



Farm Bill Conference Report

Summary of Major Changes

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Note: The RSC staff encourages you to look at the Committee summary as well, since we have attempted here to cover areas not covered by the Committee Summary.

Title I – Commodity Programs

Cost of Title I Programs:

| House Committee | Senate Committee | Conference Report |
|-----------------|------------------|-------------------|
| \$49.8 billion | \$44.0 billion | \$47.8 billion |

Major Changes From House-Passed Bill:

- **Direct-payment rates** in the conference report are mostly lower than those in the House bill (except for soybeans and other oilseeds, which have higher payment rates in the conference report).

| Direct Payment Rates--H.R. 2646 | | | |
|--|-------------|--------------------|---------------------------|
| Commodity and Unit Weight | Current Law | House Bill 2002-11 | Conference Report 2002-07 |
| Corn (bu) | \$0.26 | \$0.30 | \$0.28 |
| Sorghum (bu) | \$0.31 | \$0.36 | \$0.35 |
| Barley (bu) | \$0.20 | \$0.25 | \$0.24 |
| Oats (bu) | \$0.021 | \$0.025 | \$0.024 |
| Wheat (bu) | \$0.46 | \$0.53 | \$0.52 |
| Cotton (lb) | \$0.0556 | \$0.0667 | \$0.0667 |
| Rice (cwt) | \$2.04 | \$2.35 | \$2.35 |
| Soybeans (bu) | -- | \$0.42 | \$0.44 |
| Minor Oilseeds (lb) | -- | \$0.0074 | \$0.0080 |
| Peanuts (ton) | -- | \$36.00 | \$36.00 |

- “Target prices” used for calculating **counter-cyclical payments** are all lower in the conference report than in the House bill. In the House bill, target prices are uniform through 2011. In the conference report, target prices are lower in 2002-03 and come back up a bit (though still below House-passed levels) for 2004-07.

| Target Prices for Counter-Cyclical Payments--H.R. 2646 | | | | |
|---|-------------|------------|-------------------|----------|
| Commodity and Unit Weight | Current Law | House Bill | Conference Report | |
| | | 2002-11 | 2002-03 | 2004-07 |
| Corn (bu) | -- | \$2.78 | \$2.60 | \$2.63 |
| Sorghum (bu) | -- | \$2.64 | \$2.54 | \$2.57 |
| Barley (bu) | -- | \$2.39 | \$2.21 | \$2.24 |
| Oats (bu) | -- | \$1.47 | \$1.40 | \$1.44 |
| Wheat (bu) | -- | \$4.04 | \$3.86 | \$3.92 |
| Upland Cotton (lb) | -- | \$0.736 | \$0.724 | \$0.724 |
| Rice (cwt) | -- | \$10.82 | \$10.50 | \$10.50 |
| Soybeans (bu) | -- | \$5.86 | \$5.80 | \$5.80 |
| Minor Oilseeds (lb) | -- | \$0.1036 | \$0.0980 | \$0.1010 |
| Peanuts (ton) | -- | \$480.00 | \$495.00 | \$495.00 |

- **Marketing assistance loan (and loan deficiency payment) rates** are mostly higher in the conference report than in the House bill. In the House bill, marketing assistance loan (and loan deficiency payment) rates are uniform through 2011. In the conference report, the loan rates are higher in 2002-03 and drop back down a bit (though still above House-passed levels) for 2004-07.
- The conference report authorizes marketing assistance loans for wool, mohair, honey, dry peas, lentils, and small chickpeas—none of which were authorized in the House bill.

| Marketing Assistance Loan (and Loan Deficiency Payment) Rates--H.R. 2646 | | | | |
|---|-------------|-----------------------------------|-------------------|----------|
| Commodity and Unit Weight | Current Law | House Bill | Conference Report | |
| | | 2002-11 | 2002-03 | 2004-07 |
| Corn (bu) | \$1.89 | \$1.89 | \$1.98 | \$1.95 |
| Sorghum (bu) | \$1.69 | \$1.89 | \$1.98 | \$1.95 |
| Barley (bu) | \$1.71 | \$1.70 (feed) \$1.65 (malting) | \$1.88 | \$1.85 |
| Oats (bu) | \$1.14 | \$1.21 | \$1.35 | \$1.33 |
| Wheat (bu) | \$2.58 | \$2.58 | \$2.80 | \$2.75 |
| Cotton (lb) | \$0.5192 | \$0.5192 | \$0.5200 | \$0.5200 |
| Rice (cwt) | \$6.50 | \$6.50 | \$6.50 | \$6.50 |

| | | | | |
|-----------------------|----------|----------|----------|----------|
| Soybeans (bu) | \$4.92 | \$4.92 | \$5.00 | \$5.00 |
| Minor Oilseeds (lb) | \$0.093 | \$0.087 | \$0.096 | \$0.093 |
| Peanuts (ton) | \$610.00 | \$350.00 | \$355.00 | \$355.00 |
| Graded Wool (lb) | -- | \$1.00 | \$1.00 | \$1.00 |
| Non-Graded Wool (lb) | -- | \$0.40 | \$0.40 | \$0.40 |
| Mohair (lb) | -- | \$4.20 | \$4.20 | \$4.20 |
| Unshorn Pelts (lb) | -- | -- | \$0.40 | \$0.40 |
| Honey (lb) | -- | \$0.60 | \$0.60 | \$0.60 |
| Small Chickpeas (cwt) | -- | -- | \$7.56 | \$7.43 |
| Lentils (cwt) | -- | -- | \$11.94 | \$11.72 |
| Dry Peas (cwt) | -- | -- | \$6.33 | \$6.22 |

- **Dairy**: The conference report reauthorizes the expired Northeast Dairy Compact and applies it to the entire country. The House bill contained no such reauthorization. The conference report sets market-loss and a variety of other payments to dairy producers.
- The conference report sets a **limit on gross income** for receiving farm payments under this bill. Specifically, farmers with an adjusted gross annual income of \$2.5 million or more could not receive payments (unless the majority of this income comes from farming, ranching, or forestry). The House bill set no such limit.

Title II– Conservation Programs

Cost of Title II Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$12.5 billion | \$18.1 billion | \$17.1 billion |

Conservation Security Program: The Conference Report includes a new \$2 billion Conservation Security Program that was not contained in the House bill and that is authorized for FY2003-7 and open to all producers for “conservation” efforts on private agricultural land.

The program sets up three tiers of conservation security contracts:

- Tier I conservation security contracts of 5 years, with conservation efforts that address and manage at least 1 significant “resource of concern,” up to \$20,000 per year
- Tier II conservation security contracts of 5-10 years, with same conditions as Tier I, up to \$35,000 per year
- Tier III conservation security contracts of 5-10 years, with same conditions as Tier I, up to \$45,000 per year

Acceptable conservation efforts include: pest management, contour farming, air quality management, and native grassland and prairie protection and restoration.

Expanded Conservation Priority Areas: The conference report amends both the House and Senate bills to add a new provision stating that the Secretary shall designate “watershed areas of the Chesapeake Bay Region (Pennsylvania, Maryland, and Virginia), the Great Lakes Region, the Long Island Sound Region, and other areas of special environmental sensitivity as conservation priority areas.”

New Grassland Reserve Program & Cooperation with Private Groups: The Conference Report contains a new grassland reserve program, also included in the House bill, for up to 2 million total acres of restored or improved grassland, rangeland, and pastureland. The Secretary will pay the fair market value minus the grazing value of the land for a permanent easement, 30% of the above formula for a 30-year easement, and 75% of the grazing value for a rental agreement.

The Secretary may permit a private conservation or land trust organization, or State agency to hold and enforce an easement in this program.

Grassroots Source Water Protection Program: The Conference Report includes this new program (authorized at \$60 million over 6 years) not included in the House-passed bill, to establish a national grassroots water protection program “to more effectively use onsite technical assistance capabilities of each State rural water association that currently operates a state wellhead or groundwater protection program.”

Small Watershed Rehabilitation Program: Provides financial and technical assistance to rehabilitate water structures that are nearing or past the end of their design life. The House authorized \$15 million in FY2002 and each succeeding year. The Senate had no similar provision. **The conference report included \$325 million over 5 years.**

Desert Terminal Lakes: The conference report includes this new \$200 million program not included in the House-passed bill, for the Interior Secretary (the money is transferred to the Interior Dept.) “to provide water to at-risk natural desert terminal lakes.”

Conservation Corridor Demonstration Program for the Chesapeake Bay: The conference report includes a new program for the Delmarva Peninsula in Delaware, Maryland, and Virginia, located on the east side of the Chesapeake Bay. The state and local participants who are to come up with a conservation plan, must cover 50% of the costs under the plan, unless the “project or activity is likely to achieve extraordinary natural resource benefits.” The conference report authorizes “such sums as are necessary” over 5 years.

Great Lakes Basin Program for Soil Erosion and Sediment Control: The Conference Report establishes a new program not included in the House-passed bill authorizing \$5 million a year.

Title III– Trade Programs

Cost of Title III Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$1.2 billion | \$2.0 billion | \$1.1 billion |

International School Lunch Program: Establishes a New International Food for Education Program (McGovern-Dole Program) to support international school nutrition programs. President Clinton initiated a similar demonstration project. The House bill authorized this program, but did not provide mandatory funding. The Conference Report provides first year mandatory funding of \$100 million and then authorizes discretionary appropriations of such sums thereafter.

Biotechnology and Agriculture Trade Program: The conference report requires establishment of this program. The House bill did not include creation of this program.

Cuba: The Conference Report does NOT contain language proposed by the Senate to permit private financing of agriculture sales to Cuba.

Title IV– Nutrition Programs

Cost of Title IV Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$3.6 billion | \$6.2 billion | \$6.4 billion |

Expanded Food Stamp Eligibility: The Conference Report contains numerous provisions not included in the House bill that expand food stamp eligibility, including: permitting child support payments to be excluded rather than deducted from the paying household's income when determining eligibility and increasing shelter and utility deductions.

Food Stamps for Legal Immigrants: Restores food stamp eligibility for aliens under the age of 18 and disabled aliens. Makes eligible individuals who have resided continuously in the U.S. for a period of 5 years, irrespective of whether during part of that time they were in the U.S. illegally.

Free Fruit & Vegetable Pilot Program: The Conference Report includes a new demo program not included in the House bill to provide free fruits and vegetables to school students.

Fruit & Vegetable Awareness Program: The Conference Report includes a new demo program not included in the House bill to promote fruit and vegetable consumption.

New Congressional Program: The Conference Report contains language also included in the House bill to create a Congressional Hunger Fellowship Program to be funded off on the earnings of a Trust Fund credited with government securities.

Title V– Credit Programs

No Impact on Direct Spending

Expand Loan Eligibility: The Conference Report adds provisions not included in the House bill loosening the eligibility requirements for USDA loans for farm ownership.

Guarantee of Loans for Beginning Farmers: The Conference Report adds provisions not included in the House bill permitting USDA to guarantee loans to beginning farmers and ranchers.

Pilot Program to Guarantee Owner-Financed Loans: The Conference Report adds provisions not included in the House bill to initiate a pilot program to guarantee owner-financed loans.

Expands Operating Loans: The Conference Report adds provisions not included in the House bill to permit the USDA to make operating loans to farmers who have operated a farm for less than 5 years (current law requires 5 years of operation).

Title VI– Rural Programs

Cost of Title VI Programs :

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$0.972 billion | \$1.7 billion | \$0.870 billion |

The Conference Report adds numerous programs not included in the House-passed bill, including:

- Creation of a Rural Business Investment Program funded at \$100 million to provide grants and subsidies to promote rural business investment and economic development.
- Provides \$360 million to fully fund all pending applications for water and wastewater grants and loans.
- Provides \$100 million to provide access to broadband in rural areas.
- Permits funding of multi-jurisdictional regional planning organizations.
- Provides \$10 million a year for grants to rural firefighters and emergency personnel.
- Permits grants to tribal colleges and universities to cover up to 75% of the cost of developing essential community facilities.
- Authorizes \$5 million per year for grants to broadcasting systems.

- Directs the Secretary to make a grant to an organization to cover portions of the cost of establishing a National Rural Telework Institute.
- Permits funding of historic barn preservation.
- Permits funding for the purchase of emergency radio transmitters by public and non-profit entities.
- **Creates the Northern Great Plains Regional Authority** (Iowa, Minnesota, Nebraska, North Dakota, and South Dakota) and authorizes \$30 million a year for the Authority to make development grants in those States.

The Conference Report includes a modified House provision creating a National Board on Rural America that will make planning grants to regional investment boards.

The Conference Report includes a modified House provision permitting financing for construction and refurbishing of individually owned household water well systems for low and moderate-income families.

Title VII– Research Programs

Cost of Title VII Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$1.0 billion | \$0.6 billion | \$1.323 billion |

Major Additions from the House-passed bill:

- Establishes new 100-member Senior Scientific Research Service;
- Creates a new grant program for research equipment -- authorized at such sums as may be necessary;
- Creates a new Organic Agriculture Research and Extension Initiative funded at \$3 million a year;
- Provides \$8 million in grants to youth organizations;
- Creates a new program to provide training, education and technical assistance to beginning farmers or ranchers – authorized at such sums as may be necessary; and
- Expresses the Sense of Congress that funding for agriculture research should be doubled over the next five years.

Title VIII – Forestry

Cost of Title VIII Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$0.2 billion | \$0.3 billion | \$0.1 billion |

Major Changes from House bill:

- Authorizes new program, Sustainable Forestry Outreach Initiative, to educate landowners on sustainable forestry. Authorized at \$30 million through 2007; and
- Does not reauthorize the International Forestry program. Instead, reauthorizes the International Forestry Office through 2006.

Title IX – Energy

Cost of Title IX Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$0 billion | \$0.6 billion | \$0.4 billion |

Major Changes from House bill:

- Creates new Biodiesel Fuel Education Program;
- Creates new Renewable Energy Development Program to assist farmers, ranchers and rural small businesses in becoming more energy efficient and in using renewable energy. Authorized at such sums; and
- Creates new loan guarantee and grant program for farmers, ranchers and rural small businesses to purchase renewable energy systems and to make energy efficiency improvements.

Title X – Miscellaneous Provisions

Cost of Title X Programs:

| House Committee | Senate Committee | Conference Report |
|------------------------|-------------------------|--------------------------|
| \$0.2 billion | -\$1.9 billion | -\$1.6 billion |

Provisions not in House-passed bill, BUT included in Conference Report:

- Amends the Federal Crop Insurance Act to impose a permanent prohibition on the availability of continuous coverage (saves \$1.9 billion);
- Requires not less than \$200 million for the purchase of specialty crops, \$50 million of which is to be used to purchase fresh fruits and vegetables for the school lunch program;
- Extends emergency loan duration for seed producers from 18 months to 36 months;
- Provides \$94 million in market loss assistance to **apple** producers in FY 2002 for losses during the 2000 crop year;
- Provides \$10 million in market loss assistance to **onion** producers for losses during the 1996 through 2000 crop years;
- Creates a new Cranberry Acreage Reserve Program;
- Authorizes the Secretary of Agriculture to prohibit or regulate the importation of any animal, transport vehicle, or facilities if necessary to prevent the entry of a pest or disease into the U.S.;
- Gives Secretary of Agriculture authority to recover costs from owners for failure to comply with exportation orders of the Secretary;

- Allows Secretary of Agriculture to “hold, seize, quarantine, treat, destroy” any animal, article or means of conveyance if they are affected by or have been exposed to a pest or disease;
- Establishes Farmer’s Market Promotion Program, authorized at such sums;
- Establishes a new position of Secretary of Agriculture for Civil Rights; and
- Establishes a 15-member Food Safety Commission, authorized at such sums.

House-passed provisions changed in Conference Report:

- Increases the payment limitations in the Tree Assistance Program to \$75,000 (current limit is \$25,000, House limit was \$50,000); and
- Makes Tree Assistance Program subject to authorizations (authorized at such sums).

Concerns Raised By RSC Members:

Some RSC Members have raised the following concerns:

1. **The Conference Report dramatically increases the dependency of Americans on the federal government and thereby reduces freedom.**
 - **Farmers**: Since the bill sets the loan rate and counter-cyclical target price for certain crops (such as cotton, soybeans, wheat, rice, and corn) **BELOW** the average market price, the bill encourages farmers to “farm for the government”. Furthermore, the government provided incentive to continue producing crops in excess of the market demand will continue to keep prices below the government level, thereby producing a “death spiral” that traps farmers into being dependent on the government. In addition, the bill creates new training programs and special loans, which while likely assisting farmers will also make them more dependent upon government and less dependent on the free market. The Conference Report also expands existing programs to cover more farmers, thereby increasing the number of farmers dependent upon the government. **Over the past four years the government has accounted for an average of 46% of total net farm income in the U.S. With this bill it is likely the government will provide over 50% of net farm income.**
 - **Low-Income Families and Immigrants**: By expanding the eligibility for food stamps, the bill makes more people dependent on the government. In the case of legal immigrants the government is supplanting the assistance that is already provided by States, local community organizations, and most importantly the immigrant’s sponsor.
 - **Rural Communities**: The bill creates several new programs designed to assist rural businesses, individual citizens, and governments. However, by creating non-market-based lending and grant programs, by creating a new federal involvement and local planning, and by creating new economic development programs, the government is making rural communities even more dependent upon the federal government. Ironically, despite the failure of the Appalachian Regional

Commission to achieve its goal, a new Authority is being created for several Northern Plains States.

2. The Conference Report includes massive increases in spending that are being underestimated by the official score, thereby increasing the real deficit and making it harder to return to a surplus that is not dependent upon borrowing Social Security funds.

While the bill increases mandatory spending by \$73.5 billion above the current baseline over the next ten years, the cost is an underestimate.

- CBO is utilizing crop prices forecasts that are out of date (they are required to do so since we have not adopted a Budget Resolution). We know the most recent forecasts predict lower crop prices, which will increase the cost of the bill. Press reports have put the additional spending at between \$10 and \$15 billion.
- In addition, CBO assumes (as the bill does) that some programs terminate after the first year or after six years. The likely extension of these programs will further increase costs.
- Finally, the bill also proposes significant authorization levels for discretionary programs. These high authorization levels will put pressure on the Appropriations Committee to further increase discretionary spending.

3. The Conference Report increases food costs for families, thereby making more low-income families dependent upon government.

- The Heritage Foundation has estimated that the impact of some of programs in previous versions of the Farm Bill (many of which are preserved and expanded in the Conference Report), such as milk and sugar programs, actually raise the cost paid by consumers above the natural market level. Over ten years, the average household will pay \$2,572 in inflated food prices.

4. The Conference Report preserves certain market distorting programs that result in domestic job loss.

- The manufacturer of Lifesavers, for example, announced that they were moving their entire operation from Michigan to Canada because the U.S. Government artificially sets the price of sugar above the market level. Thousands of jobs are being lost because of these market-distorting policies.

5. The Conference Report creates new untested environmental programs.

- The Conference report creates a two new conservation programs and permits private organizations to hold and enforce certain easements.

6. The Conference Report fails to actually caps payments to providers.

- Some Members have expressed concern that the lack of strict payments caps will result in large corporate farms continuing to receive the vast majority of farm spending.
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