



I.D.E.A. Industry Update - May 3, 2002

New US Farm Bill

The new U.S. farm bill has not been well received in Canada. There are a number of areas for concern. In essence, the bill:

- provides subsidies to special crops like lentils and chickpeas where support was never provided before
- provides exporter assistance to address trade barriers for U.S. special crops
- includes provisions for the development and implementation (voluntary first and then mandatory) of country of origin labeling on food products not born, raised and processed in the USA
- increases program spending on the market access program to \$200 million annually
- provides over \$1 billion to "rural development" programs which include grants to producers to develop value added businesses and loan guarantees for rural businesses, and allocates \$100 million for high speed broadband internet services

This all adds up to a lot of money. Canada is currently examining the new bill to (1) determine whether or not the U.S. is still within its WTO and NAFTA obligations and (2) to examine Trade Law to see if challenges can be mounted in the NAFTA or the WTO of the additional direct subsidies for special crops, and of the country of origin labeling measure.

A summary of the bill is attached.

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Farm Bill Conference Summary

April 30, 2002

Title I - Commodities

Loan rates, Direct Payments and Target Prices for Covered Commodities					
	Loan Rate		Direct Payment	Target Price	
	2002-2003	2004-2007	2002-2007	2002-2003	2004-2007
Corn (bu)	\$1.98	\$1.95	\$0.28	\$2.60	\$2.63
Sorghum (bu)	\$1.98	\$1.95	\$0.35	\$2.54	\$2.57
Barley (bu)	\$1.88	\$1.85	\$0.24	\$2.21	\$2.24
Oats (bu)	\$1.35	\$1.33	\$0.024	\$1.40	\$1.44
Wheat (bu)	\$2.80	\$2.75	\$0.52	\$3.86	\$3.92
Soybeans (bu)	\$5.00	\$5.00	\$0.44	\$5.80	\$5.80
Minor Oilseeds (lb)	\$0.0960	\$0.0930	\$0.0080	\$0.0980	\$0.1010
Cotton (lb)	\$5.200	\$5.200	\$0.0667	\$0.7240	\$0.7240
Rice (cwt)	\$6.50	\$6.50	\$2.35	\$10.50	\$10.50

- ❑ **Base Acres:** Allows producers to retain their current AMTA base acres and add oilseed acres, or to update base acres using 1998-2001 acres planted and prevented planted to all covered commodities.
- ❑ **Payment Yields:** Allows producers who update base acreage to the average of 1998-2001 plantings to update yields for counter-cyclical payments. The update is the higher of 70% of the difference between current AMTA yields and a full yield update based on 1998-2001 yields on planted acreage **OR** 93.5% of 1998-2001 yields on planted acreage. Provides a “plug” of 75% of the county average yield for years in which the actual farm yield is less than the county average yield.
- ❑ **Timing of Payments:** A producer could elect to receive up to 50% of the **direct payment** beginning December 1 of the year prior to the year the crop is harvested, and the balance of the direct payment in October of the year the crop is harvested. For **counter-cyclical payments**, a producer can receive up to 35% of the projected payment in October of the year the crop is harvested; an additional 35% beginning in February of the following year; and the balance after the end of the 12-month marketing year for the specific crop.
- ❑ Includes authority for **LDPs on grazed wheat, oats, barley and triticale**. Provides for LDPs for the 2001 crop on non-AMTA farms, and waives beneficial interest requirements for the 2001 crop. Also implements a program of incentive payments to develop marketing opportunities for Hard White Wheat.
- ❑ Corrects USDA error to provide certain producers payments that were undelivered for crop years 1998, 1999, 2000, and 2001.

Dairy: Maintains a permanent \$9.90 Milk Price Support Program and establishes a 3 1/2 year National Dairy Program to provide assistance to all U.S. producers. The program will provide a federal payment each month equal to 45 percent of the difference between \$16.94 and the Boston Class I price. Payments are made on up to 2.4 million pounds of production for a producer annually.

Peanuts: Provides a quota buyout of 11 cents a pound per year over 5 years (55 cents total); provides a target price of \$495/ton; and allows for the payment of storage costs for peanuts under loan. Provides \$355/ton loan rate and \$36/ton fixed payment rate.

Sugar: Eliminates the one-cent a pound loan forfeiture penalty and gives authority to the Secretary to establish quota allotments.

Wool and Mohair: Provides marketing loans or loan deficiency payments based on a loan rate of \$1.00 per pound for graded wool, \$.40 per pound for non-graded wool, \$4.20 per pound for mohair and \$.40 per pound for unshorn pelts.

Honey: Provides marketing loans or loan deficiency payments based on a loan rate of \$.60 per pound.

Apples: Provides assistance for apple producers who have suffered low market prices.

Pulse Crops: Establishes marketing loans and loan deficiency payments for small chickpeas, lentils and dry peas at the following loan rates:

Small Chickpeas		Lentils		Dry Peas	
2002-2003 \$/cwt	2004-2007 \$/cwt	2002-2003 \$/cwt	2004-2007 \$/cwt	2002-2003 \$/cwt	2004-2007 \$/cwt
\$7.56	\$7.43	\$11.94	\$11.72	\$6.33	\$6.22

Specialty Crop Purchases: Increases carryover-spending authority for Section 32 commodity purchases. Directs additional commodity purchases by requiring not less than \$200 million of Section 32 funds per year to be used to purchase fruits and vegetables and other specialty crops. At least \$50 million of that amount is to be used for fresh fruits and vegetables for schools through the DoD Fresh Program.

Step 2 Adjustment: Suspends the 1.25 cent price differential threshold for Step 2 marketing payments through July 31, 2006.

Payment Limitations: Relative to the House-passed bill, the framework reduces the limit on direct payments from \$50,000 to \$40,000; Reduces the limit on counter-cyclical payments from \$75,000 to \$65,000; Reduces limit on LDPs and MLGs from \$150,000 to \$75,000; Contains a separate payment limitation for the peanut program; Retains current rules on spouses, 3-entities, and actively engaged requirement. Adopts a \$2.5 million adjusted gross income cap on eligibility for participation in farm programs; Retains the use of generic certificates in the loan program. Total dollar limitation is reduced from \$550,000 in the House bill to \$360,000 in the conference framework.

- ❑ Creates a new commission to study and make recommendations regarding farm program payment limitations and the impact of payment limit policy changes on farm income, land values and agribusiness infrastructure.

Title II– Conservation

Program	Notes	Cost
Conservation Reserve Program (CRP)	Increases acreage cap from 36.4 million to 39.2 million acres. Retains priority areas. Expands wetlands pilot to 1 million acres with all states eligible.	\$1.517 billion
Wetlands Reserve Program (WRP)	Increases acreage cap to 2.275 million acres.	\$1.5 billion
Grasslands Reserve Program (GRP)	A new program to enroll up to 2 million acres of virgin and improved pastureland. Program would be divided 40/60 between agreements of 10,15, or 20-years and agreements and easements for 30-years-and permanent easements.	\$254 million
Farmland Protection Program (FPP)	Since 1996, the program has provided \$53.4 million to protect 108,000 acres. The new funding is a nearly 20-fold increase over amount committed to this program since the last farm bill.	\$ 985 million
Wildlife Habitat Incentives Program (WHIP)	Since 1996, approximately \$62.5 million has been spent through this program to provide cost-share payments on 1.6 million acres. The new funding is greater than a 10-fold increase over amount committed to this program since the last farm bill.	\$700 million
Environmental Quality Incentives Program (EQIP)	Phased up to achieve a \$1.3 billion annual funding level. Priority areas are eliminated. Funds are split 60/40 between livestock and crop producers.	\$9 billion
Water Conservation Program	Water Conservation Program provides cost-share incentives and assistance for efforts to conserve ground and surface water. \$50 million is reserved specifically to assist producers in the Klamath Basin.	\$600 million
Conservation Security Program (CSP)	A new national incentive payment program for maintaining and increasing farm and ranch stewardship practices.	\$2 billion
Small Watershed Rehabilitation Program	Provides essential funding for the rehabilitation of aging small watershed impoundments that have been constructed over the past 50 years.	\$275 million
Underserved States	Continues program begun in Agricultural Risk Protection Act of 2000.	\$50 million
Desert Terminal Lakes	Provides funding to help conserve desert terminal lakes.	\$200 million
Total		\$17.1 billion

Title III - Trade

Program	Notes	Cost
Market Access Program (MAP)	Increases program spending to \$200 million annually by 2006.	\$650 million
Technical Assistance for Specialty Crops (TASC)	Provides exporter assistance to address barriers that restrict U.S. specialty crop exports.	\$19 million
Foreign Market Development Cooperator Program (FMD)	Increases program spending from \$27.5 to \$34.5 million per year, with a continued significant emphasis on the importance of the export of value added agricultural commodities into emerging markets.	\$67 million
Food for Progress	Increases funding caps for transportation and administrative costs and sets a minimum level of commodities to be purchased for use in this food aid program.	\$308 million
Global Food for Education Initiative	Continues Pilot Program for Fiscal Year 2003.	\$100 million
Total		\$1.144 billion

Title IV - Nutrition

- ❑ Total Cost – \$6.4 billion
- ❑ Reinstates benefits for legal immigrants who have lived in the United States for at least 5 years. Also restores benefits for legal immigrant children and disabled individuals without minimum residency requirements.
- ❑ Provides five months of transitional benefits for households leaving Temporary Assistance to Needy Families (TANF).
- ❑ Includes provisions to simplify and streamline the food stamp program so that it better aligns with other public assistance programs and helps both recipients and state administrators.
- ❑ Reforms and streamlines the food stamp program quality control system.
- ❑ Increases funding for The Emergency Food Assistance Program to \$140 million per year. Provides commodities to food banks and soup kitchens and expands other commodity distribution programs.
- ❑ Provides an increase in funding for both the Senior and WIC Farmers' Market Nutrition Programs.
- ❑ Provides additional commodities for the school lunch program and includes a pilot through which fresh fruits and vegetables will be provided free in schools.

Title V—Credit

- Generally reauthorizes USDA farm lending programs and provides greater access to USDA farm credit programs for beginning farmers and ranchers. Increases the percentage that USDA may lend for down payment loans and extends the duration of these loans; and establishes a pilot program to encourage beginning farmers to be able to purchase farms on a land contract basis.

Title VI - Rural Development

Program	Notes	Cost
Rural Local Television Broadcast Signal Loan Guarantees	Provides funds to allow rural residents in unserved or underserved areas to access their local television stations.	\$80 million
Broadband Service in Rural Areas	Provides funds that allow rural consumers to receive high-speed, high-quality broadband service.	\$100 million
Value-Added Agricultural Market Development Grants	Provides \$40 million a year for grants to assist producer owned valued-added businesses.	\$240 million
Rural Strategic Investment Program	Creates regional investment boards that may receive up to \$3 million for economic development.	\$100 million
Rural Business Investment Program	Provides \$280 million in guarantees for rural business investment companies to provide equity investment for businesses.	\$100 million
Funding for Rural Development Backlogs Program	Funds backlogged applications for water and wastewater programs.	\$360 million
Rural Firefighters and Emergency Personnel Grant Program	Provides funding to train rural firefighters and emergency personnel.	\$50 million
Total		\$1.03 billion

- **Community Water Assistance Grant Program:** Sets aside appropriated funds for communities facing emergency drinking water shortages.

Title VII - Research

Reauthorizes and establishes new agricultural research and extension programs. Increases funding for the Initiative for Future Agriculture and Food Systems and increases program level from \$120 million a year to \$200 million annually in FY2006.

- Cost -- \$1.3 billion.

Title VIII - Forestry

New funding is committed for a new cost-share program to assist private non-industrial forest landowners in adopting sustainable forest management practices.

- Cost -- \$100 million.

Title IX – Energy

Program	Notes	Cost
CCC Bioenergy Program	Provides mandatory funding for the CCC Bioenergy Program, which will enable the Secretary to continue making payments to bioenergy producers who purchase agricultural commodities for the purpose of expanding production of biodiesel and fuel grade ethanol.	\$204 million
Biobased Product Purchasing Preference	Establishes a new program for the purchase of biobased products by Federal agencies. Funding will be used to test biobased products.	\$6 million
Biodiesel Fuel Education	Creates a grant program to educate government and private fuel consumers about the benefits of biodiesel fuel use.	\$5 million
Renewable Energy System & Energy Efficiency Improvements	Establishes a loan, loan guarantee & grant program to assist farmers in purchasing renewable energy systems and making energy efficiency improvements.	\$115 million
Biomass Research and Development Act of 2000	Reauthorizes and funds the Biomass Research and Development Act through FY 2007.	\$75 million
Total		\$405 million

Title X - Miscellaneous

Country of Origin Labeling: For meat, fruits & vegetables, fish and peanuts. Requires the Secretary to provide guidelines for voluntary labeling by September 30, 2002. This program would become mandatory in two years. For a Commodity to be labeled USA product, it must be born, raised and processed in the United States. Commodities that are ingredients in processed products would not fall under the labeling requirement.

Family Farmer Bankruptcy Protection: Extends Chapter 12 Bankruptcy provisions to December 31, 2002.

Swine Production Contracts: Provides growers who have swine production contracts the same statutory protections as provided livestock sellers and poultry growers.

Disclosure: Clarifies that livestock and poultry producers can discuss contracts with state & federal agencies and other individuals having a fiduciary or familial relationship.

Other –

Name of Bill: The Farm Security and Rural Investment Act of 2002.

Length of Bill: 6 years