price and income support and related programs. Under past legislation, the CCC also helped maintain balanced, adequate supplies of agricultural commodities and helped in their orderly distribution.

Commodity distribution program. Direct donation of food products by the Federal Government to needy persons, schools, and institutions. Commodities are either entitlement or "bonus." Bonus commodities can be received when they are available from surplus stocks purchased by the Commodity Credit Corporation under its price support program or the Agricultural Marketing Service under its surplus removal (Section 32 of the Agricultural Adjustment Act of 1935 (P.L. 74-320)) program.

Commodity loan rates. Price per unit (pound, bushel, bale, or hundredweight) at which the Commodity Credit Corporation provides commodity loans to farmers to enable them to hold program crops for later sale.

Commodity promotion program. Programs that advertise and promote a commodity without reference to the specific farmer, brand name, or manufacturer. The programs are authorized by law and financed by assessments of industry members, such as producers, importers, and handlers. The 1996 Act authorizes producer-funded research and promotion programs for canola and rapeseed, kiwifruit, and popcorn. The 1996 Act also extends the promotion program for fluid milk and requires periodic independent evaluations of all promotion programs.

Commodity Supplemental Food Program (CSFP). One of several food distribution programs reauthorized by the 1996 Act. The CSFP provides commodities to supplement the diets of low-income infants, children up to age six, women during pregnancy and up to 6 weeks postpartum, breast-feeding women up to 12 months postpartum, and persons 60 years of age and over. Under the CSFP, the U.S. Department of Agriculture donates foods, such as juice, egg mix, and canned fruits and vegetables, and distributes them through State and local agencies. Participants in the CSFP cannot also participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

Conservation compliance provision. A provision originally authorized by the Food Security Act of 1985 (P.L. 99-198) that requires farmers who operate highly erodible land to manage this land under an approved conservation system in order to maintain eligibility in various specified Federal farm programs. The 1996 Act retains the conservation compliance provisions.

Conservation farm option contract. A provision of the 1996 Act that authorizes a pilot program for producers who are eligible to receive production flexibility payments to enter into a contract to consolidate payments at rates that are equivalent to payments that would otherwise be received from the Conservation Reserve Program, the Wetlands Reserve Program, and/or the Environmental Quality Incentive Plan in exchange for implementing practices to protect soil, water, and wildlife.

Conservation easement. Rights to land, using a reserved interest deed, where the grantee acquires all

rights, title, and interest in a property, except those rights that might run with the land expressly reserved by a grantor.

Conservation plan. A combination of land uses and practices to protect and improve soil productivity and to prevent soil erosion. A conservation plan must be approved by local conservation districts for acreage offered in the Conservation Reserve Program. The plan sets forth the conservation measures and maintenance that the farm owner or farm operator will carry out during the term of the contract.

Conservation Reserve Program (CRP). A program created by the Food Security Act of 1985 to reduce erosion and protect water quality on up to 45 million acres of farmland. Under the program, landowners who sign contracts agree to convert environmentally sensitive land to approved permanent conserving uses for 10-15 years. In exchange, the landowner receives an annual rental payment and cash or payments-in-kind to share up to 50 percent of the cost of establishing permanent vegetative cover. The 1996 Act caps maximum CRP acreage at 36.4 million acres. The 1996 Act also permits early termination of CRP contracts that are at least 5 years old and meet specified criteria.

Considered planted. The term considered planted refers to a provision of the 1949 Act that was used to implement the crop acreage base and yield system for the 1991-95 crops, a system that was suspended by the 1996 Act. Under previous law, crop acreage bases were, in general, calculated as a 5-year average of planted and considered planted acreage. Acreage considered planted includes acreage idled under production adjustment programs or for weather-related reasons or natural disasters; acreage devoted to conservation purposes or planted to certain other allowed commodities; and acreage the Secretary determines is necessary for fair and equitable treatment.

Contract crops. Crops eligible for production flexibility payments according to Title I of the Federal Agriculture Improvement and Reform Act of 1996. wheat, corn, sorghum, barley, oats, rice, and upland cotton.

Contract Payments of the AMTA. Payments to be made to farmers for contract crops for fiscal years 1996-2002 under Title I of the Federal Agriculture Improvement and Reform Act of 1996, known as the

Agricultural Market Transition Act (AMTA). The total amount made available for each fiscal year is specified in the act and allocated to commodities each fiscal year using a set of percentages also specified in the act. These percentages were based on the Congressional Budget Office's February 1995 baseline forecast of what deficiency payments would have been if provisions in effect for the 1995 crop had been extended.

For example, for fiscal 1997, the total allocation for wheat is 26.26 percent of total annual payments of \$5.385 billion, or \$1.414 billion. The annual payment rate for wheat equals total spending (\$1.414 billion) divided by the sum of all individual wheat payment contract quantities for the year. As with other program commodities, an individual farm's payment quantity equals the farm's program payment yield multiplied by 85 percent of the farm's wheat contract acreage. Program yields under the 1996 Act are determined in the same manner as under the 1949 Act for 1995 crops. An individual farmer's transition payment is his or her payment quantity times the annual payment rate.

Cooperative State Research, Education, and Extension Service. A U.S. Department of Agriculture agency that administers certain Federal funds appropriated for agricultural and forestry research, extension, and education programs at eligible institutions, including State land grant institutions established under the Acts of 1862, 1890, and 1994, selected veterinary schools, and other institutions with capabilities in the food and agricultural science arena. The agency coordinates program planning on a regional and national basis, conducts competitive and special grant programs, and maintains information on State and Federal research records for publicly supported agricultural and forestry research.

Cottonseed Oil Assistance Program (COAP). Along with the Sunflower Oil Assistance Program (SOAP), COAP is one of two programs under which bonuses were awarded to exporters to assist in exports of U.S. vegetable oil to targeted markets. Funds for the programs were authorized to be made available under Section 32 of the Agricultural Adjustment Act of 1935 (P.L. 74-320). The provision in the Disaster Assistance Act of 1988, which had authorized the COAP to begin in fiscal year 1989, expired at the end of fiscal year 1995 and was not extended by the 1996 Act. However, the Agriculture, Rural Development, Food

and Drug Administration, and Related Agencies Appropriations Act of 1996 provided authority to operate the program in fiscal year 1996.

Crop year. The 12-month period from the beginning of harvest.

Dairy Export Incentive Program. A program that offers subsidies to exporters of U.S. dairy products to help them compete with other nations. Payments are made by the Commodity Credit Corporation on a bid basis in cash. The program was originally authorized by the Food Security Act of 1985 (P.L. 99-198) and extended by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) and the Uruguay Round Agreements Act of 1994 (P.L. 103-465). The 1996 Act extends the program through 2002.

Deficiency payment. A direct Government payment made to farmers who participated in the wheat, feed grains, rice, or cotton programs prior to 1996. The payment rate was based on the difference between the target price and the higher of the commodity loan rate or the national average market price during a specified time. The total payment was equal to the payment rate, multiplied by a farm's eligible payment acreage, multiplied by the program yield established for the particular farm. Farmers could have received up to one-half of their projected deficiency payment at planting. If actual deficiency payments, which were determined after harvest, were less than the advance deficiency payment, a farmer usually had to reimburse the Government for the difference.

Direct payments. Payments in the form of cash or commodity certificates made directly to producers for such purposes as production flexibility contract payments, deficiency payments, annual land diversion, or conservation reserve payments.

Distance Learning and Telemedicine (DLT) Program. A program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) to provide grants to rural schools and health care providers to help them invest in telecommunications facilities and equipment to bring educational and medical resources to rural areas where the services otherwise might be unavailable. The 1996 Act reauthorized and streamlined the program. Funding is authorized at \$100 million annually.

Edward R. Madigan U.S. Agricultural Export Excellence Award. An award established by the 1996

Act to recognize companies' and other entities' entrepreneurial efforts in the food and agricultural sector for advancing U.S. agricultural exports.

Embargo. A government-ordered prohibition or limitation on trade with another country. Under an embargo, all trade or that of selected goods and services may be restricted.

Emerging Markets Program. A program originally authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 and titled the Emerging Democracies Program. The program was authorized to provide credits or credit guarantees to emerging democracies annually for fiscal years 1991-95. Funds could be used to establish or provide facilities, services, or U.S. products to improve handling, marketing, storage, or distribution of imported agricultural products.

The 1996 Act reauthorized the program through 2002 and renamed it the Emerging Markets Program. The program is retargeted to emerging markets (defined as countries that the Secretary determines are taking steps toward market-oriented economies and have the potential to provide viable markets for U.S. agricultural commodities). The Commodity Credit Corporation must make available not less than \$1 billion of direct credit or credit guarantees to emerging markets for fiscal years 1996-2002 in addition to the amounts authorized for GSM-102 and GSM-103.

Environmental Conservation Acreage Reserve Program (ECARP). An umbrella program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) that includes the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP). The 1996 Act continues the CRP and WRP and creates the Environmental Quality Incentives Program (EQIP). The goal of the ECARP is to provide long-term protection of environmentally sensitive land. Contracts, easements, and cost-share payments are used to assist owners and operators of farms and ranches to conserve and enhance soil, water, and related natural resources, including grazing land, wetland, and wildlife habitat.

Environmental Quality Incentives Program (EQIP). A program created by the 1996 Act to provide technical, educational, and cost-share assistance programs aimed at reducing soil, water, and related natural resource problems. The program replaces the Agricultural Conservation Program, the Water Quality

Incentives Program, the Great Plains Conservation Program, the Colorado Salinity Control Program, and the Rural Environmental Conservation Program. EQIP is authorized at \$1.3 billion over 7 years, with at least half of the funding targeted for environmental concerns associated with livestock production. EQIP will be operated to maximize the environmental benefits per dollar expended.

Export Credit Guarantee Program (GSM-102). The largest U.S. agricultural export promotion program, functioning since 1980. It guarantees repayment of private, short-term credit for up to 3 years. The 1996 Act continues the mandate for annual program levels for GSM-102 and GSM-103 and allows flexibility in what level of guarantees may be available under each program.

Export Enhancement Program (EEP). A program initiated in May 1985 under the CCC Charter Act to help U.S. exporters meet competitors' subsidized prices in targeted markets. The program was later authorized by the Food Security Act of 1985 (P.L. 99-198); the Agricultural Trade Act of 1978, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624); the Uruguay Round Agreements Act (P.L. 103-465); and the 1996 Act (P.L. 104-127). Under the EEP, exporters are awarded cash payments, which enable an exporter to sell certain commodities to specified countries at competitive prices. The 1996 Act caps EEP program levels annually through 2002 and allows the Secretary, under certain conditions, to target up to \$100 million annually for the sale of intermediate-value products.

Farm Credit System (FCS). A network of cooperatively owned lending institutions and related service organizations serving all 50 States and the Commonwealth of Puerto Rico that specializes in providing farmland loans, operating credit, and related services to farmers, ranchers, and producers or harvesters of aquatic products. Loans may also be made to finance the processing and marketing activities of these borrowers and to rural homeowners, certain farm-related businesses, and agricultural, aquatic, and public utility cooperatives. The System provides about one-third of the total credit used by U.S. farmers, ranchers, and cooperatives. Under the 1996 Act, the Secretary is required to conduct a study for Congress on the demand for and availability of credit in rural areas for agriculture, housing, and rural development.

Farmer-Owned Reserve (FOR) Program. A program designed to provide storage when wheat and feed grains were in abundant supply and to provide a buffer against unusually sharp price movements. The 1996 Act suspended authority for the FOR.

Farmland Protection Program. A program established by the 1996 Act to fund the purchase of conservation easements of 170,000-340,000 acres of land having prime or unique soil or other desirable production qualities that are threatened by urban development. Eligibility depends on having a pending offer from a State or local government to protect qualifying land by limiting nonagricultural use. The Secretary is authorized to use up to \$35 million of funds from the Commodity Credit Corporation.

Farm lending programs. Federal loan programs, administered by the Department of Agriculture's Farm Service Agency, that provide or guarantee real estate, operating, and emergency loans to individuals whose primary business is farming and ranching. Loans are targeted to family-sized farmers who are unable to obtain sufficient credit elsewhere on reasonable terms. Under the 1996 Act, farm lending programs are reauthorized, with new restrictions on the purposes for which loans can be used and the length of time borrowers are eligible for new credit assistance. Provisions are extended that reserved a portion of loan funding for new and beginning farmers.

Farm Service Agency. A U.S. Department of Agriculture agency that administers commodity price and income support, farm loans, and resource conservation programs through a network of State and county offices.

Federal Crop Insurance Program. A subsidized insurance program providing farmers with a means to manage the risk of crop losses resulting from natural disasters. Federal crop insurance is available for about 50 different crops, although not all crops are insurable in every county. With the amendments to the Federal Crop Insurance Act made by the Federal Crop Insurance Reform Act of 1994, coverage is classified as "catastrophic" (CAT), limited, or "additional." CAT coverage guarantees 50 percent of a farmer's average yield, at 60 percent of the price election, for a nominal processing fee. Farmers who participate in the annual commodity programs or receive certain Farm Service Agency loans must purchase at least CAT coverage for

crops they produce that are of economic significance. Limited coverage is a step up from CAT. Farmers may buy additional coverage at up to 75 percent of their average yield. CAT, limited, and additional coverage are subsidized by the Government. Reform provisions were in effect beginning with 1995 crops.

The 1996 Act continues the Federal Crop Insurance Program, but eliminates (1) the requirement that producers purchase crop insurance to be eligible for farm program benefits, and (2) the dual delivery of Federal and private crop insurance in areas that have adequate access to private crop insurance providers. However, farmers must sign a waiver foregoing any Federal disaster assistance if they decline CAT.

Federal Crop Insurance Reform Act of 1994.

Legislation aimed at streamlining the past dual system of crop insurance and ad hoc disaster assistance. The law provided a major overhaul of the crop insurance program, effective for 1995 crops, by repealing “emergency” designation status for crop losses, eliminating authorities for disaster assistance, providing catastrophic (CAT) yield protection to all producers of insurable crops for a nominal processing fee, and initiating a noninsured assistance program (NAP).

Federal milk marketing orders. A regulation issued by the Secretary specifying minimum prices and conditions under which milk can be bought and sold within a specified area. The orders classify and establish minimum prices according to the products in which milk is used. The 1996 Act consolidates the Federal milk marketing orders into 10-14 orders, down from 33.

Feed grain. Any of several grains most commonly used for livestock or poultry feed, including corn, grain sorghum, oats, rye, and barley.

Flood risk reduction contracts. Contracts authorized for producers on farms that have contract acreage under Title I of the 1996 Act that is frequently flooded. Individuals can receive up to 95 percent of transition payments and projected crop insurance payments in lieu of market transition payments. In return, producers must comply with swampbuster and conservation compliance provisions and forego future conservation program payments and disaster payments.

Fluid Milk Promotion Program. A national producer program authorized by the Fluid Milk Promotion Act of 1990 (Fluid Act) to increase human consumption of milk and dairy products and reduce milk surpluses by

developing generic advertising programs. The program is funded by a mandatory 20-cent per hundredweight assessment on all milk produced in the contiguous 48 States and marketed commercially by dairy farmers. The program is administered by the National Fluid Milk Processor Promotion Board. The Fluid Act provides that dairy farmers can direct up to 10 cents per hundredweight of the assessment for contributions to qualified regional, State, or local dairy product promotion, research, or nutrition education programs. The 1996 Act extends the Fluid Milk Promotion Program through 2002.

Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624). The omnibus food and agriculture legislation signed into law on November 28, 1990, that provided a 5-year framework for the Secretary to administer various agricultural and food programs. The act froze minimum target prices and allowed more planting flexibility. New titles included rural development, forestry, fruit and vegetable, grain quality, organic certification, global climate change, and commodity promotion programs.

Food Aid Consultative Group. A group created by the Food, Agriculture, Conservation, and Trade (FACT) Act of 1990 (P.L. 101-624) to review and address issues concerning the effectiveness of regulations and procedures that govern U.S. food aid programs. The 1996 Act extends the authority for the Food Aid Consultative Group through 2002.

Food Distribution Program on Indian Reservations. A Federal program that provides monthly food packages primarily for eligible Native Americans who live on or near Indian reservations as an alternative to the Food Stamp Program.

Food Donations to Charitable Institutions, Soup Kitchens, and Food Banks. Donations of food by the Department of Agriculture (USDA) to help provide meals to needy people. Foods donated are from agricultural surpluses acquired by USDA as part of its price stabilization and surplus removal activities. Eligible charitable groups range from churches operating community kitchens for the homeless to orphanages and homes for the elderly. Other eligible groups include meals-on-wheels programs, soup kitchens, temporary shelters, correctional institutions offering rehabilitative activities, group homes for the mentally retarded, and hospitals that offer general and long-term health care. The 1996 Act reauthorizes this food donation program.

Food for Progress Program (FPP). A food aid program originally authorized by the Food Security Act of 1985 to provide commodities to developing countries and emerging democracies to assist in the introduction of elements of free enterprise into the countries' agricultural economies. The 1996 Act extends authority for the FPP through 2002.

Food Security Act of 1985 (P.L. 99-198). The omnibus food and agriculture legislation signed into law on December 23, 1985, that provided a 5-year framework for the Secretary to administer various agricultural and food programs.

Food Security Commodity Reserve. A special reserve of up to 4 million metric tons of wheat, corn, sorghum, and rice to be used for humanitarian purposes. The reserve created by the 1996 Act is an expansion of the wheat reserve established by the Agriculture Act of 1980 (P.L. 96-494). The reserve is to be used to provide famine relief and other emergency relief when commodities are not available for programming under Public Law 480.

Food Stamp Program (FSP). A program that supplements the food buying power of eligible low-income households by providing them with monthly benefits through coupons or Electronic Benefits Transfer (EBT) cards, which are redeemable at authorized retail food stores. The program began as a pilot operation in 1961 and was made part of permanent legislation in the Food Stamp Act of 1964 (P.L. 88-525).

Forage crops. Plant materials grazed or harvested for livestock feed. Harvested materials can be fresh, dried, or ensiled. Forage includes hay, oats, corn, wheat, and barley.

Fund for Rural America. A fund established by the 1996 Act to augment existing resources for agricultural research and rural development. Funding will be provided from the U.S. Treasury in three separate payments between January 1, 1997 and October 1, 1999. One-third of the funds is to be for research, one-third for rural development, and one-third could be used for research or rural development purposes at the discretion of the Secretary.

Futures contracts. A standardized agreement calling for deferred delivery of a commodity, or its equivalent, entered through an organized exchange. Most agricultural futures contracts call for physical delivery, but feeder cattle futures contracts call for cash settlement

at contract maturity. The 1996 Act requires the Secretary to conduct research through pilot programs to determine if futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of agricultural commodities.

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

Grazing Lands. Conservation Initiative (GLCI). A program authorized by the 1996 Act to provide increased technical and educational assistance to conserve and enhance private grazing lands. Annual funding is authorized at \$20-60 million.

Highly erodible cropland. Cropland that meets specific conditions primarily relating to its land or soil classification and current or potential rate of erosion.

Indemnity payment. The payment that eligible producers receive if they realize a qualifying crop loss under the Federal crop insurance program.

Industrial crops. Crops, such as industrial rapeseed, kenaf, crambe, meadowfoam, jojoba, lesquerella, guayule, and canola, that have industrial applications. Meadowfoam, jojoba, and lesquerella yield oils that can be used by industry.

Integrated Farm Management Program (IFMP). A program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) to assist producers in adopting resource-conserving crop rotations by protecting participants' base acreage, payment yields, and program payments. The program's goal was to enroll 3 to 5 million acres over 5 years. The 1996 Act replaced the IFMP with production flexibility contracts and a pilot conservation farm option program.

Intermediate Export Credit Guarantee Program (GSM-103). A program established by the Food

Security Act of 1985 (P.L. 99-198) that complements the Export Credit Guarantee Program (GSM-102), but guarantees repayment of private credit for 3 to 10 years. The 1996 Act continues the mandate for annual program funding levels for GSM-103 and GSM-102, and allows flexibility in what level of guarantees may be made available for each program.

Loan deficiency payments. A provision began by the Food Security Act of 1985 giving the Secretary the discretion to provide direct payments to wheat, feed grain, upland cotton, rice, or oilseed producers who agree not to obtain price support loans, even though they are eligible. The payment is determined by multiplying the loan payment rate by the amount of commodity eligible for loan. The payment rate per unit is the announced loan level minus the repayment level used in the marketing loan. Loan deficiency payments continue to be available under the 1996 Act for all loan commodities except ELS cotton.

Loan rate. The price per unit (pound, bushel, bail, or hundredweight) at which the Government will provide loans to farmers to enable them to hold their crops for later sale.

Make allowance or milk manufacturing marketing adjustment. The margin between the Government support price for milk and the Commodity Credit Corporation's purchase price for butter, nonfat dry milk, and cheese. This margin is administratively set to cover the costs of processing milk into butter, nonfat dry milk, or cheese to reach the desired level of prices for milk in manufacturing uses.

Market Access Program (MAP). An export promotion program authorized by the 1996 Act, but formerly known as the Market Promotion Program. The MAP is designed to encourage development, maintenance, and expansion of commercial farm export markets. The program promotes exports of specific U.S. commodities or products in specific markets. Under the MAP, eligible participants are reimbursed for their expenses in carrying out approved promotional activities. Participating organizations include nonprofit trade associations, State regional trade groups, and private companies. Fund authority is limited to \$90 million annually for fiscal years 1996-2002.

Marketing allotments. A provision that provides each processor or producer of a particular commodity a specific limit on sales for the year, above which penalties would apply. The authority for the mandatory market-

ing allotments for domestically produced sugar and crystalline fructose mandated by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) is eliminated under the 1996 Act.

Marketing assessments. A provision that requires producers, processors, or first purchasers to pay a fee per unit of domestic production sold in order to share program costs with the Government.

Marketing loan provisions. Provisions first authorized by the Food Security Act of 1985 (P.L. 99-198) that allow producers to repay nonrecourse loans at less than the announced loan rates whenever the world price or loan repayment rate for the commodity is less than the loan rate. Marketing loan provisions became mandatory for soybeans and other oilseeds, upland cotton, and rice and were permitted for wheat, feed grains, and honey under amendments made by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) to the Agricultural Act of 1949 (P.L. 89-439). The 1996 Act retains the marketing loan provisions for feed grains, wheat, rice, upland cotton, and oilseeds.

Marketing orders. Federal marketing orders authorize agricultural producers to promote orderly marketing by influencing such factors as supply and quality, and to pool funds for promotion and research. Marketing orders can be initiated by the industry, and are approved by the Secretary and a required number of the commodity's eligible producers (usually two-thirds) in specified areas in a referendum. Once approved, a marketing order is mandatory. An order can be terminated when a majority of all producers favor its termination or when the Secretary determines that the order no longer serves the intended purpose.

Market Promotion Program (MPP). An export promotion program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) that replaced the Targeted Export Assistance (TEA) Program authorized by the Food Security Act of 1985 (P.L. 99-198). The MPP was renamed the Market Access Program under the 1996 Act.

Market transition payments. (See contract payments of the AMTA).

Multiple basing points. A method of regional pricing in milk marketing orders that would allow more than one "basing point" or "surplus area" to be used. Surplus areas are administratively defined as areas

with low Class I utilization, meaning that a relatively small percentage of the milk produced in an area is used in that area as Class I (fluid) milk. In a multiple basing point system, the order used as the basing point has the smallest Class I price differential (the difference between the Class I price and the Class III price). The Class I differential for other orders is then based on transportation costs to the nearest basing point plus the minimum differential.

Multiple component pricing. The practice of valuing Class III milk according to the value of protein, fat, and mineral contained in raw milk.

National Agricultural Research, Extension, Education, and Economics Advisory Board. A 30-member board established by the 1996 Act to replace three separate advisory committees. The Secretary will select the members of the Board. The Board will advise the Department of Agriculture on national priorities and policies related to the general purposes established for agricultural research, extension, and education.

National Natural Resources Conservation Foundation (NNRCF). A nonprofit, private organization established by the 1996 Act to promote and fund innovative solutions to conservation problems through effective partnerships. The NNRCF will conduct research, undertake educational activities, support demonstration projects, and make grants to State and local governments and nonprofit organizations. Appropriations are authorized at \$1 million per year for 1997-99.

National Rural Development Partnership. A collaborative effort comprised of representatives of the Federal, State, local, and tribal governments, the private sector, and the nonprofit sector to promote rural development across the Nation. The principle component of the Partnership is the State Rural Development Councils.

Natural Resources Conservation Service (NRCS). A U.S. Department of Agriculture agency created in 1994 by merging the Soil Conservation Service and the Agricultural Stabilization and Conservation Service's conservation cost-sharing programs. The NRCS is responsible for developing and carrying out national soil and water conservation programs in cooperation with landowners, farm operators, and others.

No net cost. A provision requiring that a price support program be operated at no cost to the Federal

Government. The No-Net-Cost Act of 1982 required the participants in the 1982 and subsequent tobacco programs to pay an assessment to cover potential losses in operating the tobacco price support program. A no-net-cost provision for sugar, not in effect under the 1996 Act, was initiated under the Food Security Act of 1985.

Noninsured Assistance Program (NAP). A USDA program that provides yield risk protection to producers of crops that are not currently insurable under the Federal crop insurance program. Producers do not pay a premium for NAP, although loss triggers must be met at both the area and individual-farm level in order for producers to receive a payment. The area trigger requires an area-wide loss of at least 35 percent; the individual trigger requires a farm-level loss of at least 50 percent. Producers must file acreage reports for each crop prior to the acreage reporting date.

Nonrecourse loans. Loans made by the Commodity Credit Corporation (CCC) to provide operating capital to producers, and in some instances, processors, of wheat, feed grains, cotton, peanuts, tobacco, sugar, rice, and oilseeds.

Farmers or processors who agree to comply with each commodity program provision may pledge a quantity of a commodity as collateral and obtain a loan from the CCC. The borrower may repay the loan with interest within a specified period to settle the loan and regain control of the commodity, or forfeit the commodity to the CCC in full satisfaction of the loan. Those producers of certain commodities eligible for marketing loan benefits, may repay the loan at a level less than the loan rate, as determined by the Secretary.

Normal flex acreage. A provision of the Omnibus Budget Reconciliation Act of 1990 (P.L. 101- 508) requiring a mandatory 15-percent reduction in payment acreage. Under this provision, producers were ineligible to receive deficiency payments on 15 percent of their crop acreage base (not including any acreage removed from production under any production adjustment program). Producers, however, were allowed to plant any crop on this acreage, except fruits, vegetables, and other prohibited crops. Normal flex acres no longer exist under the 1996 Act.

Nutrition Assistance Programs. Federal programs in Puerto Rico and American Samoa that provide food assistance through block grant funds in lieu of food stamps.

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

Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508). Among its many provisions, the 1996 Act amended the Food, Agriculture, Conservation, and Trade Act of 1990 to reduce agricultural payments for 1991-95. The law's provisions included a mandatory reduction of 15 percent of payment acreage and assessments on certain other crop loans and incentive payments.

Optional flex acreage. Under the planting flexibility provision of the Agricultural Act of 1949, as amended by the Food, Agriculture, Conservation, and Trade Act of 1990, producers could choose to plant up to 25 percent of the crop acreage base to other CCC-specified crops (except fruits and vegetables) without a reduction in crop acreage bases on the farm, but receive no deficiency payments on this acreage. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) further amended the 1949 Act to make a 15-percent reduction in payment acreage mandatory. The remaining 10 percent was optional flex acreage. Optional flex acreage was eligible for deficiency payments when planted to the program crop. Optional flex acres no longer exist under the 1996 Act.

Options contracts. A contract traded on a commodity futures exchange that gives the buyer the right without obligation to buy or sell a futures contract over a specified time period. The 1996 Act requires the Secretary to conduct research through pilot programs to determine if futures and options contracts can provide producers with reasonable protection from the financial risks of fluctuations in price, yield, and income inherent in the production and marketing of agricultural commodities.

Parity-based support prices. A measurement of the purchasing power that a unit (for example, bushel, cwt.) of a farm product would have had in the 1910-14 base period. The base prices used in the calculation are the most recent 10-year average prices for commodities. Under "permanent provisions," prices of some commodities would be supported at 50 to 90 percent of parity through direct government purchases or non-recourse loans.

Payment limitation. The maximum amount of commodity program benefits a person can receive by law. "Persons" are defined under payment limitation regulations, established by the Secretary, to be individuals,

members of joint operations, or entities such as limited partnerships, corporations, associations, trusts, and estates that are actively engaged in farming. The 1996 Act sets payment limits at \$40,000 per person per fiscal year for payments on production flexibility contracts. The Food Security Act of 1985, as amended, maintains limits at \$75,000 per person per fiscal year with respect to marketing loan gains and loan deficiency payments for crops of contract commodities or oilseeds.

Payment rate. The amount paid per unit of production to each participating farmer for eligible payment production under the 1996 Act.

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

Peanut poundage quota. A supply control mechanism authorized by the Agricultural Adjustment Act of 1938 (P.L. 75-430) to regulate the marketing of domestically consumed peanuts when supplies are or could become excessive. Under the 1938 Act, each year's national peanut poundage quota was set equal to estimated domestic use of peanuts for food products and seed, subject to a minimum 1.35 million tons. The 1996 Act redefines the basic quota to exclude seed. A separate temporary (annual) allocation of quota pounds shall be made to all peanut producers, based on amount of seed peanuts planted on the farm. The 1996 Act also permits the sale, lease, and transfer of a quota across county lines within a State up to specified limited percentages of the county's total quota. Certain counties, depending on the size of the State's or county's quota, have unlimited transfer ability within the State. Government entities and out-of-state farmers cannot hold quotas.

Permanent legislation. Legislation that would be in force in the absence of all temporary amendments (farm acts). The Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 serve as the basic laws authorizing the major commodity programs. Technically, each new farm act amends the permanent legislation for a specified period. The 1996 Act also repeals some provisions of these Acts and suspends other provisions.

Program crops. Crops defined in Federal statutes under which specified benefits are made available to

producers. Program crops for 1996-2002 are wheat, corn, barley, grain sorghum, oats, extra long staple and upland cotton, rice, oilseeds, tobacco, peanuts, and sugar.

Program or payment yield. The farm commodity yield of record (per acre) determined by statute, for use in calculating deficiency payments under prior laws, for example, and for calculating contract payments for production flexibility contracts under the 1996 Act.

Promotion. Any action taken by a board under an order, including paid advertising, to present a favorable image of an agricultural commodity to the public to stimulate sales and improve the competitive position of the commodity in the marketplace.

Public Law 480 (P.L. 480). The common name for the Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480), which seeks to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in developing countries. Also called the Food for Peace Program. Title I of P.L. 480 makes U.S. agricultural commodities available by financing export sales on concessional terms, for example, at low interest rates for up to 30 years. Donations for emergency food relief and non-emergency humanitarian assistance are provided under title II. Title III authorizes a Food for Development program that provides government-to-government grant food assistance to least developed countries. The 1996 Act extends the authority to enter into new P.L. 480 agreements through 2002.

Recourse loan program. Loans made by the Commodity Credit Corporation where the borrower must repay the loan with interest within a specified period. Under the 1996 Act, recourse loan programs will be implemented for butter, nonfat dry milk, and cheese beginning in 2000. Loans for sugar are to be recourse when the level of the tariff rate quota is at or below 1.5 million short tons (raw value); if the quota is raised above that level, loans are converted to nonrecourse.

Revenue insurance. A program that provides coverage to producers against low revenues (or incomes) caused by low prices, low yields, or a combination of low prices and low yields. An indemnity is paid to a producer when any combination of yield and price results in revenue that is less than a pre-specified revenue guarantee. Producers pay a premium for coverage. The 1996 Act mandates a revenue insurance pilot program

for crop years 1997-2000 under which producers of selected crops in specified areas may elect to receive insurance against loss of revenue.

Rural Community Advancement Program (RCAP). A program established by the 1996 Act under which the Secretary is authorized to provide grants, direct and guaranteed loans, and other assistance to meet rural development needs across the country. Program funding will be allocated to three areas: (1) Rural Community Facilities, (2) Rural Utilities, and (3) Rural Business and Cooperative Development.

Rural Economic and Community Development (RECD) State Director. USDA's lead rural development agent in each State responsible for overseeing USDA rural development programs in the State. Formerly known as the State FmHA Director.

Safe Meat and Poultry Inspection Panel. A permanent advisory panel that could be created under a provision of the 1996 Act. The panel would review and evaluate inspection policies and procedures and any proposed changes to them.

Soup Kitchen and Food Bank Program. A Federal program that provides commodities from USDA surplus stocks and purchases food for distribution to eligible cooperators including orphanages, homes for the elderly, temporary shelters, and hospitals.

State Rural Development Councils. A collaborative partnership comprised of representatives of the Federal, State, local, and tribal governments, the private sector, and the nonprofit sector. Councils are created by a memorandum of understanding between USDA and the State governor. The councils' purpose is to promote rural development within the State.

Subsidy. A direct or indirect benefit granted by a government for the production or distribution (including export) of a good or to supplement other services.

Sunflower Oil Assistance Program (SOAP). Along with the Cottonseed Oil Assistance Program (COAP), SOAP is one of two programs under which bonuses were awarded to exporters of U.S. vegetable oil to assist in exports to targeted markets. The SOAP was authorized beginning in fiscal year 1988 with funds made available under Section 32 of the Agricultural Adjustment Act of 1935 (P.L. 74-320). The provision in the Disaster Assistance Act of 1988, which had authorized the SOAP, expired at the end of fiscal year

1995 and was not extended in the 1996 Act. However, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1996, provided authority to operate the program in fiscal year 1996.

Support price. A legislated minimum price for a particular commodity, maintained through a variety of mechanisms, such as nonrecourse loans and purchase programs.

Swampbuster. A provision of the Food Security Act of 1985 (P.L. 99-198) that discourages the conversion of natural wetlands to cropland use. Producers converting a wetland area to cropland lose eligibility for several Federal farm program benefits. The exceptions include conversions that began before December 23, 1985, conversions of wetlands that had been created artificially, crop production on wetlands that became dry through drought, and conversions that the Department of Agriculture has determined have minimal effect on wetland values. The 1996 Act revised the swampbuster provisions.

Target prices. Price levels established by past law for wheat, corn, grain sorghum, barley, oats, rice, and extra long staple and upland cotton. Prior to 1996, farmers participating in Commodity Credit Corporation programs received deficiency payments based on the difference between the target price and the higher of the national market price during a specified time period, or the price support (nonrecourse) loan rate. The 1996 Act eliminated target prices.

Tariff-rate quota (TRQ). System by which a certain quantity of imports, called a quota amount, is subject to a low tariff, and imported quantities above that quota level are assessed a higher tariff. A TRQ limits imports and helps maintain domestic prices at levels to prevent forfeiture of Commodity Credit Corporation loans. The 1996 Act retains the tariff-rate quotas for dairy, beef, cotton, peanut, and sugar imports.

The Emergency Food Assistance Program (TEFAP). A program established in 1990 that replaced the Temporary Emergency Food Assistance Program (TEFAP), established in 1983. The Emergency Food Assistance Program allows donation of commodities owned by the Commodity Credit Corporation to States in amounts relative to the number of unemployed and

needy persons. The food is distributed by charitable organizations to eligible recipients. The 1996 Act reauthorizes TEFAP.

Uruguay Round. The Uruguay Round of Multilateral Trade Negotiations (UR) under the auspices of the GATT; a trade agreement designed to open world agricultural markets. The UR agriculture agreement covers four areas: export subsidies, market access, internal supports, and sanitary and phytosanitary rules. The agriculture agreement is being implemented over a 6-year period, 1995-2000.

Utilization rates. The percentage of milk used in Class I, Class II, Class III, and Class III-A milk.

Watershed. The total land area, regardless of size, above a given point on a waterway that contributes runoff water to the flow at that point. It is a major subdivision of a drainage basin. The United States is generally divided into 18 major drainage areas and 160 principle river drainage basins containing about 12,700 smaller watersheds.

Wetlands. Land that is characterized by an abundance of moisture and that is inundated by surface or groundwater, often enough to support a prevalence of vegetation typically adapted for life in saturated soil conditions.

Wetlands Reserve Program (WRP). A program authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) to provide long-term protection of wetlands. Producers enrolling in the program must agree to implement an approved wetlands restoration and protection plan and provide either a permanent easement or one of 30 years or more. In return, participating producers receive payments over a 5- to-20-year period. The 1996 Act maintains the maximum WRP area at 975,000 acres. Beginning in fiscal 1997, the Secretary is required to attempt to divide new enrollments among permanent easements, 30-year easements, and restoration cost-share agreements.

Wildlife Habitat Incentives Program. A program established by the 1996 Act to promote voluntary implementation of various on-farm management practices to improve wildlife habitat. Cost-sharing will be available with funding authorized at \$50 million for fiscal years 1996-2002 from Conservation Reserve Program funds.

Appendix III

Major Agricultural and Trade Legislation, 1933-96

Kathryn L. Lipton and Susan L. Pollack*

Agricultural Adjustment Act of 1933 (P.L. 73-10) was signed into law May 12, 1933. The law introduced the price-support programs, including production adjustments, and incorporated the Commodity Credit Corporation (CCC) under the laws of the State of Delaware on October 17, 1933. The act also made price-support loans by the CCC mandatory for the designated “basic” (storable) commodities (corn, wheat, and cotton). Support for other commodities was authorized upon recommendation by the Secretary with the President’s approval. Commodity loan programs carried out by the CCC for 1933-37 included programs for cotton, corn, rosin, turpentine, tobacco, peanuts, dates, figs, and prunes. The provisions for production control and processing taxes in the act were later declared unconstitutional.

Agricultural Adjustment Act Amendment of 1935 (P.L. 74-320) was signed into law August 24, 1935. The law gave the President authority to impose quotas when imports interfered with agricultural adjustment programs.

Soil Conservation and Domestic Allotment Act of 1936 (P.L. 74-461) was signed into law February 26, 1936. The law provided for soil-conservation and soil-building payments to participating farmers but did not include strong price- and income-support programs.

Agricultural Adjustment Act of 1938 (P.L. 75-430) was signed into law February 16, 1938. The law was the first to make price support mandatory for corn, cot-

ton, and wheat to help maintain a sufficient supply in low production periods along with marketing quotas to keep supply in line with market demand. It also established permissive supports for butter, dates, figs, hops, turpentine, rosin, pecans, prunes, raisins, barley, rye, grain sorghum, wool, winter cover-crop seeds, mohair, peanuts, and tobacco for the 1938-40 period. The law also established the Federal Crop Insurance Corporation. The 1938 Act is considered part of permanent legislation. Provisions of this law are often superseded by more current legislation. However, if the current legislation expires and new legislation is not enacted, the law reverts back to the 1938 Act (along with the Agricultural Act of 1949).

Federal Food, Drug, and Cosmetic Act of 1938 (P.L. 75-717) was signed into law June 25, 1938. The law is intended to ensure that foods are pure and wholesome, safe to eat, and produced under sanitary conditions; that drugs and devices are safe and effective for their intended uses; that cosmetics are safe and made from appropriate ingredients; and that all labeling and packaging is truthful, informative, and not deceptive. The Food and Drug Administration (FDA) is responsible for enforcing the Federal Food, Drug, and Cosmetic Act.

Steagall Amendment of 1941 (P.L. 77-144) was signed into law July 1, 1941. The law required support for many nonbasic commodities at 85 percent of parity or higher. In 1942, the minimum rate was increased to 90 percent of parity and was required to be continued for 2 years after the end of World War II. The “Steagall commodities” included hogs, eggs, chickens (with certain exceptions), turkeys, milk, butterfat, cer-

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tain dry peas, certain dry edible beans, soybeans, flaxseed and peanuts for oil, American-Egyptian (ELS) cotton, potatoes, and sweet potatoes.

Agricultural Act of 1948 (P.L. 80-897) was signed into law July 3, 1948. The law made price support mandatory at 90 percent of parity for 1949 basic commodities. It also provided that beginning in 1950, parity would be reformulated to take into consideration average prices of the previous 10 years, as well as those of the 1910-14 base period.

Agricultural Act of 1949 (P.L. 89-439) was signed into law October 31, 1949. The law, along with the Agricultural Adjustment Act of 1938, makes up the major part of permanent agricultural legislation which is still effective in amended form. The 1949 Act designated mandatory support for the following nonbasic commodities: wool and mohair, tung nuts, honey, Irish potatoes (excluded in the Agricultural Act of 1954), and milk, butterfat, and their products.

Agricultural Trade Development and Assistance Act of 1954 (Food for Peace) (P.L. 83-480) was signed into law July 10, 1954. The law established the primary U.S. overseas food assistance program. The program made U.S. agricultural commodities available through long-term credit at low interest rates and provided food donations.

Agricultural Act of 1954 (P.L. 83-690) was signed into law August 28, 1954. It established a flexible price support for basic commodities (excluding tobacco) at 82.5-90 percent of parity and authorized a Commodity Credit Corporation reserve for foreign and domestic relief.

National Wool Act of 1954 (title VII of Agricultural Act of 1954, above) provided for a new-price support program for wool and mohair to encourage a certain level of domestic production (set at 300 million pounds for 1955).

Agricultural Act of 1956 (P.L. 84-540) was signed into law May 28, 1956. This law began the Soil Bank Act which authorized short- and long-term removal of land from production with annual rental payments to participants. One program included was the Acreage Reserve Program for wheat, corn, rice, cotton, peanuts, and several types of tobacco. Another program provided for a 10-year Conservation Reserve Program.

Consolidated Farm and Rural Development Act (P.L. 87-128) was signed into law August 8, 1961. The law authorized USDA farm-lending activities.

Food and Agricultural Act of 1962 (P.L. 87-703) was signed into law September 27, 1962. The law gave the President the power to impose mandatory production controls. This power was subject to approval by two-thirds of the producers of a commodity before controls could be put into effect.

Agricultural Act of 1964 (P.L. 88-297) was signed into law April 11, 1964. This law authorized a 2-year voluntary marketing certificate program for wheat and a payment-in-kind (PIK) program for cotton.

Food Stamp Act of 1964 (P.L. 88-525) was signed into law August 31, 1964. The law provided the basis for the Food Stamp Program. It was later replaced by the food stamp provisions (title XIII) of the Food and Agricultural Act of 1977.

Food and Agricultural Act of 1965 (P.L. 89-321) was signed into law November 3, 1965. This law was the first multi-year farm legislation, providing for 4-year commodity programs for wheat, feed grains, and upland cotton. It was extended for 1 more year through 1970 (P.L. 90-559). It authorized a Class I milk base plan for the 75 Federal milk marketing orders, and a long-term diversion of cropland under a Cropland Adjustment Program. The law also continued payment and diversion programs for feed grains and cotton and certificate and diversion programs for wheat.

Agricultural Act of 1970 (P.L. 91-524) was signed into law November 30, 1970. The law, in effect through 1973, established the cropland set-aside program and a payment limitation per producer (set at \$55,000 per crop). It also amended and extended the authority of the Class I Base Plan in milk marketing order areas.

Act of April 14, 1971 (P.L. 92-10) provided for poundage quotas for burley tobacco in place of farm acreage allotments.

Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) was signed into law August 10, 1973. The law established target prices and deficiency payments to replace former price-support payments. It also set payment limitations at \$20,000 for all program crops

and authorized disaster payments and disaster reserve inventories to alleviate distress caused by a natural disaster.

Trade Act of 1974 (P.L. 93-618) provided the President with tariff and nontariff trade barrier negotiating authority for the Tokyo Round of multilateral trade negotiations. It also gave the President broad authority to counteract injurious and unfair foreign trade practices.

Section 201 of the act requires the U.S. International Trade Commission to investigate petitions filed by domestic industries or workers claiming injury or threat of injury due to expanding imports. Investigations must be completed within 6 months. If such injury is found, restrictive measures may be implemented. Action under section 201 is allowed under the escape clause, GATT Article XIX.

Section 301 was designed to eliminate unfair foreign trade practices which adversely affect U.S. trade and investment in both goods and services. Under section 301, the President must determine whether the alleged practices are unjustifiable, unreasonable, or discriminatory and burden or restrict U.S. commerce. If the President determines that action is necessary, the law directs that all appropriate and feasible action within the President's power should be taken to secure the elimination of the practice.

Food and Agriculture Act of 1977 (P.L. 95-113) was signed into law September 9, 1977. The law increased price and income supports and established a farmer-owned reserve for grain. It also established a new two-tiered pricing program for peanuts. Under the peanut program, producers were given an acreage allotment on which a poundage quota was set. Growers could produce in excess of their quota, within their acreage allotment, but would receive the higher of the two price-support levels only for the quota amount. Peanuts in excess of the quota are referred to as "additional."

Food Stamp Act of 1977 (title XIII) permanently amended the Food Stamp Act of 1964 by eliminating purchase requirements and simplifying eligibility requirements.

National Agricultural Research, Extension, and Teaching Policy Act (title XIV) made USDA the leading Federal agency for agricultural research, extension, and teaching programs. It also consolidated the funding for these programs.

Trade Agreements Act of 1979 (P.L. 96-39) was signed into law on July 26, 1979. This act provided the implementing legislation for the Tokyo Round of multilateral trade agreements in such areas as customs valuation, standards, and government procurement.

Federal Crop Insurance Act of 1980 (P.L. 96-365) was signed into law September 26, 1980. The law expanded crop insurance into a national program with the authority to cover the majority of crops.

Agriculture and Food Act of 1981 (P.L. 97-98) was signed into law December 22, 1981. The law continued programs and goals in effects since the 1930's. It set specific target prices for 4 years, eliminated rice allotments and marketing quotas, and lowered dairy supports.

Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253) was signed into law September 8, 1982. The law froze dairy price supports and mandated loan rates and acreage reserve programs for the 1983 crops.

Temporary Emergency Food Assistance Act of 1983 (P.L. 98-8) was signed into law March 24, 1983. The law authorized distribution of foodstuffs owned by the Commodity Credit Corporation to indigent persons.

Extra-Long Staple Cotton Act of 1983 (P.L. 98-88) was signed into law August 26, 1983. The law eliminated marketing quotas and allotments for extra-long staple cotton and tied its support to upland cotton through a formula that sets the loan rate at not less than 150 percent of the upland cotton loan level.

Dairy and Tobacco Adjustment Act of 1983 (P.L. 98-180) was signed into law November 29, 1983. The law froze tobacco price supports, launched a voluntary dairy diversion program, and established a dairy promotion order.

Agricultural Programs Adjustment Act of 1984 (P.L. 98-258) was signed into law April 10, 1984. The law froze target price increases provided in the 1981 Act; authorized paid land diversions for feed grains,

upland cotton, and rice; and provided a wheat payment-in-kind program for 1984.

Trade and Tariff Act of 1984 (P.L. 98-573) was signed into law on October 30, 1984. The law clarified the conditions under which unfair trade cases under Section 301 of the Trade Act of 1974 can be pursued. It also provided bilateral trade negotiating authority for the U.S.-Israel Free Trade Area and set out procedures to be followed for congressional approval of future bilateral trade agreements.

Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) was signed into law December 12, 1985. Also known as the Gramm-Rudman-Hollings Act, the law was designed to eliminate the Federal budget deficit by October 1, 1990. As amended in 1987 (P.L. 100-119), the law mandates annual reductions in the Federal budget deficit to eliminate it by 1993. Under the law, automatic spending cuts could occur for almost all Federal programs if Congress and the President cannot agree on a targeted budget package for any specific fiscal year.

Food Security Act of 1985 (P.L. 99-198) was signed into law December 23, 1985. The law allowed lower price and income supports, lowered dairy supports, established a dairy herd buyout program, and created a Conservation Reserve Program under which the Federal Government entered into long-term land retirement contracts on qualifying land.

Farm Credit Restructuring and Regulatory Reform Act of 1985 (P.L. 99-205) was signed into law December 23, 1985. The law implemented interest rate subsidies for farm loans and restructured the Farm Credit Administration.

Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) was signed into law April 7, 1986. This law canceled the flue-cured and burley tobacco quotas announced for the 1986 programs, giving the Secretary discretion to set the quotas.

Technical Corrections to Food Security Act of 1985 Amendments (P.L. 99-253) was signed into law February 28, 1986. The law gave the Secretary discretion to require cross-compliance for wheat and feed grains instead of mandating them, changed acreage base calculations, and specified election procedures for local Agricultural Stabilization and Conservation committees.

Food Security Improvements Act of 1986 (P.L. 99-260) was signed into law March 20, 1986. The law made further modifications to the 1985 Act, including limiting the nonprogram crops that can be planted under the 50/92 provision, permitting haying and grazing on diverted wheat and feed grain acreage during a set 5-month period if requested by the State Agricultural Stabilization and Conservation Committee, and increasing deductions taken from the price of milk received by producers to fund the whole herd buyout program.

Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509) was signed into law October 21, 1986. The law required advance deficiency payments to be made to producers of 1987 wheat, feed grains, upland cotton, and rice crops at a minimum of 40 percent for wheat and feed grains and 30 percent for rice and upland cotton. It also amended the Farm Credit Act of 1971.

Making Continuing Appropriations for the Fiscal Year 1987, and for Other Purposes (P.L. 99-591) was signed into law October 30, 1986. The law, in addition to providing funding for Federal programs, modified the 1985 farm bill by limiting program payments to \$50,000 per person for deficiency and paid land diversion payments, and included honey, resource adjustment (excluding land diversion), disaster, and Findley payments under a \$250,000 payment limitation.

Futures Trading Act of 1986; Grain Quality Improvement Act of 1986; and Processed Products Inspection Improvement Act of 1986 (P.L. 99-641) was signed into law November 10, 1986. The law reauthorized appropriations to carry out the Commodity Exchange Act and made technical improvements to that act.

Farm Disaster Assistance Act of 1987 (P.L. 100-45) was signed into law May 27, 1987. The law provided assistance to producers who experienced crop losses from natural disasters in 1986.

Stewart B. McKinney Homeless Assistance Act (P.L. 100-77) was signed in law July 22, 1987. The law provided housing, food assistance, and job training for the homeless.

Uniform Cotton Classing Fees Act of 1987 (P.L. 100-108) was signed into law August 20, 1987. The law

provided continuing authority to the Secretary to recover costs associated with cotton classing services.

Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) was signed into law December 22, 1987. The law set the 1988 fiscal year budget for agriculture and all Federal agencies. It set target prices for 1988 and 1989 program crops, established loan rates for program and nonprogram crops, and required a voluntary paid land diversion for feed grains. The law also further defined who is eligible to receive farm program payments (“defining a person”).

Agricultural Credit Act of 1987 (P.L. 100-233) was signed into law January 6, 1988. The law provided credit assistance to farmers, strengthened the Farm Credit System, and facilitated the establishment of secondary markets for agricultural loans.

Commodity Distribution Reform Act of 1987 (P.L. 100-237) was signed into law on January 8, 1988. The law directed the Secretary to take specified actions to improve the distribution and quality of surplus commodities donated by USDA for nutrition assistance programs. The Secretary was also directed to establish an advisory council on the distribution of donated commodities to recipient agencies.

Disaster Assistance Act of 1988 (P.L. 100-387) was signed into law August 11, 1988. The law provided assistance to farmers hurt by the drought and other natural disasters in 1988. Crop producers with losses greater than 35 percent of production were eligible for financial assistance, and feed assistance was available to livestock producers.

Agricultural Credit Technical Corrections Act (P.L. 100-399) was signed into law August 17, 1988. The law corrected the Agricultural Credit Act of 1987, restoring language that exempted mergers of the Farm Credit System institutions from State transfer taxes.

Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418) was signed into law August 23, 1988. The law revised statutory procedures for dealing with unfair trade practices and import damage to U.S. industries. It gave the Secretary discretionary authority to trigger marketing loans for wheat, feed grains, and soybeans, if it is determined that unfair trade practices exist.

Hunger Prevention Act of 1988 (P.L. 100-435) was signed into law September 19, 1988. The law amended

the Temporary Emergency Food Assistant Act of 1983 to require the Secretary to make additional types of commodities available for the Temporary Emergency Food Assistance Program, to improve the child nutrition and food stamp programs, and to provide other hunger relief.

United States-Canada Free Trade Agreement Implementation Act of 1988 (P.L. 100-449) was signed into law September 28, 1988. The law implemented the bilateral trade agreement between the United States and Canada, including agricultural trade. The agreement would phase out tariffs between the two countries over 10 years and revise other trade rules.

Disaster Assistance Act of 1989 (P.L. 101-82) was signed into law August 14, 1989. The law provided assistance to farmers hurt by drought or other natural disasters in 1988 or 1989. To qualify for financial assistance, crop producers, must have lost at least 35 percent of production. The requirement was higher for farmers without crop insurance, as well as for producers of nonprogram crops and those who did not participate in farm programs. Other assistance was similar to that which was provided in the Disaster Assistance Act of 1988 (P.L. 100-387).

Omnibus Budget Reconciliation Act 1989 (P.L. 101-239) was signed into law December 19, 1989. The law superseded the 10-25 planting provision of the Disaster Assistance Acts of 1988 and 1989. The act allowed program crop producers to plant up to 25 percent of their permitted acreage to soybeans, sunflowers, and safflowers for the 1990 crop.

Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147) was signed into law November 10, 1987. The law reauthorized the National School Lunch and Child Nutrition programs and the Special Supplemental Food Program for Women, Infants, and Children (WIC). The law also required improvements in program integrity and program simplification and increased WIC funding for administrative services from 20 percent to approximately 25 percent of appropriations.

Omnibus Budget Reconciliation Act 1990 (P.L. 101-508) was signed November 5, 1990. The law includes a mandatory 15-percent planting flexibility and assessments on nonprogram crop producers. The law also required USDA to calculate deficiency payments for 1994 and 1995 wheat, feed grain, and rice crops using

a 12-month average market price instead of the 5-month average required under previous law.

Under the Omnibus Budget law, USDA was also directed to take specified actions to improve the competitiveness of U.S. agricultural exports if the negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) failed to result in the signing and implementation of a trade agreement.

Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) was signed November 28, 1990. The 5-year farm bill continued to move agriculture in a market-oriented direction. It froze target prices and allowed more planting flexibility. New titles included rural development, forestry, organic certification, and commodity promotion programs. The law established a Rural Development Administration (RDA) in the U.S. Department of Agriculture to administer programs relating to rural and small community development. P.L. 101-624 also extended and improved the Food Stamp Program and other domestic nutrition programs and made major changes in the operation of P.L. 480.

Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (P.L. 102-237) was signed into law on December 12, 1991. The law amended the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) to correct errors and alleviate problems in implementing the law. The law also allowed the Farm Credit Bank for Cooperatives to make loans for agricultural exports and establishes a new regulatory scheme and capital standards for the Federal Agricultural Mortgage Corporation ("Farmer Mac"). The law also established new handling requirements for eggs to help prevent food-borne illness.

WIC Farmers' Market Nutrition Act of 1992 (P.L. 102-314) was signed into law on July 2, 1992. The law established a program that provides participants in the Special Supplemental Food Program for Women, Infants, and Children (WIC) with supplemental food coupons that can be used to purchase fresh, unprocessed foods, such as fruits and vegetables at farmers' markets.

Futures Trading Practices Act of 1992 (P.L. 102-546) was signed into law on October 28, 1992. The law amended the Commodity Exchange Act to improve the regulation of futures and options traded under rules and regulations of the Commodity Futures Trading Commission (CFTC), to establish registration standards for all exchange floor traders, and to restrict

practices which may lead to fraud and abuse. The law also reauthorized the CFTC through fiscal year 1994.

Farm Credit Banks and Associations Safety and Soundness Act of 1992 (P.L. 102-552) was signed into law on October 28, 1992. The law is designed to enhance the financial safety and soundness of the banks and associations of the Farm Credit System by establishing new mechanisms to ensure repayment of Farm Credit System debt resulting from Federal financial assistance provided to the System under the Agricultural Credit Act of 1987 (P.L. 100-233) and making other changes. The law also directed USDA to purchase, process, and distribute additional agricultural commodities for the emergency food assistance program established under the Temporary Emergency Food Assistance Act of 1983 (P.L. 98-8).

Agricultural Credit Improvement Act of 1992 (P.L. 102-554) was signed into law on October 28, 1992. The law established new Farmers Home Administration (FmHA) loan programs to assist beginning farmers and ranchers. The law established FmHA operating and equipment loan and loan guarantee programs for beginning farmers and ranchers and a program to provide 10-year loans for beginning farmers and ranchers to purchase their own farm or ranch in return for a down payment equivalent to 10 percent of the purchase price of the land. The law revised farm credit program requirements to improve women farmers' access to FmHA assistance. The law also limited the total number of years any borrower may participate in the agency's farm ownership and operating loan programs.

Bankruptcy, Title II U.S.C. Extension (P.L. 103-65) was signed into law on August 6, 1993. The law extended the Chapter 12 provision of the Bankruptcy Code through October 1, 1998. Chapter 12, which would have expired in October 1993, established special provisions governing bankruptcy proceedings for family farmers.

Omnibus Budget Reconciliation Act of 1993 (OBRA93) (P.L. 103-66) was signed into law on August 10, 1993. The law made changes in the Federal farm programs and related programs to reduce Federal spending by \$3 billion over 5 years, including eliminating the U.S. Department of Agriculture's authority to waive minimum acreage set-aside requirements for wheat and corn, reducing deficiency payments to farmers participating in the 0/92 and 50/92 programs from 92 percent to 85 percent of the normal payment level,

reducing the acreage to be enrolled in the Conservation Reserve Program and Wetlands Reserve Program, and requiring improvement in the actuarial soundness of the Federal crop insurance program. The measure also provided for a temporary moratorium on sales of synthetic bovine growth hormone and reduced the loan rate for soybeans.

The OBRA93 reduced Market Promotion Program (MPP) funding from \$200 million annually to \$110 million annually for fiscal 1994 through fiscal 1997; required that MPP assistance be provided only to counter or offset the adverse effects of a subsidy, import quota, or other unfair trade practice except for small-size entities operating through State-regional trade groups; that MPP funds supplement, not supplant private sector contributions; and that priority be given to small businesses for branded promotions. In addition, the OBRA93 specified a 5-year limit on branded promotion activities for a specific product in a single market; that producer and regional trade organizations participating in the program must contribute at least 10 percent of CCC resources for generic promotion; and that private firms put up at least half the cost of the MPP branded promotional activity.

The law also provided for the designation of 3 empowerment zones and 30 enterprise communities for rural areas and 6 empowerment zones and 65 enterprise communities for urban areas. These designated areas will receive special consideration for various Federal programs and other assistance and qualify for specific tax credits. The law also provided \$1 billion in spending under the Federal block grant program, with each rural empowerment grant totaling \$20 million.

Emergency Supplemental Appropriations for Relief from the Major Widespread Flooding in the Midwest Act of 1993 (P.L. 103-75) was signed into law on August 16, 1993. This supplemental appropriations bill provided \$1.35 billion for Commodity Credit Corporation (CCC) disaster payments to farmers who lost their crops due to natural disasters in 1993. Disaster payments are provided under the formula in the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624). The Emergency Supplemental Appropriations law authorized the use of other CCC funds if the bill's appropriations are insufficient to make full disaster payments to farmers.

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1994 (P.L. 103-111) was signed

into law on October 21, 1993. The law prohibited the use of funds made available under this legislation to provide price supports for honey in the 1994 crop year.

National Wool Act of 1954, Amendment (P.L. 103-130) was signed into law on November 1, 1993. The law provided for reductions in the Federal incentive payments to wool and mohair producers for the 1994 and 1995 marketing years. The wool and mohair price support program is terminated beginning in 1996.

North American Free Trade Agreement Implementation Act (P.L. 103-182) was signed into law on December 8, 1993. The law approved and implemented the North American Free Trade Agreement (NAFTA). NAFTA pertains to cross-border trade between the United States, Mexico, and Canada. NAFTA eliminates all nontariff barriers to agricultural trade between the United States and Mexico, generally through their conversion to tariff rate quotas or ordinary tariffs, and maintains the provisions of the United States-Canada Free Trade Agreement on agricultural trade.

The law eliminated tariffs on a broad range of agricultural products and provided for a phase-out of up to 15 years for tariffs on other products. A special safeguard provision will apply to certain products, with a designated quantity of imports allowed at a NAFTA preferential tariff rate. NAFTA increases incentives for buying within the NAFTA region.

The 1996 Act has no greater force than any other provision of U.S. law and cannot supersede U.S. law.

Food Stamp Program Improvements Act of 1994 (P.L. 103-225) was signed into law on March 25, 1994. The law amended the Food Stamp Act of 1977 by modifying reporting requirements and ensuring adequate access to retail food stores by food stamp households. Title I of the law permitted a State to require periodic reporting by migrant or seasonal farm-worker households, and sets forth conditions under which a State may require such reporting for reservation households. The law also provided for staggered food stamp issuances on reservations and required a General Accounting Office study and report on tribal organization administration of the Food Stamp Program.

Title II amended the Food Stamp Act of 1977 to redefine "retail food store" and "staple foods." The law also expanded the use and disclosure of information

provided by retail and wholesale food concerns to include Federal and State law enforcement and investigative agencies and required demonstration projects to test innovative activities directed at coupon trafficking. Program eligibility is continued for establishment or house-to-house trade routes currently authorized to accept food stamps. The law required a report on the impact of the 1996 Act on retail store program participation.

Pesticide Safety Training and Labeling Requirements, Extension of Certain Compliance Dates (P.L. 103-231) was signed into law on April 6, 1994. The law extended certain compliance dates for pesticide safety training and labeling requirements. Compliance with regulations pertaining to worker protection and pesticide safety was postponed from April 15, 1994, to January 1, 1995. The law does not apply to specific worker protection requirements appearing directly on the label of the pesticide product. The Administrator of the Environmental Protection Agency is directed to develop and distribute pesticide safety training materials detailing the specified Federal regulations and to assist the appropriate Federal, State, and tribal agencies in implementing required pesticide safety training programs.

Farmers Home Administration Improvement Act of 1994 (P.L. 103-248) was signed into law on May 11, 1994. The law amended the Consolidated Farm and Rural Development Act to improve the claims administration process of the Farmers Home Administration. The law authorized the Secretary to use the Attorney General, the General Counsel of the Department of Agriculture, or a private attorney to collect delinquent Farmers Home Administration loans.

Nutrition Labeling and Education Act of 1990, Extension of Time Period for Compliance for Certain Food Products (P.L. 103-261) was signed into law on May 17, 1994. The law extended the effective date of certain nutrition labeling requirements of the Federal Food, Drug, and Cosmetic Act and the Nutrition Labeling and Education Act from May 8, 1994 to August 8, 1994. The extension applied to food products contained in a package for which the label was printed before May 8, 1994. In the case of juice or milk products, the extension applied to products with labels printed before August 4, 1994, if the person responsible for labeling exercised due diligence in obtaining labels which comply before such date.

Perishable Agricultural Commodities Act, 1930, Imposition of Temporary Fees (P.L. 103-276) was signed into law on July 5, 1994. The law provides for the imposition of temporary fees in connection with the handling of complaints of violations of the Perishable Agricultural Commodities Act, 1930.

Vegetable Ink Printing Act of 1994 (P.L. 103-348) was signed into law on October 6, 1994. The law requires that all Federal lithographic printing be performed using ink made of at least a minimum specified percentage of vegetable oil. The requirement is waived in certain circumstances for considerations of suitability or cost.

Plant Variety Protection Act Amendments of 1994 (P.L. 103-349) was signed into law on October 6, 1994. The law amended the Plant Variety Protection Act to make it consistent with the International Convention for the Protection of New Varieties of Plants of March 19, 1991, to which the United States is a signatory. The law offers patent protection for scientists who develop new sexually reproducing plant varieties, while ensuring that advances continue to be made available to the public. The law also ensured that new varieties are protected as intellectual property, as defined under the International Convention for the Protection of New Varieties of Plants. USDA rather than the Patent and Trademark Office, will administer the law.

Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) was signed into law on October 4, 1994. The act, in effect beginning with the 1995 crops, supplements the Federal crop insurance program with a new catastrophic coverage level (CAT) available to farmers for a processing fee of \$50 per crop with a cap of \$200 per farmer per county and \$600 per farmer total. Farmers may purchase additional insurance coverage providing higher yield or price protection levels. The law stipulates that producers must purchase crop insurance coverage at the CAT level or above to participate in Federal commodity support programs, Farmers Home Administration loans, and the Conservation Reserve Program.

The act also created the Noninsured Assistance Program (NAP), a permanent aid program for crops not covered by crop insurance. The law also authorized a major restructuring of the U.S. Department of Agriculture.

Farm Credit System Agricultural Export and Risk Management Act (P.L. 103-376) was signed into law on October 19, 1994. The law amended the Farm Credit Act of 1971 to enhance the ability of the banks for cooperatives to finance agricultural exports. The law permitted banks for cooperatives to participate in agricultural export financing arrangements with domestic or foreign businesses as long as the ventures contribute to increased agricultural exports and conform to specified conditions. The law prohibited the financing of a U.S. facility's foreign relocation. The Farm Credit Bank or direct lender associations are allowed to diversify their portfolios by region and industry by participating in loans to similar, but non-Farm Credit System entities.

Sheep Promotion, Research, and Information Act of 1994 (P.L. 103-407) was signed into law on October 22, 1994. The law enables sheep producers and feeders and importers of sheep and sheep products to develop, finance, and carry out a nationally coordinated program for sheep and sheep product promotion, research, and information. The Secretary is authorized to issue a sheep and wool promotion, research, education, and information order subject to approval referenda among producers, feeders, and importers.

Healthy Meals for Healthy Americans Act of 1994 (P.L. 103-448) was signed into law on November 2, 1994. The law reauthorized the National School Lunch and Child Nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The law requires that schools serve meals that meet the Dietary Guidelines for Americans.

Uruguay Round Agreements (URA) Act (P.L. 103-465) was signed into law on December 8, 1994. The law approved and implemented the trade agreements concluded in the Uruguay Round of multilateral trade negotiations conducted under the auspices of the General Agreement on Tariffs and Trade. The law allows for the reduction of tariffs and government subsidies on agricultural products among both developed and developing countries and provided measures against dumping products heavily subsidized by governments.

Under title IV, the Agriculture-Related Provisions, the law established sanitary standards for produce and products and requires all countries to improve market access for clothing and textiles. Each country is allowed to establish and maintain standards and tech-

nical regulations at an appropriate level to prevent deceptive practices and protect human, animal, and plant life, health, and the environment, while not creating unnecessary obstacles to trade.

Title V establishes improved standards for protection of intellectual property rights and enforcement of those standards within a country and at the border, including copyrights, patents, trademarks, industrial designs, and trade secrets.

The law also extends the authorization of funding for the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP) through 2001 and eliminated the requirement that the EEP be targeted to respond to unfair trade practices. The law eliminated the requirement that the Market Promotion Program be used to counter the adverse effects of unfair trade practices. The law also included a Sense-of-Congress resolution that the President should consult with other nations to discuss appropriate levels of food aid commitments to developing countries.

Perishable Agricultural Commodities Act

Amendments of 1995 (P.L. 104-48) was signed into law on November 15, 1995. The law amended the Perishable Agricultural Commodities Act of 1930, to modernize, streamline, and strengthen the operation of the act. Annual license fees for retailers and grocery wholesaler-dealers are eliminated over 3 years. After this phase-in period, new retailers and grocery wholesalers are required to pay a one-time fee. Fees for other merchants, dealers, and brokers are increased. The law also increased penalties for operating without a license and the late renewal fee.

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Appropriation Act, 1996 (P.L. 104-37) was signed into law on October 21, 1995. The law appropriated \$63.2 billion in fiscal year 1996 for agriculture, rural development, and nutrition programs. The law contains a provision that prevents USDA from implementing a new poultry labeling regulation until legislation is enacted that would direct the Department to do so. The new USDA rule would have limited which chickens and turkeys could be labeled as "fresh."

The 1996 appropriations bill also prohibits direct matching grants under the Market Promotion Program's Export Incentive Program for large firms that are not agricultural cooperatives. Commodity

Credit Corporation funds could continue to be used to partially reimburse participating organizations for the costs of carrying out foreign market development activities in designated countries. Participating organizations include nonprofit agricultural trade organizations, State regional trade groups, and private companies.

Local, State, or private support to match Federal funds are also required for projects conducted by agricultural facilities for research. The matching funds must equal at least 50 percent of Federal funding.

The law also specified certain uses and limits on or prohibitions against the use of funds appropriated by the act, including honey payments or loan forfeitures; salary payments in connection with a market program on behalf of the U.S. Mink Export Development Council or any mink industry trade associations; restrictions on water use or increased cost to private owners of supply facilities on National Forest lands; and operation of the Board of Tea Experts.

Farm Credit System Reform Act of 1996 (P.L. 104-105) was signed into law on February 10, 1996. The law amended the Farm Credit Act of 1971 and affected operation of the Farm Credit System and the Federal Agricultural Mortgage Corporation (FAMC). The law modified the definition of "certified facility" included in the Farm Credit Act of 1971 by permitting the FAMC to serve as an agricultural mortgage marketing facility, thereby allowing it to purchase loans for pooling and securitization directly from sellers. The 10-percent cash reserve or subordinated participation interest requirement for FAMC loan pools and the loan pool geographical and commodity diversification standards were eliminated. Federal reserve banks must act as depositories, fiscal agents, or custodians of FAMC, whereas these actions were discretionary before. Minimum capital requirements for FAMC were increased, timetables for recapitalization of the Corporation were set, and regulatory oversight was strengthened.

The law includes a number of provisions that provide regulatory relief for the FCS. Regulations repealed include those requiring collection of borrower financial statements, notifying borrowers in advance of loan interest rate changes, and the issuance of FCS quarterly financial statements to borrowers. Some FCS loans can now exceed 85 percent of the appraised value when private mortgage insurance covers the excess,

associations will be allowed to form joint administrative service entities to share overhead costs, and FCS institutions will be allowed to originate loans for sale to a secondary market without requiring a stock purchase or providing borrower rights. The maximum time between mandatory examinations of FCS institutions by the Farm Credit Administration (FCA) was raised and the FCS Insurance Corporation (FCSIC) may reduce premiums or return excess insurance funds to member institutions after the Farm Credit Insurance Fund has reached a secure level. Also, a requirement that FCA and FCSIC be governed by separate boards of directors is repealed and the FCSIC's role as a receiver or conservator for failed FCS institutions is clarified.

Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) (P.L. 104-127) was signed into law on April 4, 1996. The law removed the link between income support payments and farm prices by providing for predetermined production flexibility contract payments whereby participating producers receive government payments independent of current farm prices and production. The law specifies the total amount of money to be made available through contract payments under production flexibility contracts for each fiscal year from 1996 through 2002. Payment levels are allocated among contract commodities according to 1996 Act-specified percentages, generally derived from each commodity's share of projected deficiency payments for fiscal 1996-2002. The law increased planting flexibility by allowing participants to plant 100 percent of their total contract acreage to any crop, except with limitations on fruits and vegetables.

The authority for acreage reduction programs is eliminated, while basic nonrecourse commodity loans with marketing loan provisions are continued in a modified form. Minimum loan rates are calculated each year as 85 percent of the 5-year moving average of immediately past market prices, dropping the years with the highest and the lowest market price. Authority for the Farmer-Owned Reserve Program is suspended through the 2002 crop year. Authority for the Honey Program is also eliminated. Dairy price supports are phased down for milk over 4 years and then eliminated. A new recourse loan program is initiated for dairy products starting in the year 2000.

The peanut program is revised to reduce the likelihood of the Federal Government incurring loan program

costs due to loan forfeitures. The minimum national poundage quota is eliminated. The annual quota is to be set equal to projected domestic food use demand. Carryover of under marketings is eliminated.

Trade and food aid programs are reoriented towards greater market development, with increased emphasis on high-value and value-added products. Other provisions establish a Commission to conduct a comprehensive review of changes to production agriculture under the 1996 Act, require the Secretary to conduct research on futures and options contracts through pilot programs, cap expenditures for the Export Enhancement

Program, and change the Market Promotion Program to the Market Access Program.

The 1996 Act also reauthorized the Food Stamp Program for 2 years and established a Fund for Rural America to augment existing resources for agricultural research and rural development. Other research authorities were revised and extended.

The 1996 Act authorized new enrollments in the Conservation Reserve Program to maintain total acreage at up to 36.4 million acres. Other conservation programs were also revised and extended.

Appendix IV

Commodity Provisions Table, 1989-2002

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Appendix table 1—Commodity program provisions, by marketing years, 1989-2002 1/

Commodity	Unit	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Wheat:															
Target price	Dol./bu.	4.10	4.00	4.00	4.00	4.00	4.00	4.00	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Dol./bu.	2.06	1.95	2.04	2.21	2.45	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58	2.58
Deficiency payment rate 3/	Dol./bu.	0.32	1.28	1.35	0.81	1.03	0.61	0	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./bu.	NA	NA	NA	NA	NA	NA	NA	0.874	0.61	0.65	0.63	0.57	0.46	0.45
Deficiency payments (FY)	Bil. dol.	0.689	0.722	2.748	1.785	1.826	1.691	0.988	-0.508	NA	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	1.976	1.414	1.523	1.471	1.347	1.085	1.053
Marketing loan	Yes/no	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	10	5	15	5	0	0	0	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	6.1	2.2	10.1	3.3	0	0	0	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	8.8	10.3	10.4	10.6	10.8	10.8	10.8	10.6	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	82.3	80.5	79.2	78.9	78.4	78.1	77.7	77.3	na	na	na	na	na	na
Corn:															
Target price	Dol./bu.	2.84	2.75	2.75	2.75	2.75	2.75	2.75	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Dol./bu.	1.65	1.57	1.62	1.72	1.72	1.89	1.89	1.89	1.89	1.89	1.89	1.89	1.89	1.89
Deficiency payment rate	Dol./bu.	0.58	0.51	0.41	0.73	0.28	0.57	0	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./bu.	NA	NA	NA	NA	NA	NA	NA	0.251	0.46	0.36	0.35	0.32	0.26	0.25
Deficiency payments (FY)	Bil. dol.	4.663	2.37	2.241	2.081	4.289	1.186	1.895	0.755	-0.867	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	1.771	3.401	2.681	2.590	2.371	1.909	1.852
Marketing loan	Yes/no	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	10	10	7.5	5	10	0	7.5	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	6.3	6.1	4.7	3.1	6.6	0	4.7	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	3.4	3.8	3.9	4.1	4.3	4.3	4.3	3.9	na	na	na	na	na	na
National base acreage 5/	Mil. acres	82.7	82.6	82.7	82.1	81.8	81.5	81.8	82.1	na	na	na	na	na	na
Sorghum:															
Target price	Dol./bu.	2.70	2.61	2.61	2.61	2.61	2.61	2.61	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Dol./bu.	1.57	1.49	1.54	1.63	1.63	1.80	1.80	1.81	na	na	na	na	na	na
Deficiency payment rate	Dol./bu.	0.66	0.56	0.37	0.72	0.25	0.59	0.00	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./bu.	NA	NA	NA	NA	NA	NA	NA	0.323	0.50	0.42	0.40	0.37	0.30	0.29
Deficiency payments (FY)	Bil. dol.	0.512	0.334	0.231	0.180	0.384	0.145	0.160	0.075	-0.065	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	0.206	0.346	0.296	0.286	0.262	0.211	0.205
Marketing loan	Yes/no	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction -pct. of base	Percent	10.0	10.0	7.5	5.0	5.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	1.1	1.0	0.8	0.5	0.6	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	2.2	2.4	2.4	2.4	2.5	2.5	2.5	2.4	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	16.2	15.4	13.5	13.6	13.5	13.5	13.3	13.2	na	na	na	na	na	na

See footnotes at the end of this table.

Appendix table 1--Commodity program provisions, by marketing years, 1989-2002--continued 1/

Commodity	Unit	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Barley:															
Target price	Dol./bu.	2.43	2.36	2.36	2.36	2.36	2.36	2.36	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Dol./bu.	1.34	1.28	1.32	1.40	1.40	1.54	1.54	1.55	na	na	na	na	na	na
Deficiency payment rate	Dol./bu.	0.00	0.20	0.62	0.56	0.67	0.53	0.00	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./bu.	NA	NA	NA	NA	NA	NA	NA	0.332	0.25	0.26	0.24	0.22	0.18	0.17
Deficiency payments (FY)	Bil. dol.	0.047	-0.067	0.072	0.184	0.188	0.202	0.142	-0.018	NA	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	0.141	0.116	0.125	0.121	0.111	0.089	0.087
Marketing loan	Yes/no	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	10.0	10.0	7.5	5.0	0.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	0.8	0.7	0.7	0.4	0.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	2.4	2.7	2.8	2.8	2.8	2.8	2.8	2.7	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	12.3	11.9	11.5	11.1	10.8	10.7	10.7	10.6	na	na	na	na	na	na
Oats:															
Target price	Dol./bu.	1.50	1.45	1.45	1.45	1.45	1.45	1.45	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Dol./bu.	0.85	0.81	0.83	0.88	0.88	0.97	0.97	1.03	na	na	na	na	na	na
Deficiency payment rate	Dol./bu.	0.00	0.32	0.35	0.17	0.11	0.23	0.00	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./bu.	NA	NA	NA	NA	NA	NA	NA	0.033	0.03	0.03	0.03	0.03	0.02	0.02
Deficiency payments (FY)	Bil. dol.	0.001	-0.005	0.012	0.031	0.016	0.005	0.019	-0.01	NA	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	0.009	0.008	0.009	0.008	0.008	0.006	0.006
Marketing loan	Yes/no	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	5.0	5.0	0.0	0.0	0.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	0.1	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	1.1	1.3	1.3	1.4	1.4	1.4	1.4	1.4	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	7.6	7.5	7.3	7.2	7.1	6.8	6.5	6.4	na	na	na	na	na	na
Rice:															
Target price	Dol./cwt	10.80	10.71	10.71	10.71	10.71	10.71	10.71	NA	NA	NA	NA	NA	NA	NA
Loan rate	Dol./cwt	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Deficiency payment rate	Dol./cwt	3.56	4.16	3.07	4.21	3.98	3.79	3.22	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Dol./cwt	NA	NA	NA	NA	NA	NA	NA	2.766	2.74	2.94	2.85	2.61	2.11	2.04
Deficiency payments (FY)	Bil. dol.	0.668	0.473	0.543	0.492	0.669	0.336	0.783	0.176	NA	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	0.472	0.465	0.499	0.484	0.443	0.359	0.347
Marketing loan	Yes/no	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	25	20	5	0	5	0	5	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	0.939	0.735	0.196	0	0.200	0	0.197	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	0.009	0.013	0.013	0.013	0.013	0.013	0.013	0	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	4.2	4.2	4.2	4.1	4.1	4.2	4.2	4.2	na	na	na	na	na	na

See footnotes at the end of the table.

Appendix table 1—Commodity program provisions, by marketing years, 1989-2002—continued 1/

Commodity	Unit	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Upland Cotton:															
Target price	Cents/lb.	73.4	72.9	72.9	72.9	72.9	72.9	72.9	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/ 6/	Cents/lb.	50	50.27	50.77	52.35	52.35	50	51.92	51.92	51.92	51.92	51.92	51.92	51.92	51.92
Deficiency payment rate	Cents/lb.	13.1	7.3	10.1	20.3	18.6	4.6	0	NA	NA	NA	NA	NA	NA	NA
PFC payment rate 4/	Cents/lb.	NA	NA	NA	NA	NA	NA	NA	8.882	7.40	7.87	7.60	6.96	5.64	5.47
Deficiency payments (FY)	Bil. dol.	1.170	0.453	0.401	0.738	1.220	0.817	0.025	-0.104	NA	NA	NA	NA	NA	NA
PFC payments (FY) 4/	Bil. dol.	NA	NA	NA	NA	NA	NA	NA	0.746	0.626	0.675	0.652	0.597	0.480	0.466
Marketing loan	Yes/no	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Acreage reduction - pct. of base	Percent	25	12.5	5	10	7.5	11	0	NA	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Mil. acres	3.1	1.5	0.603	1.301	1.002	1.483	0	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Mil. acres	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.4	na	na	na	na	na	na
Effective base acreage 5/	Mil. acres	14.6	14.4	14.6	14.9	15.1	15.3	15.5	16.3	na	na	na	na	na	na
ELS Cotton:															
Target price	Cents/lb.	96.7	98.1	99.6	105.8	105.7	102.0	95.6	NA	NA	NA	NA	NA	NA	NA
Loan rate 2/	Cents/lb.	81.77	81.77	82.99	88.15	88.12	85.03	79.65	79.65	79.65	79.65	79.65	79.65	79.65	79.65
Deficiency payment rate	Cents/lb.	0.4	0	0	17.7	17.6	1.3	0	NA	NA	NA	NA	NA	NA	NA
Deficiency payments (FY)	Bil. dol.	0	0	0	0	0.014	0.010	-0.004	-0.001	NA	NA	NA	NA	NA	NA
Marketing loan	Yes/no	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Acreage reduction - pct. of base	Percent	5.0	5.0	5.0	5.0	20	15.0	10.0	0.0	NA	NA	NA	NA	NA	NA
Acreage reduction - acres	Thou. acres	0.1	1.4	0.9	5.4	21.6	14.2	2.8	NA	NA	NA	NA	NA	NA	NA
Conservation reserve 5/	Thou. acres	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na	na	na	na	na	na
Effective base acreage 5/	Thou. acres	124.4	152.3	231.3	265.6	279.0	246.3	254.7	232.0	na	na	na	na	na	na
Soybeans:															
Loan rate 2/ 6/	Dol./bu.	4.53	4.50	5.02	5.02	5.02	4.92	4.92	4.97	5.26	5.26	5.26	5.26	5.26	5.26
Assessment	Pct. of loan	NA	NA	2	2	2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other oilseeds:															
Loan rate 2/ 6/	Dol./cwt.	NA	NA	8.90	8.90	8.90	8.70	8.70	8.91	9.30	9.30	9.30	9.30	9.30	9.30
Assessment	Pct. of loan	NA	NA	2.00	2.00	2.00	NA	NA	NA	NA	NA	NA	NA	NA	NA
Rye:															
Loan rate	Dol./bu.	1.40	1.33	1.38	1.46	1.46	1.61	1.61	NA	NA	NA	NA	NA	NA	NA

See footnotes at the end of this table.

Appendix table 1—Commodity program provisions, by marketing years, 1989-2002—continued

Commodity	Unit	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Peanuts:															
Loan rate, quota	Dol./s.t.	615.87	631.47	642.79	674.93	674.93	678.36	678.36	610.00	610.00	610.00	610.00	610.00	610.00	610.00
Loan rate, nonquota (additional)	Dol./s.t.	149.75	149.75	149.75	131.09	131.09	132.00	132.00	132.00	na	na	na	na	na	na
National poundage quota	(1,000 s.t.)	1440	1560	1550	1540	1496	1350	1350	1100	na	na	na	na	na	na
Assessment rate 7/	Percent	NA	NA	1.0	1.0	1.0	1.1	1.1	1.15	1.2	1.2	1.2	1.2	1.2	1.2
Flue-cured tobacco:															
Price support level	Cents/lb.	146.8	148.8	152.8	156.0	157.7	158.3	159.7	160.1	na	na	na	na	na	na
Effective marketing quota	Mil. lbs.	903.6	936.1	891.5	899.0	889.6	798.5	924.9	943.6	na	na	na	na	na	na
Burley tobacco:															
Price support level	Cents/lb.	153.2	155.8	158.4	164.9	168.3	171.4	172.5	173.7	na	na	na	na	na	na
Effective marketing quota	Mil. lbs.	660.7	741.2	846.1	835.6	717.9	605.9	577.9	723.0	na	na	na	na	na	na
Wool:															
Support level	Cents/lb.	177	182	188	197	204	209	212	NA	NA	NA	NA	NA	NA	NA
Mohair:															
Support level	Dol./lb.	4.588	4.532	4.448	4.613	4.738	4.739	4.657	NA	NA	NA	NA	NA	NA	NA
Sugar:															
Raw cane sugar loan rate	Cents/lb	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000
Refined beet sugar loan rate	Cents/lb	21.540	21.930	22.850	23.330	23.620	23.430	22.900	22.900	22.900	22.900	22.900	22.900	22.900	22.900
Raw cane sugar assessment rate	Cents/lb	0.000	0.000	0.180	0.180	0.180	0.198	0.198	0.2475	0.2475	0.2475	0.2475	0.2475	0.2475	0.2475
Refined beet sugar assess. rate	Cents/lb	0.000	0.000	0.193	0.193	0.193	0.2123	0.2123	0.2654	0.2654	0.2654	0.2654	0.2654	0.2654	0.2654
Honey:															
National avg loan rate	Cents/lb	56.4	53.8	53.8	53.8	53.8	50.0	50.0	NA	NA	NA	NA	NA	NA	NA
Marketing loan	Yes/no	Y	Y	Y	Y	Y	Y	Y	NA	NA	NA	NA	NA	NA	NA
Milk:															
National average support for manf. grade milk (3.67% milkfat) 8/ 9/	Dol./cwt.	16.61	10.10	10.10	10.10	10.10	10.10	10.10	10.35	10.20	10.05	9.90	NA	NA	NA
Nonrecourse loan rate 8/	Dol./cwt.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	9.90	9.90	9.90

See footnotes at the end of the table.

Footnotes for appendix table 1.

Source: Compiled by Bryan Just and Frederick Nelson, Economic Research Service, from data provided by the Farm Service Agency, USDA.

FY = Fiscal year.

NA = Not applicable.

na = Not available.

1/ Data for aggregate production flexibility contract (PFC) payments and deficiency payments are for fiscal years; other data are for marketing years.

2/ Data are actual loan rates for 1989-96. Upper limits on loan rates established by the 1996 Act are reported as the loan rate in this table for the 1997-2002 crops of wheat, corn, cotton, soybeans, and minor oilseeds. Actual loan rates for 1997-2002 for wheat, corn, soybeans, minor oilseeds, and cotton are to be no lower than the level calculated as 85 percent of a moving average of immediate past prices, subject to fixed upper limits and fixed lower limits also established by the 1996 Act. See footnote 6 for lower limits.

3/ For 1991 winter wheat, the payment rate was \$1.25 per bushel.

4/ Production flexibility contract (PFC) payments and payment rates for 1996 are from USDA News Release number 497.96 (September 13, 1996). 1997-2002 PFC payments and rates are preliminary estimates from USDA News Release number 211.96 (April 26, 1996). These preliminary estimates are based on the assumption that 100 percent of the eligible base acreage was enrolled in a PFC for 1996-2002; final sign-up was actually 98.8 percent. 1996 and/or 1997 payments and payment rates have been adjusted to account for estimates of the 1995 deficiency payments that had to be repaid. Rice payments for 1997-2002 also include the additional \$8.5 million per year authorized in the 1996 Act for rice.

5/ Effective base acreage for 1996 is the total acreage that was eligible for a production flexibility contract, as reported in USDA News Release number 446.96 (August 19, 1996). Actual acreage for later years will depend on future CRP acreage levels, unknown at this time. 1996 CRP acreage is from USDA's mid-term review of the budget (July 16, 1996).

6/ In addition to the upper limits on loan rates shown in the table, minimum loan rates were also set under the 1996 act: \$4.92 per bushel for soybeans, \$9.30 per hundredweight for minor oil seeds, and \$.50 per pound for upland cotton.

7/ The assessment rate is equal to a specified percentage of each of the peanut loan rates (quota and additional peanuts).

8/ Milk support program terminated and a recourse loan program started in 2000.

9/ Milk support rate was \$11.10 per hundredweight for April through June of 1989; \$10.60 per hundredweight in other months.

Index

A

Acreage base, 5, 6, 25
Acreage reduction program, 6
Additional peanuts, 17, 19
Agency for International Development, 33
Agricultural Conservation Program, 47, 48
Agricultural Research Service, 83, 95
AID, 33-37
Animal and Plant Health Inspection Service, 92, 93
Aquaculture, 31, 79, 81, 82, 88
Assessment, 13, 15, 18, 21, 27, 58-62

B

Barley, 5, 6, 9, 29, 39
Beginning farmer, 65, 67-69
Biomass, 80
Biotechnology, 77

C

Canola, 9, 10, 25, 56, 60
Catastrophic, 5, 28, 29
Chemicals, 85
Commodity Credit Corporation, 1, 2, 9, 14, 17, 22, 26, 28, 30, 31, 47, 51, 52, 54
Commodity promotion, 1, 56, 57
Conservation, 1, 2, 4-6, 8, 9, 17, 29, 30, 32, 43-52, 58, 64, 69, 70, 72, 78, 79, 82, 83, 92
Conservation compliance, 43-45, 49, 51, 70
Conservation reserve, 1, 5, 6, 29, 43, 47
Considered planted, 6, 24
Contract acreage, 5, 8, 48, 51
Contract payments, 5-8, 45, 46, 51
Cooperative agreements, 73, 80, 94
Corn, 5, 6, 9, 12, 24, 26, 28, 30-32, 35
Cost of production, 30

Cost-share, 47, 48
Cotton, 3, 5, 6, 9-12, 24, 25, 31, 48, 51, 86, 92
Cottonseed, 10, 39
Credit, 1, 2, 9, 14, 17, 22, 26, 28, 30-34, 36, 38, 39, 41, 45-47, 51, 52, 54, 63-70, 72
Credit Guarantee Program, 38
Crop insurance, 2-5, 26, 28-31, 45, 46, 51
CRP, 6, 29, 43, 45-49, 51
Crystalline fructose, 20, 21

D

Dairy export incentive program, 15, 42
Dairy products, 1, 3, 13-16, 42
Deficiency payment, 7, 11, 25
Direct loans, 69
Disaster assistance, 29, 39
Distance learning, 72

E

Education, 4, 28, 43, 48, 50, 74, 77-85, 87-89, 94
Eligibility, 5, 8, 12, 29, 45-47, 53, 63-69, 80, 92
ELS cotton, 9-11
Emergency crop loss assistance, 5, 28, 29
Emergency Food Assistance Program, 54
Emergency loans, 66, 68
Emerging markets, 35, 38, 39
Employment and Training Program, 53
Environmental Quality Incentive Program, 45, 46
Erosion, 44, 45
Export, 2, 11, 12, 15, 16, 20, 23, 25, 27, 32, 33, 35, 37-42, 73
Export credit, 38, 41
Export Enhancement Program, 32, 37, 39
Export promotion, 32, 37, 40
Extension, 28, 48, 77-89
Extra-long staple cotton, 9

F

Farm Credit System, 63, 69
 Farm Service Agency, 28-31, 45, 46, 63
 Farmer-Owned Reserve, 23, 25
 Farmer-to-Farmer Program, 33, 35
 Farmers Home Administration, 63
 Farmland protection, 43, 52
 Federal Crop Insurance Reform Act, 5, 28, 30
 Feed grains, 5, 9, 10, 12, 24, 25, 30, 48
 Flaxseed, 9, 10, 25
 Flood, 43, 45, 46, 51
 FmHA, 45, 46
 Food, 1, 2, 17, 27, 31-37, 39-43, 45, 53-55, 70, 72, 78-83, 85, 88, 91-93
 Food for Development, 34
 Food for Progress, 33, 36
 Food safety, 81
 Food Security Commodity Reserve, 32, 35
 Food Security Wheat Reserve, 32, 35
 Food stamps, 2, 54
 Foreign Agricultural Service, 39, 40
 Forest, 49, 51, 52, 80, 92
 Forest Service, 49, 52
 Forestry, 27, 49, 51, 79, 84
 Fruits, 3, 8, 81
 FSA, 6, 28, 29, 63-70
 Fund for Rural America, 71, 77
 Futures, 28, 30

G

GATT, 13, 16, 20, 21, 33, 37, 42
 General Agreement on Tariffs and Trade, 13
 Global climate change, 84, 86
 Grain sorghum, 9, 12, 32, 35
 Grazing, 3, 8, 43, 48, 51
 GSM-, 38, 39
 Guaranteed loans, 65, 69

H

Haying, 3, 8
 Highly erodible land, 5, 43, 45
 Honey, 2, 25

I

Industrial crops, 31
 International trade, 81, 85

L

Lamb, 41
 Land-grant colleges, 49, 79
 Loan deficiency payments, 4, 7, 9, 11, 25
 Loan forfeiture, 20
 Loan level, 17
 Loan rates, 3, 9, 12, 20, 22

M

Make allowance, 15
 Market Access Program, 32, 39
 Market Promotion Program, 32, 37, 39
 Marketing assistance loan, 10, 11, 28
 Marketing certificates, 11, 24
 Marketing loan, 7-9, 11
 Marketing loan gains, 7, 9
 Marketing order, 14
 Milk, 1, 4, 13-16, 25, 42, 54
 Mohair, 2
 Mustard seed, 9, 10, 25

N

Nonrecourse loan, 20, 21
 Nutrition, 1, 27, 53-55, 80, 81, 85, 86

O

Oats, 5, 6, 9
 Office of Risk Management, 4, 28, 30, 31
 Oilseeds, 10, 23, 25, 39, 51

Operating loan, 65, 67, 68, 70

Ownership loans, 64, 67, 68

P

P.L. 480, 32-35

Parity, 24-26

Payment limitation, 7, 8

Peanuts, 3, 4, 17-19, 23-25, 27

Permanent price support authority, 24

PFC, 5-9, 12

Planting flexibility, 3, 5, 8

Potatoes, 92

Poundage quota, 17-19, 27

Price support, 3, 10, 13, 14, 17, 18, 20, 23-26

Production flexibility, 4, 5, 27-29, 45, 46, 51

Promotion, 1, 15, 16, 32, 37, 39, 40, 42, 56-58, 60-62, 81

Puerto Rico, 54

Q

Quota, 3, 11, 12, 17-21, 25-27

Quota peanuts, 3, 17-19

R

Rapeseed, 9, 10, 25, 56, 60

Recourse loans, 3, 12, 14, 20

Research, 1, 18, 28, 29, 43, 45, 50, 52, 56-58, 60-62, 71, 72, 77-89, 92, 95

Revenue insurance, 4, 30, 31

Rice, 3, 5-7, 9-11, 24-26, 32, 35, 39, 48

Risk management, 4, 28, 30, 31, 79

Rural, 1, 39, 51, 63-65, 70-77, 79, 80, 84-87

Rye, 2, 9, 25

S

Safflower, 9, 10, 25

Socially disadvantaged, 68

Sodbuster, 43-45, 49

Soil, 1, 44, 48-50, 64, 88

Sorghum, 5, 6, 9, 12, 32, 35

Soybeans, 9, 10, 25, 28, 30, 31

Sugar, 3, 4, 10, 20-22, 24, 25

Sustainable, 81, 85

Swampbuster, 43, 46, 49, 51

T

Target price, 25

Tariff, 20, 21

Tobacco, 2, 24, 26

Trade, 1, 2, 12, 13, 15, 17, 32, 33, 36-42, 72, 73, 78, 81, 83, 85, 92

U

Upland cotton, 5, 6, 9-12, 24, 25

V

Vegetables, 3, 8, 81

W

Water quality, 47, 48, 51, 81-83

Wetlands, 5, 43, 46-48

Wheat, 5, 6, 9, 10, 24-26, 28, 30-32, 35, 39, 48

Wool, 2

World Food Program, 34