CHAPTER 7

Farm and Foreign Agricultural Services

Trade is critically important to the long-term economic health and prosperity of our food and agricultural sector. We have far more capacity than needed to meet domestic food market requirements. To avoid excess capacity throughout the system—our farmland, transportation, processing, financing, and other ancillary services—we must maintain and expand our sales to customers outside this country. . . . Clearly, without the salutary effects of an expanding export market, farm prices and net cash incomes would be significantly lower.

Farm Service Agency

The Farm Service Agency's (FSA) mission is to ensure the well-being of American agriculture and the American public through efficient and equitable administration of agricultural commodity, farm loan, conservation, environmental, emergency assistance, and domestic and international food assistance programs.

FSA is a customer-driven agency with a diverse and multi-talented workforce, empowered and accountable to deliver programs and services efficiently, and dedicated to promoting an economically viable and environmentally sound American agriculture.

What Is FSA?
FSA was established under a USDA reorganization in 1994, incorporating programs from several agencies, including the Agricultural Stabilization and Conservation Service, the Federal Crop Insurance Corporation (now a separate Risk Management Agency), and the Farmers Home Administration. Though its name has changed over the years, the agency's relationship with farmers dates back to the 1930s.

Congress set up a unique system under which Federal farm programs are locally administered. Farmers who are eligible to participate in these programs elect a three-to-five-person county committee that reviews county office operations and makes many of the decisions on how to administer the programs. This grassroots approach gives farmers a much-needed say in how Federal actions affect their communities and their individual operations. After more than 60 years, it remains a cornerstone of FSA's efforts to preserve and promote American agriculture.

2002 Farm Bill
The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill), which governs Federal farm programs, includes provisions to support the production of a reliable, safe, and affordable supply of food and fiber; promote stewardship of agricultural land and water resources; facilitate access to American farm products at home and abroad; encourage continued economic and infrastructure development in rural America; and ensure continued research to maintain an efficient and innovative agricultural and food sector.

The 2002 Farm Bill also provides certainty and support for America's farmers and ranchers by providing a generous safety net for farmers without encouraging overproduction and depressing prices.

Today, 25 percent of U.S. farm income is generated by exports. Foreign market access is essential to farmers, ranchers, and the entire agricultural sector. The 2002 Farm Bill helps keep international trade commitments and support the agency's commitment to fair trade by complying with U.S. obligations to the World Trade Organization.

The Farm Bill offers incentives for good conservation practices on working lands, strengthens the farm economy over the long term, and promotes farmer independence. It has increased record-level funding for almost every existing environmental stewardship program and represents an unprecedented investment in conservation on America's private lands, nearly $13 billion over the next 6 years. The bill emphasizes conservation on working lands and provides the most dramatic growth in the Environmental Quality Incentives Program, providing more than $5.5 billion over the next 6 years.

Marketing Assistance Loan Programs
FSA administers commodity loan programs for dry peas, lentils, small chickpeas, barley, corn, honey, grain, sorghum, wool, mohair, oats, oilseeds, peanuts, rice, sugar, tobacco, wheat, and upland and extra-long-staple cotton.

The agency provides the operating personnel for the Commodity Credit Corporation (CCC), which provides assistance with respect to products of certain agricultural commodities through loans and loan deficiencies payments (LDP). This provides farmers with interim financing and helps maintain balanced and adequate supplies of farm commodities and their orderly distribution throughout the year and during times of surplus and scarcity.

Instead of immediately selling the crop after harvest, a farmer who grows an eligible crop can store the produce and, normally, take out a "nonrecourse" loan for its value, pledging the crop itself as collateral. "Nonrecourse" means that the producer can discharge debts in full by forfeiting or delivering the commodity to the Federal Government.

The nonrecourse loan, where available, allows farmers to pay their bills and other loan payments when they become due, without having to sell crops at a time of year when prices tend to be at their lowest. Later, when market conditions are more favorable, farmers can sell their crops and repay the loan with the proceeds. Or, if the prevailing price of the crop remains below the loan level set by CCC, farmers can keep loan proceeds and forfeit the crop to CCC instead. The repayment rate may also be adjusted, in some instances, by USDA to minimize forfeitures and the costs of storing commodities and to allow commodities produced in the United States to be marketed freely and competitively, both domestically and internationally. When repayment rates are set below the loan level during periods of low prices, producers realize a marketing loan gain. Loan deficiency payments may also be offered in lieu of marketing assistance loans when repayment rates are below the loan level.

Commodity Purchase Programs

Foreign food assistance in FY 2000 provided nearly 6 million tons of commodities, valued at $1.2 billion. During FY 2001, FSA provided more than 5.5 million metric tons of commodities under foreign food aid programs valued at $1.1 billion. As part of that total, the Global Food for Education program was initiated and provided approximately 470,000 metric tons of commodities valued at over $106 million.

Domestic food assistance in FY 2000 and FY 2001 totaled approximately 400 million pounds each year at a cost of approximately $300 million per year.

Under the Dairy Price Support Program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices to support the price of milk. These purchases help maintain market prices at the legislated support level. Dairy purchases totaled about 500 million pounds in FY 2000 and 400 million pounds in FY 2001, valued at approximately $500 million in FY 2000 and $400 million in FY 2001.

CCC can store purchased food in over 10,000 commercial warehouses approved for this purpose across the Nation. However, commodity inventories are not simply kept in storage. FSA employees work to return stored commodities to private trade channels. At the agency's Kansas City Commodity Office in Kansas City, MO, FSA merchandisers regularly sell and swap CCC inventories.

Beyond the marketplace, CCC commodities fill the need for hunger relief both in the United States and in foreign countries. FSA employees work closely with USDA's Food and Nutrition Service to purchase and deliver foods for the National School Lunch Program and many other domestic feeding programs. For foreign food assistance programs, FSA

America should continue to be a global agricultural leader in the 21st century.

employees purchase commodities for the U.S. Agency for International Development and the USDA Foreign Agricultural Service. These agencies administer the P.L. 480, Title II/III Programs and the Section 416(b) and Food For Progress Programs, respectively.

Disaster Assistance Available From FSA
FSA has programs that are activated during certain types of disasters. Among these are the Noninsured Crop Disaster Assistance Program, Emergency Conservation Program, and Emergency Loans.

Noninsured Crop Disaster Assistance Program
The Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to eligible producers affected by natural disasters. This federally funded program covers noninsurable crop losses and planting prevented by disasters.

When damage to a crop or commodity occurs as a result of a natural disaster, producers requesting NAP assistance must meet certain criteria.

In FY 2002, 40,000 producers received $173 million in payments.

Emergency Conservation Program
The Emergency Conservation Program provides emergency cost-share funding for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures during periods of severe drought. The natural disaster must create new conservation problems which, if not treated, would:

- Impair or endanger the land,
- Materially affect the productive capacity of the land,
- Represent unusual damage which is not the type likely to recur frequently in the same area,
- Be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use.

FSA allocated $93 million in Emergency Conservation Program assistance to 42 States in FY 1999 and $105 million to 40 States in FY 2000 to help farmers and ranchers rehabilitate farmland damaged by the year's droughts, floods, hurricanes, and other natural disasters and for water conservation measures for severe drought. In FY 2002, 10,000 producers received $30 million in payments.

Emergency Loans
FSA provides emergency loans to help cover production and physical losses in counties declared disaster areas by the President, or designated as such by the Secretary of Agriculture or the FSA Administrator (physical loss loans only). Emergency loans also are available in counties contiguous to such disaster areas. These loans are made to qualifying established family farm operators. In addition, to qualify for emergency loans, applicants must have operated a farm in a county declared as a disaster area by the President, or designated as such by the Secretary of Agriculture or the FSA Administrator (physical loss loans only). Loans for crop, livestock, and non-real-estate losses are normally repaid in 1 to 7 years, and in special circumstances, up to 20 years. Loans for physical losses to real estate and buildings are normally repaid in 30 years, and in special circumstances, up to 40 years. In FY 2002, FSA

made 949 emergency loans totaling $57,609,000.

Emergency Declarations

As of November 25, 2002, 2,344 counties of the total 3,141 in the United States had received disaster declarations for drought (as either primary or contiguous counties) by the Secretary of Agriculture.

Cattle Feed Assistance Program

In 2002, USDA and FSA introduced the Cattle Feed Assistance Program that provides $150 million to help cow-calf operators in Nebraska, Colorado, Wyoming, and South Dakota. The eligible States were selected because data showed that at least 75 percent of the pasture and forage crops in these States is rated as poor or very poor. Without this assistance, severe disruption could come to the beef industry if producers are forced to prematurely market foundation herds of beef cattle due to lack of forage. To implement the program, USDA's Commodity Credit Corporation (CCC) enters into agreements with feed mills located in the eligible areas, making available existing CCC stocks of nonfat dry milk to be used in the production of livestock feed. Eligible producers are able to obtain feed at reduced or no cost from participating manufacturers. At the time the program was announced, CCC had more than 441 million pounds of nonfat dry milk that was at least 2 years old or older in storage. In the past, CCC has sold similar nonfat dry milk stocks for animal feed.

Livestock Compensation Program

In 2002, USDA and FSA announced the Livestock Compensation Program (LCP), a new program designed to help cattle, sheep, goat, and buffalo producers in counties that have received primary disaster designation due to drought in 2001 and/or 2002. The program, which pays farmers and ranchers a certain amount per head of livestock, provides close to $1 billion in financial assistance. Sign-up for the program ran from October 1 to December13, 2002. As of Nov. 20, 2002, applications for LCP benefits had been received from and payments issued to more than 310,000 livestock producers in 41 drought-impacted States. Between

October 1 and November 20, 2002, more than $578 million had been paid.

Apple Market Loss Assistance Program II and III (AMLAP II and AMLAP III)

In 2002, FSA administered the AMLAP II, which provided about $75 million to eligible growers to help offset economic losses due to low prices in the U.S. apple market in 2000. As of November 18, 2002, $73 million had been paid to more than 6,330 growers.

In the fall of 2002, FSA held a sign-up period for AMLAP III, which was authorized by the 2002 Farm Bill. The program provides another $94 million to eligible growers for their 2000-crop apple production.

Farm Loans

FSA offers guaranteed farm ownership and operating loans and direct farm ownership, operating and emergency loans to family-size farmers who are temporarily unable to obtain private commercial credit and who meet all applicable program eligibility criteria. Often, these are beginning farmers who cannot qualify for conventional loans because they have insufficient net worth. In addition, FSA provides assistance to established farmers who have suffered financial setbacks from natural disasters and

to farmers who have limited resources to improve their farming operation's profitability.

Under the guaranteed loan program, FSA guarantees loans made by conventional agricultural lenders for up to 95 percent, depending on the circumstances. The lender may sell the loan to a third party; however, the lender remains responsible for servicing the loan. All loans must meet qualifying criteria to be eligible for guarantees. FSA has the right to monitor the lender's servicing activities. Farmers interested in guaranteed loans must apply to a conventional lender, who then arranges for the guarantee.

Farmers unable to qualify for a guaranteed loan may apply for a direct loan. Direct loans are made and serviced by FSA officials who provide applicants and borrowers with supervision and credit counseling. Funding authorities for direct loans are limited, and applicants may have to wait until funds become available. To qualify for a direct loan, the applicant must be able to show sufficient repayment ability, pledge enough collateral to fully secure the loan, and meet all other eligibility criteria.

In FY 2001, FSA dealt with a strong demand for loans and loan guarantees from farmers unable to obtain vital credit elsewhere. FSA provided over 29,900 loans and loan guarantees, totaling $3.2 billion, including:

- 17,554 direct loans totaling $943 million
- 12,368 guaranteed loans totaling $2.3 billion
- more than 8,000 loans and loan guarantees to beginning farmers totaling $706 million
- 3,440 loans and loan guarantees to minority and women farmers totaling $288 million
- 1,679 emergency loans totaling $90 million.

In FY 2000, FSA provided over 33,000 loans and loan guarantees, totaling $3.7 billion, including:

- 18,559 direct loans totaling $1.048 billion
- 14,930 guaranteed loans totaling $2.6 billion
- over 8,100 loans and loan guarantees to beginning farmers totaling $716 million
- 3,370 loans and loan guarantees to minority and women farmers totaling $277 million
- 2,451 emergency loans totaling $150 million.

In FY 2002, FSA's Farm Loan Programs division made more than 14,500 direct farm operating loans totaling over $668,000,000. There were 9,462 guaranteed farm operating loans valued at $1,549,666,000. Over 1,500 direct farm ownership loans were made that totaled $177,861,000. American farmers and producers, 3,905 to be exact, received $1,101,176,000 in guaranteed farm ownership loans. (The remainder of the loans were emergency loans.) In all, FSA made more than 30,000 loans totaling $3,553,373,000 in FY 2002.

Conservation Programs

In the conservation arena, USDA's CCC continued its progress in improving our natural resources. During 2001, CCC accepted 223,000 acres in the Conservation Reserve Program (CRP) continuous sign-up (wherein producers can sign up at any time for certain high-priority conservation practices, such as filter strips and riparian buffers).

Also contracts representing more than 2.3 million acres enrolled during Signup 20 became effective in the regular (competitive) CRP, the Federal Government's single largest environmental improvement program.

CRP protects our most fragile farmland by encouraging farmers to stop growing crops on highly erodible and other environmentally sensitive acreage. In return for planting a protective cover of grass or trees on vulnerable property, the owner receives a rental payment each year of a multi-year contract. Cost-share payments are also available to help establish permanent areas of grass, legumes, trees, windbreaks, or plants that improve water quality and giver shelter and food to wildlife.

Another conservation program, the Conservation Reserve Enhancement Program, is part of the CRP. This program shields millions of acres of American topsoil from erosion by encouraging the planting of protective vegetation. By reducing wind erosion as well as runoff and sedimentation, it also protects air and groundwater quality and helps improve countless lakes, river, ponds, streams, and other bodies of water.

State governments have the opportunity to participate in this environmental improvement effort. CCC provides incentives to agricultural producers to participate, while State governments contribute specialized local knowledge, technical help, and financial assistance. The result is an environmental enhancement effort tailored to the specific environmental needs of each State.

In 2001, California, Illinois, Iowa, Kentucky, and North Dakota signed agreements with FSA under the Conservation Reserve Enhancement Program (CREP). CREP combines State and Federal dollars with funding from nongovernment sources to tackle specific agriculture-related environmental issues. Financial incentives encourage farmers and ranchers to enroll targeted land in CREP and establish riparian buffers, grass filter strips, wetlands, wildlife habitat, and other land improvement practices. At the end of 2001, 18 States had signed agreements with USDA.

FSA works with USDA's Natural Resources Conservation Service and other agencies to deliver other conservation programs, including the Environmental Quality Incentives Program (EQIP). EQIP helps farmers and ranchers improve their property to protect the environment and conserve soil and water resources. Participants can take advantage of education in new conservation management practices, technical support, cost-share assistance, and incentive payments.

Where To Get More Information on FSA Programs

Further information and applications for the programs described in this chapter are available at local FSA offices. These are usually listed in telephone directories under "U.S. Department of Agriculture, Farm Service Agency." FSA State offices are usually located in the State capital or near the State land-grant university.

For further information on FSA programs, the FSA homepage can be found at **http://www.fsa.usda.gov**

We must ensure that our exporters have the necessary tools to capture a greater share of the benefits that are flowing from trade reform and the resulting global market expansion.

Foreign Agricultural Service

The Agency and Its Mission

USDA's Foreign Agricultural Service (FAS) represents the diverse interests of the U.S. food and agricultural sector abroad. FAS serves U.S. farmers, ranchers, and other agricultural interests by working to expand markets for U.S. agricultural, fish, and forest products overseas and promoting world food security.

The agency collects, analyzes, and distributes information about global supply and demand, trade trends, and emerging market opportunities. FAS seeks improved market access for U.S. products and implements programs designed to build new markets and to maintain the competitive position of U.S. products in the global marketplace. FAS also carries out food aid programs; operates a variety of congressionally mandated import and export programs; and manages international technical assistance, research, and economic development activities. FAS helps USDA and other Federal agencies, U.S. universities, and others enhance the global competitiveness of U.S. agriculture by mobilizing expertise for agriculturally led economic growth to increase income and food availability in the developing world. FAS also coordinates and articulates USDA views on a number of agricultural policy and program issues in international organizations to promote and enhance the interests of USDA and the U.S. agricultural community.

Formed in 1953 by executive reorganization, FAS is one of the smaller USDA agencies, with about 950 employees. FAS operates worldwide with staff in about 100 offices covering around 130 countries. Washington-based marketing specialists, trade policy analysts, economists, and others work closely with the overseas staff. Roughly 70 percent of the annual FAS budget is used to build markets overseas for U.S. farm products. This includes the funding for all of FAS' trade and attaché offices overseas and its work with U.S. commodity associations on cooperative promotion projects. The remaining funds cover other trade functions, including gathering and distributing market information, trade policy efforts, international training and research, and representation of U.S. agricultural interests in multilateral organizations. To get a complete picture of the services offered and information available for exporters, visit the homepage at **http://www.fas.usda.gov**

Overseas Representation

FAS foreign service officers wear many hats, serving as diplomats, negotiators, analysts, and marketing representatives for U.S. agricultural producers, processors, and exporters. The officers provide information used to plan and develop strategies for improving market access, promoting world food security, protecting U.S. interests under trade agreements, and developing programs and policies to make U.S. farm products more competitive. They work with other USDA and Federal agencies, international organizations, State and local governments, and the U.S. private sector. They also advise U.S. ambassadors on agricultural matters and represent U.S. agriculture before the government, trade groups, and public of their host countries.

Agricultural Trade

The United States exports more than $1 billion a week in agricultural products. Export value in fiscal year 2002 (October 2001-September 2002) reached $53.3 billion, an $11-billion increase from the level of 10 years earlier. Sales to foreign markets of U.S. meats, fruits, and vegetables, packaged grocery products, and other consumer foods totaled $21.6 billion, close to 2001's all-time high. Exports of coarse grains, soybeans, wheat, cotton, and other bulk farm commodities reached $19.1 billion. Exports of semi-processed and other intermediate farm products climbed to a record $12.6 billion.

In 2002, Canada replaced Japan as the leading market for U.S. agricultural exports. Sales to Canada set a record at $8.6 billion, while exports to Japan were $8.3 billion. Mexico was our third largest market, taking $7.1 billion in U.S. agricultural exports. The 15-nation European Union was fourth at $6.3 billion, and

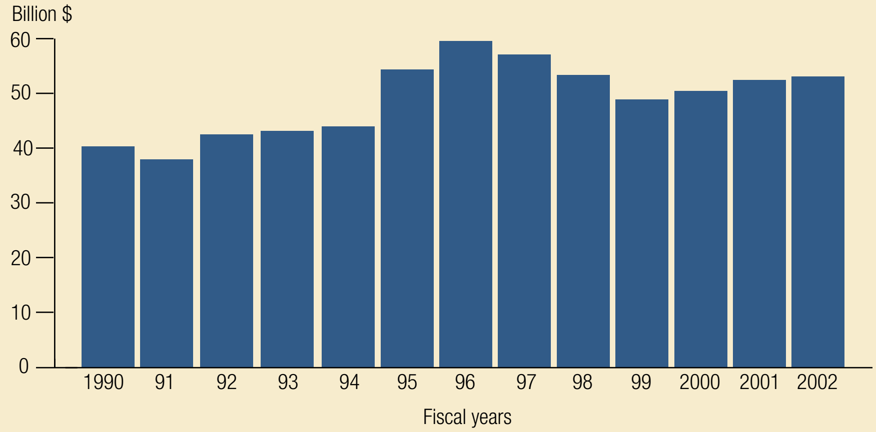
South Korea completed the top five at $2.7 billion. Together, Canada and Mexico, our two partners in the North American Free Trade Agreement (NAFTA), accounted for nearly 30 percent of total U.S. agricultural export sales globally.

U.S. agricultural imports in 2002 totaled $41 billion, up 5 percent from the previous year. Exports were substantially higher than imports, resulting in a U.S. agricultural trade surplus of more than $12 billion. Agriculture is one of a few major U.S. industries consistently producing a trade surplus.

Trade is critically important to the economic health and prosperity of the U.S. food and agricultural sector. Overall, exports account for about 25 percent of total farm sales. At the same time, imports provide consumers with year-round access to a wider variety of foods at reasonable prices, including foods not produced domestically.

Figure 7-1

U.S. agricultural exports top $53 billion in 2002, up $11 billion from 10 years earlier



International Trade Agreements

FAS works closely with other government agencies, including the Office of the U.S. Trade Representative (USTR), to protect the trade interests of U.S. producers and processors. FAS monitors the agricultural provisions of existing agreements such as the World Trade Organization (WTO) Uruguay Round Trade Agreement, and works on the agricultural provisions of new agreements such as the bilateral free trade agreement with Chile, and the Free Trade Area of the Americas (FTAA).

The United States was the first WTO member to put forward a comprehensive and specific agriculture proposal for the negotiations under the Doha Development Agenda. Along with a comprehensive tariff reduction formula, the United States proposed that WTO members engage in negotiations on a sector-specific basis on further reform commitments that go beyond the basic reductions. These would include deeper tariff reductions, product-specific limits on trade-distorting domestic support, and other commitments to more effectively address the trade-distorting practices in the affected commodity sectors.

FAS works to help identify violations of agreements and address them at the appropriate level. Besides working with the USTR, FAS works closely with other USDA agencies such as the Animal and Plant Health Inspection Service and the Food Safety and Inspection Service to form a team with the technical and policy experience needed to resolve problems. This team supports U.S. export interests in the day-to-day activities of multilateral organizations such as the CODEX Alimentarius Commission in the Food and Agriculture Organization and the WTO Committees on Agriculture, and Sanitary and Phytosanitary Measures. These groups help develop international standards that affect trade in agricultural products and monitor compliance with existing trade agreements.

Monitoring of trade agreements is essential to ensure that the benefits gained through long, hard negotiations are realized. Our monitoring of the Uruguay Round Trade Agreement on Agriculture and the Sanitary and Phytosanitary Agreement ensured that nearly $1.8 billion in U.S. trade was protected or expanded. Examples include the monitoring of China and Taiwan's WTO accession commitments, Venezuela's import licensing for numerous commodities, and Costa Rica's rice import permits. In addition, we worked to secure access for U.S. organic exports to Japan and Europe, averted the imposition of grain import restrictions by the EU, and helped open the Australian market to U.S. table grapes.

FAS is coordinating efforts with other USDA agencies to establish the new Trade Adjustment Assistance Program for Farmers, a program established by the Trade Act of 2002. Under the program, USDA is authorized to make payments to eligible producer groups when the current year's price of an agricultural commodity is less than 80 percent of the national average price for 5 marketing years, and the Secretary determines that imports have contributed importantly to the decline in price.

Food Assistance Programs

Within USDA, the Foreign Agricultural Service is the leader in developing and executing a number of food assistance activities under Title I of Public Law 83-480 (P.L. 480), the Food for Progress Act of 1985, and Section 416(b) of the Agricultural Act of 1949. These programs help developing nations make the transition from concessional financing and donations to cash purchases. The U.S. Agency for International Development (USAID) is responsible for administering Titles II and III of P.L. 480.

P.L. 480 Title I - The objectives of the P.L. 480 Title I concessional credit program include providing food assistance to developing countries and promoting the development of future markets in these countries. The program promotes market development by encouraging importers in the recipient country to become familiar with U.S. trade practices and to establish long-term trade relationships. Title I funds also support the **Food for Progress (FFP)** program, which is a grant program designed to assist countries working to make the transition to more market-oriented economies. Attention is given to shifting countries from Title I/FFP grant funding to regular Title I long-term concessional credit terms.

In fiscal year 2002, Title I agreements were signed for 504,000 metric tons of commodities to nine countries. The commodities were valued at $102 million.

The funds and facilities of the Commodity Credit Corporation (CCC), a federally owned and operated corporation within USDA, may also be used to support FFP programming. In all FFP programs, cooperating sponsors (governments and pri-

vate voluntary organizations (PVOs)) may monetize the commodities received under an agreement with CCC to generate local currencies to fund development projects. In fiscal year 2002, USDA had FFP programs in 25 countries. Under CCC-funded Food for Progress programs, about 285,000 tons of commodities with a value of about $86 million were provided.

Under the Title II emergency and private assistance donations program, for fiscal year 2002, 2.2 million metric tons of commodities valued at $493 million were programmed. The Title III program has been inactive since fiscal year 2000.

The Section 416(b) program allows for the donation of surplus agricultural commodities, made available through CCC stocks, to assist needy people overseas. In fiscal year 2002, approximately 1.6 million metric tons valued at about $410 million were programmed under Section 416(b), including 274,000 metric tons for the Global Food for Education (GFE) Initiative. CCC purchased these commodities under its surplus removal authority.

The **McGovern-Dole International Food for Education and Child Nutrition Program**, authorized by the 2002 Farm Act, is based on, and will replace, the pilot GFE initiative. This program (hereafter referred to as FFE program) is now a fourth USDA international food aid authority, in addition to P.L. 480, Section 416(b), and Food for Progress. The FFE program is designed to encourage education and deliver food to improve nutrition for preschoolers, school children, mothers, and infants in impoverished regions. The 2002 Farm Act authorized the FFE program from FY 2003 through FY 2007, providing for $100 million in CCC funding for FY 2003. Funding in subsequent years would need to be authorized through congressional appropriations.

Commercial Export Credit Guarantee Programs

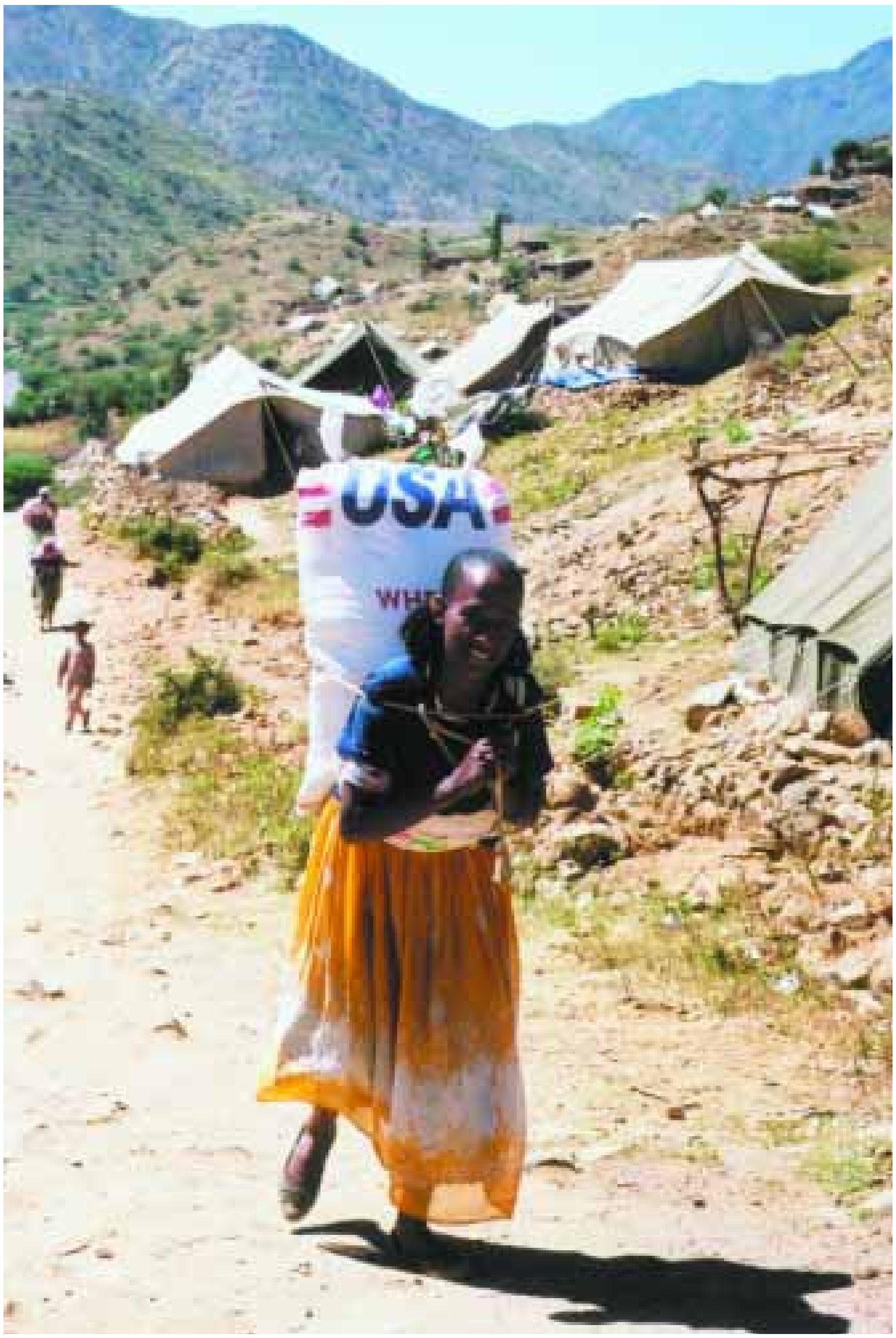
The primary objective of the export credit guarantee programs is to improve the competitive position of U.S. agricultural commodities in international markets by facilitating exports to middle-income countries that do not have access to adequate commercial credit. These CCC programs encourage U.S. lenders (typically commercial banks) to extend credit to overseas customers. These guarantee programs encourage the involvement of foreign private-sector banks and private-sector importers in commercial trade transactions with the United States.

The **GSM-102** program guarantees repayment of short-term credit (90 days to 3 years) extended by U.S. financial institutions in connection with exports of U.S. agricultural products. For fiscal year 2002, GSM-102 allocations of about $4.6 billion were announced for exports to 22 countries and 11 regional groupings, including the Baltic, Caribbean, Central American, Central Europe, China/Hong Kong, South America, Southeast Asia, Southeast Europe, Southern Africa, East Africa, and West Africa regions. Under this availability, GSM-102 registrations totaled about $3.0 billion for exports to 11 countries and 6 regions.

The **GSM-103** program helps developing nations make the transition from concessional financing to cash purchases. Guarantees issued under the GSM-103 program can cover financing periods of more than 3 and up to 10 years. For fiscal year 2002, $165 million in intermediate credit guarantees was made available for exports to eight countries and three regions: Central America, South America, and Southern Africa. No sales were registered under this program in fiscal year 2002.

The **Supplier Credit Guarantee Program (SCGP)** provides export credit guarantees for sales financed by foreign importers rather than financial institutions. Under the program, CCC guarantees a portion of payments due from importers under short-term financing that exporters have extended directly to importers for the purchase of U.S. agricultural commodities and products. In fiscal year 2002, allocations under the SCGP totaled $1.1 billion in coverage for sales to 18 countries and 11 regions, including the Baltic, Caribbean, Central America, Central Europe, China/Hong Kong, South America, Southeast Asia, Southeast Balkans, Southeast Europe, West Africa, and Western Europe regions. Under the announced fiscal year 2002 availability, registrations totaled $452 million. The SCGP has been growing steadily since its inception in 1997.

The **Facility Guarantee Program (FGP)** is designed to provide payment guarantees in connection with projects that it determines will benefit exports of U.S. agricultural commodities to emerging markets. In supporting these facilities, USDA intends to enhance sales of U.S. agricultural commodities and products to emerging markets where the demand for them may be constricted due to inadequate storage, processing, or handling capabilities. In fiscal year 2002, $285 million in coverage was announced to seven countries and seven regions; however, no sales were registered.



Export Bonus Programs

The **Export Enhancement Program (EEP)** permits USDA to provide bonuses to make U.S. commodities more competitive in the world marketplace and to offset the adverse effects of unfair trade practices or subsidies. The EEP was not used in fiscal year 2002.

The **Dairy Export Incentive Program (DEIP)** helps exporters sell certain U.S. dairy products at prices lower than the exporter's cost of acquiring them. The major objective of the program is to increase exports of U.S. dairy products. This is done by developing export markets for dairy products where U.S. products are not competitive because of the presence of subsidized products from other countries. The DEIP operates on a bid bonus system similar to EEP, with cash bonus payments. The major markets targeted under the DEIP in fiscal year 2002 included Asia and Latin America, with $54.5 million in bonuses awarded, to facilitate the export of 86,473 metric tons of dairy products.

Market Development Programs

The **Market Access Program** (MAP) uses CCC funds to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. The MAP forms a partnership between non-profit U.S. agricultural trade associations, U.S. agricultural cooperatives, non-profit State-regional trade groups, and small U.S. businesses to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

The **Foreign Market Development Cooperator Program**, also known as the Cooperator Program, uses CCC funds to aid in the creation, expansion, and maintenance of long-term export markets for

U.S. agricultural products. The Cooperator Program fosters a trade promotion partnership between USDA and U.S. agricultural producers and processors who are represented by non-profit commodity or trade associations called Cooperators. Under this partnership, USDA and the Cooperator pool their technical and financial resources to conduct overseas market development activities. Activities must contribute to the maintenance or growth of demand for the agricultural commodities and generally address long-term foreign import constraints and export growth opportunities.

The **Emerging Markets Program** assists U.S. public and private organizations in improving market opportunities in low- to middle-income countries that offer viable markets for U.S. agricultural commodities and products. The program supports a broad range of generic technical assistance activities that U.S. organizations undertake to improve market access and to promote, enhance, or sustain U.S. agricultural exports in these emerging markets. For fiscal year 2002, USDA allocated $10 million for 82 projects in Africa, Asia, Eastern and Central Europe, South America, and the Caribbean.

The **Quality Samples Program** (QSP) was established in 1999 to help U.S. agricultural trade organizations provide samples of U.S. agricultural products to potential importers in foreign markets. Focusing on industry and manufacturing uses, this program stimulates interest in U.S. products by giving potential customers the opportunity to test the products and discover U.S. quality. The QSP is used to fund projects that broadly benefit agricultural industries rather than individual exporters. Under the program, participants export samples of U.S. agricultural products to foreign buyers and provide technical demonstrations on how to properly use or further process the products. For fiscal year 2002, USDA announced allocations of $1.6 million to 21 organizations.

The **Technical Assistance for Specialty Crops** (TASC) program was established by the 2002 Farm Act to address unique

barriers that prohibit or threaten exports of U.S. fruits, vegetables, and other specialty crops. The legislation calls for $2 million in CCC resources to be provided each fiscal year through 2007 to assist organizations in removing, resolving, or mitigating phytosanitary or related technical barriers to U.S. specialty crops. These crops include all cultivated plants and their products produced in the United States, except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. For fiscal year 2002, USDA announced allocations of $2 million to 18 organizations for projects to help address current or potential barriers that hinder trade in specialty crops.

International Cooperation

The Foreign Agricultural Service coordinates, supports, and delivers a diversified program of international agricultural cooperation and development with developing, middle-income, and emerging market countries. These programs enhance the competitiveness of U.S. agriculture, promote agribusiness and trade, preserve natural resource ecosystems, and help partner countries pursue sustainable economic development worldwide by mobilizing the resources of USDA and its affiliates throughout the U.S. agricultural community.

Food Security

The U.S. Action Plan on Food Security, which FAS coordinated, is the U.S. strategy for meeting the goal established at the 1996 World Food Summit to halve the number of undernourished people by 2015. It represents commitments of both the public sector and civil society to address hunger at home and abroad in seven priority areas: an enabling economic and policy environment, trade and investment, research and education, sustainable agricultural practices, a strong safety net, improved identification of the food insecure, and safe food and water. FAS coordinates the efforts of all U.S. Government agencies in partnership with civil society to monitor and implement the U.S. Action Plan and other U.S. followup to the 1996 World Food Summit.

International Organization Liaison
FAS coordinates U.S. participation in international organizations related to food and agriculture and monitors the policy and programs of international organizations to ensure that they reflect U.S. priorities.

Scientific Collaboration
Short-term exchange visits between U.S. and foreign scientists, as well as longer term collaboration on research projects, allow participants to use science to help solve critical problems affecting food, agriculture, and the environment in both the United States and collaborating countries. The activities reduce threats to U.S. agriculture and forestry, develop new technologies, establish systems to enhance trade, and provide access to genetic diversity essential to maintaining crops that are competitive in the world marketplace. In FY 2001, FAS collaborated with a diverse group of U.S. institutions in research partnerships with 51 countries in scientific cooperation. Research and exchange activities promoted the safe development and application of biotechnology, improved food safety, enhanced nutritive value of crops and livestock, environmental sustainability, and addressed other priority food and agriculture issues.

Technical Assistance
FAS implements a variety of technical assistance projects to increase income and alleviate hunger and poor nutrition in developing nations, to mitigate the impact of natural and civil disasters, to conserve the natural resource base, and to build the capacity to engage in international trade. The projects are funded by a variety of donors such as the U.S. Agency for International Development (USAID), the World Bank, regional development banks, United Nations agencies, foreign governments, and private organizations. Technical assistance is provided in areas such as food safety, plant and animal health, collection and analysis of agricultural statistics, private sector and agribusiness development, agricultural marketing, soil and water conservation, and community forest management.

Recent efforts include coordination of $13 million of funding from USAID to undertake hurricane recovery efforts in the Caribbean and Central America in the fall of 1998, provide grants to small farmers in the Dominican Republic, and assist African businesses with developing and marketing high-quality natural products for local, regional, and international markets. FAS is working with transportation and standards officials in Southern Africa to enhance public/private partnerships, harmonize transportation and standards policies and procedures, and foster trade and investment opportunities. Other technical assistance activities designed to promote U.S. trade and investment in middle-income and emerging market countries include cold chain improvement, agricultural biotechnology training and technical assistance, WTO trade policy training, food safety programs, and agribusiness opportunity missions.

Training
Career-related training for foreign agriculturists provides long-term benefits to economic development and trade for both the United States and recipient countries. Working collaboratively with USDA agencies, U.S. universities, and private-sector companies and organizations, FAS designs and implements study tours, academic programs, and short-term courses and training in a variety of areas such as agribusiness, extension ed-

ucation, natural resource management, policy and economics, and human resource development.

The **Cochran Fellowship Program** provides short-term training in the United States for mid- and senior-level specialists and administrators from developing, middle-income, and emerging market countries to promote food security and strengthen U.S. agricultural trade and market development opportunities. The **Faculty Exchange Program** helps overseas universities equip their students to compete in the global economy by providing training in the United States to university educators to help them develop market-oriented agricultural education programs. Other training efforts include training officials from Mexico and Indonesia on food labeling to alleviate technical barriers to trade between the United States and these countries and training programs in emerging markets throughout Asia, Africa, and Latin and South America to help improve understanding of agricultural biotechnology.

Risk Management Agency

The mission of the Risk Management Agency (RMA) is to provide and support cost-effective means of managing risk for agricultural producers in order to improve the economic stability of agriculture. Crop insurance is USDA's primary means of helping farmers survive a major crop loss. In 2002, nearly $37.3 billion in protection was provided on 215 million acres through more than 1.3 million policies; this level of protection is almost 2.7 times the $13.6 billion protection on the 100 million acres insured in 1994.

Crop insurance helps farmers recover from crop losses, secure operating loans, and aggressively market a portion of their crop. In 2002, more than 70 percent of the acreage planted to major U. S. crops was insured.

Under current law, producers are required to report their actual yields and all such yields are used in computing a yield guarantee for the insured crop. Transitional yields (T-yields), based on average county yields, are used when there is an insufficient number of actual

yields to establish the yield guarantee. Producers suffering multiple years of severe losses often find themselves with protection so low that they are unable to secure operating loans.

Crop insurance is sold and serviced by 17 insurance companies in conjunction with a network of 15,000 agents across the country. Crop insurance is widely available for major commodities such as corn, wheat, and cotton. Coverage is also available on a growing number of fruit, nut, and vegetable crops. Nationally, over 100 crops are insurable (counting all insurable varieties would greatly increase the number of crops insured), although not everywhere they are grown. Crop information is available at **http://www.rma.usda.gov/policies/**

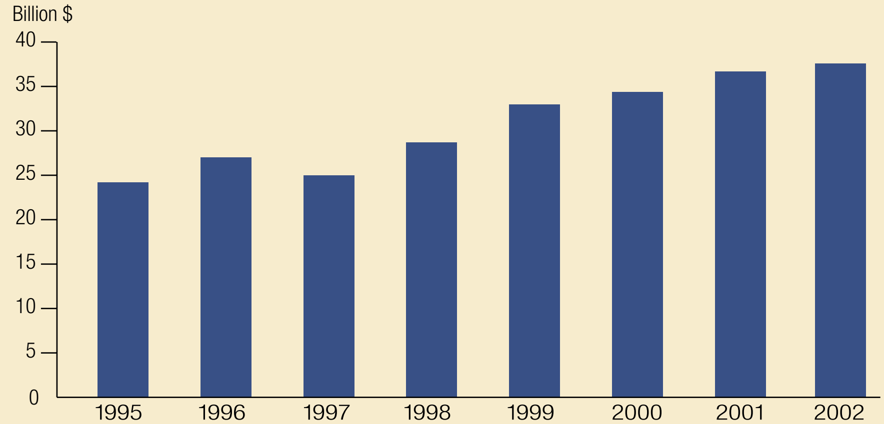
RMA continues to assist in the development and approval of new pilot programs, such as avocado, cabbage, cherry, pecan, processing chili pepper, forage seed, hay, rangeland, and raspberry/blackberry crops. By increasing the number and types of insurance plans, the program will help producers better manage their production risks.

Insurance Plans Available

Multiple-Peril Crop Insurance
Multiple-Peril Crop Insurance (MPCI) policies insure producers against losses due to unavoidable causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. Indemnities are paid based on the difference between what was produced and the yield guarantee. Yield guarantees are based on the producer's actual production history and the coverage level percentage elected. Coverage levels generally range from 50 to 75 percent, but up to 85 percent is available for some areas and crops. The prices used to pay losses are between 55 and 100 percent of the commodity price established annually by RMA.

Group Risk Plan
The Group Risk Plan (GRP) policies use a county index as the basis for determining a loss. When the county yield for the insured crop, as determined by USDA's National Agricultural Statistics Service (NASS), falls below the trigger level chosen by the farmer, an indemnity is paid. Yield levels are available for up to 90 percent of the expected county yield. GRP protection involves less paperwork and costs less than the farm-level coverage described above. However, individual crop losses may not be covered if the county yield does not suffer a similar level of loss.

Figure 7-2
Crop insurance liability, U.S. total, 1995-2002



Group Risk Income Protection
Group Risk Income Protection (GRIP) is similar to the Group Risk Plan of insurance except revenue rather than yield is the focus. The GRIP policies provide protection against low county revenue caused by low prices, low yields, or a combination of both. GRIP uses Chicago Board of Trade (CBOT) futures prices to calculate the expected price and harvest price. NASS data are used to calculate the expected and final county yields. The expected price and expected county yield are used to calculate the expected county revenue. An indemnity is paid when the county revenue per acre (harvest price times NASS county yield per acre) falls below the trigger revenue (expected county revenue per acre times coverage percent). Coverage is on an enterprise unit and is available up to 90 percent of the expected county revenue.

Dairy Options Pilot Program
RMA currently operates the Dairy Options Pilot Program (DOPP) to help dairy producers protect their income against the risk of falling milk prices. During each round of DOPP, producers in selected pilot counties receive training in the use of futures and options as price risk management tools. Within program guidelines, they may then purchase dairy put options (right to sell) through futures brokers registered with U.S. exchanges. When prices fall, the value of put options increase, thereby protecting the value of at least a portion of the producer's dairy production. USDA assists participating farmers by funding 80 percent of the cost of the options and by paying $30 per contract toward the commission charged by the broker. In 2001, the Dairy Options Pilot Program (DOPP) was expanded to 300 counties.

Revenue Insurance Plans
Revenue Insurance policies include six plans: Adjusted Gross Revenue, Crop Revenue Coverage, Income Protection, Livestock Gross Margin, Livestock Risk Protection, and Revenue Assurance. Revenue policies are different from standard MPCI policies in that they provide farmers with a measure of price risk protection. Four of the policies, Crop Revenue Coverage, Livestock Gross Revenue, Livestock Risk Protection, and Revenue Assurance, were developed by private-sector insurance companies. Adjusted Gross Revenue and Income Protection were developed by RMA. All the revenue policies guarantee a level of revenue that is determined differently depending on the policy. Visit RMA's Web site at: **www.rma.usda.gov**

New Plans
The pilot Nutrient Management/Best Management Practice (BMP) Insurance Program provides insurance protection from crop production loss when a producer applies a rate of fertilizer (nitrogen, phosphorus or both) for maximum crop yield as recommended by a Best Management Practice (BMP). A certified crop consultant will recommend a BMP

system for the production area and crop to determine how much fertilizer to apply. The producer will apply the recommended rate of fertilizer on the insured acreage; this portion of the field is called the management unit. Adjacent to the management unit, the crop consultant will lay out a check strip on which the producer will apply his/her historical rate of nutrients. If the producer thinks the crop production on the management unit is low because of insufficient fertilizer, the producer may request a crop appraisal. The producer must use the same farming practices on both the check strip and management unit. It is assumed that growing conditions for the management unit and the check strip are the same, and that fertilization is the only variable. The policy does not cover any causes of loss insured by a policy reinsured by FCIC, such as drought, but only loss of yield from fertilizer recommendations.

Outreach

RMA is continuing its outreach efforts to provide beginning, small, limited-resource, and other traditionally underserved farmers and ranchers with program information and assistance necessary to make informed decisions regarding participating in USDA/RMA programs and activities. RMA is partnering with land-grant universities, Hispanic-serving institutions (HSIs), and community-based organizations to educate and provide training and technical assistance to farmers and ranchers.

RMA held a national outreach conference, "Survival Strategies for Small and Limited-Resource Farmers and Ranchers," for service providers and stakeholders in FY 2001. The conference goal was to identify and promote successful strategies small and limited-resource farmers and ranchers can use to remain economically viable in the rapidly changing agricultural environment. The strategies identified during the national conference are being shared with farmers and ranchers at the regional and local level through a series of workshops and conferences. Conferences have been held in North Carolina, Washington, and Georgia, with additional conferences in 2002 scheduled for Texas and California.

Risk Management Education

Current farm policy increases the risk borne by producers. To help them acquire the risk management skills needed to compete and win in the global marketplace, RMA is leading a risk management education initiative. This initiative leverages Government funds for education with the resources of public and private-sector partners to find improved risk management strategies, develop educational curricula and materials, and train producers in effective use of risk management tools.

Through a competitive Request for Applications process, the RMA awarded funds through cooperative agreements and partnership agreements to State departments of agriculture, universities, outreach organizations, and others to deliver risk management educational programs for agricultural professionals, producers, and ranchers. The educational programs cover two areas: risk management education for specific commodities and crop insurance education for producers in 15 underserved States.

More Growth Anticipated

While crop insurance can't provide farmers a good price for their crops, coverage is a vital component of an overall risk management plan. Market-driven risk management products combined with an aggressive risk management education and outreach program will help ensure that our Nation's producers have a reliable and effective safety net. More information on RMA and its programs is available at: **http://www.rma.usda.gov/**