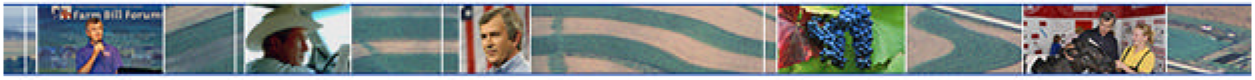

PAYMENT LIMITS

Background

A limitation on the total annual payments that a "person" may receive under certain commodity programs has been in effect since enactment of the Agricultural Act of 1970. Subsequent farm legislation has continued payment limitation requirements, and has added various income limitations; most notably the 2002 farm bill added a $2.5 million average adjusted gross income (AGI) limitation with respect to these programs.

A "person," for payment limitation purposes, may include an individual; a limited liability partnership; a limited liability company; a corporation; a joint stock company; an association; a limited stock company; a limited partnership; an irrevocable trust; a revocable trust together with the grantor of the trust; an estate; a charitable organization; and a State, political subdivision, or agency thereof. For an individual or entity to be considered a separate "person," the individual or entity must: have a separate and distinct interest in the land or crop involved; exercise separate responsibility for this interest; and maintain funds or accounts separate from that of any other individual or entity for this interest.

In addition to the "person" determination, many programs require that the individual or entity be "actively engaged in farming" to be eligible to receive program benefits. Programs requiring an "actively engaged in farming" determination are Direct and Counter-Cyclical Payments (DCP), Marketing Assistance Loans and Loan Deficiency Payments, National Dairy Market Loss Payments, and the Conservation Reserve Program (CRP). To be "actively engaged in farming" requires the significant contributions of land, capital, or equipment or a combination of the three, and active personal labor or active personal management or a combination of both. These contributions must be at risk and commensurate with the claimed share of profits and/or losses of the farming operation.

The following programs are subject to payment limitation and eligibility provisions. Listed after each program are the applicable payment limitations for 2006.

Benefits, Payments and Limitations	
Direct and Counter-cyclical Payments	
Payment or Benefit	***Limitation Per Person***
Direct payments for the following covered commodities: barley, corn, grain, oats, other oilseeds, rice, sorghum, soybeans, upland cotton, and	$40,000 per crop year

wheat.	
Direct payments for peanuts	$40,000 per crop year
Counter-cyclical payments for the following covered commodities: barley, corn, grain, oats, other oilseeds, rice, sorghum, soybeans, upland cotton, and wheat.	$65,000 per crop year
Counter-cyclical payments on peanuts	$65,000 per crop year

Price Support	
Payment or Benefit	***Limitation Per Person***
Any gain realized from repaying a marketing assistance loan for one or more of the following loan commodities at a lower level than the original loan rate established for the loan commodity. Any Loan Deficiency Payments (LDPs) received for one or more of the following loan commodities. Loan commodities include: barley, corn, grain, oats, other oilseeds, rice, sorghum, soybeans, upland cotton, and wheat.	$75,000 per crop year
Any gain realized from repaying a marketing assistance loan for honey, peanuts, mohair, or wool at a lower level than the original loan rate established for the loan commodity. Any LDPs received for one or more of the following loan commodities: honey, peanuts, mohair, or wool.	$75,000 per crop year
Conservation Programs	
Payment or Benefit	***Limitation Per Person***
Rental payments, including incentive payments made under the Conservation Reserve Program (CRP).	$50,000 per fiscal year
Cost-share and incentive payments under Environmental Quality Incentives Program (EQIP)	$450,000 per individual or entity EQIP payments are not limited on a per "person" basis. Instead, an individual or entity may not receive, directly or indirectly, cost-share or incentive payments under EQIP that exceed $450,000, in aggregate, for all contracts entered into during FYs 2002 through 2007, regardless of the number of contracts entered into by the individual or entity.
NAP	
Payment or Benefit	***Limitation Per Person***
Noninsured Crop Disaster Assistance Program (NAP) payments	$100,000 per crop year

General Opinions Expressed

- Most respondents generally agreed that effective and enforceable payment limitations are necessary, particularly in consideration of budget constraints.
- The exact amounts of the limits and the methods for FSA to impose the limitations varied greatly. Ideas ranged from limits by specific crop or commodity; limits controlled strictly by individual social security number; limits per crop acre; or limits based on farm income.
- Some commenters suggested that the current payment limitation levels should be lowered, while others maintained they should be increased.
- Many commenters said that currently, the payment limitations are set too high and were the reason for the demise of the family farm and rural communities.
- Other commenters believed that the current payment limitation rules should be retained because stricter payment limitation rules would only harm agriculture through the resulting decrease in Federal support dollars received by producers.
- A few commenters offered that all payment limitation rules should be eliminated because they work against the trend of farm consolidation and production efficiency.
- Other commenters suggested that USDA should not discriminate against large, corporate farms. Family farms are now commonly also corporate farms. Do not penalize farmers for growing.
- A commonly held opinion was that restrictions must be established to prevent nonfarmers from receiving Government farm support payments.
- A few commenters offered that rice farms require a significant capital investment and that reduced payment limitations would harm the family farm operations in the rice-growing regions.
- A few commenters offered that limits on payments are necessary to restore public confidence in the need for farm programs.

Detailed Suggestions Expressed

- Payment limitations could be more effectively and economically administered if the eligibility forms were consolidated into as few as possible.
- Farmers should be subsidized first and foremost as individuals. This would create smaller farms run by individuals.
- The cap should be lowered from $360,000 to $250,000 per person per year, and the gaping loophole that allows some farmers to receive up to a million dollars in subsidies every year should be closed.
- Correct the current fiasco of payment limitation loopholes and it will immediately slow down the demise of the family farm. The systematic destruction of the family and small towns is due to lack of enforceable payment limits.
- Limit assistance to large farms according to their income.
- The pay cap must be lower than $250,000 for one farmer.
- Total payments for commodity support programs should be capped at $250,000 per farm per year, and all loopholes must be closed. The Environmental Quality Incentives Program (EQIP) should be capped at $150,000 per 5-year contract.
- The current payment limitation should be reduced and the three-entity rule done away with. One payment per farmer is enough.

- Cap farm subsidies at $250,000 per individual farm and get rid of the three-entity rule. A family farm is one farm, not three corporations. Close the loophole that allows big farms to receive triple payments.
- Eliminate ambiguous multiple-eligibility loopholes and virtually unbridled farm program payment levels that lead to accelerated concentration and consolidation in agriculture.
- Significant savings could be realized if payments went only to farmers who receive a significant portion of their income from farming.
- A payment limitation per commodity would help. Corn and soybean farmers do not need caps as high as cotton farmers. FSA should discourage payment limitation fraud more aggressively.
- Payment limits should be established for each person under their social security number and the amount of support should be sufficient for a 1,500-acre corn and soybean operation.
- Loopholes like the triple-entity rule should be eliminated. There should be no way to receive money through multiple entities and multiple limits.
- A landowner collecting payments without a crop growing on the land should not be considered actively engaged in farming.
- Remove all subsidies from any entity with more than 1,000 acres of crops.
- The current farm program eligibility rules do not recognize the modern realities of agricultural lending practices. The new farm bill must have eligibility requirements structured so they do not penalize farmers and lenders.
- Assistance must be limited to only noncorporate farms.
- Agriculture would be harmed by more restrictive payment limits.
- Payment limits should be based on income levels adjusted for farm size. The producers that do not need the help should not receive it.
- Lower the payment limitation to $250,000 for one permitted entity and attribute payments to a social security number rather than a corporation tax ID.
- Cap farm subsidy payments at $250,000 to prevent cuts in nutrition assistance.
- Program payments should have a reasonable cap based on what one farm entity can receive.
- The next farm bill should retain the current payment limitation structure as any cuts would devastate the majority of peanut and cotton farming operations.
- A $250,000 payment limitation should be imposed with assistance tailored to meet the needs of medium- to small-size producers.
- More restrictive payment limits would hurt our international competitiveness and are not in the best interest of United States agriculture.
- The specialty crop producer should have a different payment limitation than the traditional crop producer, due to the high input costs.
- The regulations should be tightened to better define the significant contribution of active personal management and to prevent the doubling of payments by large mega-interests.
- Payment limitation rules need to verify the real farmers versus the “paper” farmers.
- Means-testing for eligibility or to restrict participation in the Federal farm programs should be opposed.
- One payment limitation per individual should be allowed, period. Multiple-entity involvement is making a mockery out of payment limitations.
- The payment limitation should not exceed $200,000 and should be attributed to the social security number of the individual.

- Making a single payment to a social security number would make the bookwork simpler at FSA and would discourage the creation of enterprises to circumvent payment limitation.
- Many family farms are incorporated for liability reasons and, therefore, any payment limitation should not restrict payments to entities.
- Enact the Grassley-Dorgan payment limitations bill. Restore effective payment limitations to EQIP and do not allow expansion of EQIP to concentrated livestock production.
- Farm subsidies should be limited to $100,000 per farmer for all crops and livestock products.
- The next farm bill should adopt a more reasonable, middle-ground solution of payment limits to accomplish budget savings while maintaining the network of family farms.
- Farm program payments should be limited only to family farms, and corporate farms should not get a penny.
- Pay limits are needed and someone is needed to enforce them. A new definition of the word "producer" in the USDA vocabulary should be found.