

# The National Grange



The 2002 Farm Bill Revisited:  
Perspective on the farm  
security & rural investment  
act one year later

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**O**n May 13, 2003, the USDA celebrated its first anniversary of the Farm Security and Rural Investment Act (H.R. 2646), better known as the 2002 Farm Bill. During the months leading up to the passage of the Farm Bill, many in the press have expressed opinions voicing everything from concern to support of this impending legislation. Now that a year has already passed, it is the perfect time to reflect upon how this legislation has affected American agriculture up to this point.

Prior to passage of the 2002 Farm Bill, the National Grange researched several media sources, both opinion/editorial and news articles in order to gauge the press' reaction (*Through the Looking Glass: How the Press & Pundits Saw the 2002 Farm Bill* - [www.nationalgrange.org/legislation/FarmBillReaction.htm](http://www.nationalgrange.org/legislation/FarmBillReaction.htm)). In reviewing media response to the Farm Bill, common themes were found throughout and classified under different categories. For example, issues relating to World Trade Organization (WTO) limitations and free trade fell under the heading of International and Free Trade. Issues dealing with crop production, income security and affect on small vs. large, corporate farms were classified under Economic Impact. There was also a Quality of Life section that dealt with things existing under different sections of the Farm Bill such as conservation, alternate sources of energy, rural development and benefits such as food stamps. There was also speculation that President Bush was signing this bill in order to gain the support of rural voters categorized under the heading Political Motivations.

Now that a year has already passed, we can see how the 2002 Farm Bill has affected American agriculture by seeing how funds are being distributed and the number of agricultural producers taking advantage of them. We can also better see how these benefits are affecting the quality of life in rural America. Because the 2002 Farm Bill is still in the early stages of its 6-year enactment, changes are still likely to arise. Because of this, this report will include resources that

will allow Grange members and other readers to access the most up-to-date information to keep up with these changes.

## **INTERNATIONAL & FREE TRADE**

The 2002 Farm Bill has allocated \$1.144 billion towards agricultural trade and exporting, some of which benefit impoverished countries. Agricultural imports are a very significant contributor to the American economy; they expand sales of products thus allowing the agricultural sector to facilitate higher incomes. Jobs within the agricultural sector have expanded to include processing, packaging, shipping, marketing and financing of these products. Approximately 765,000 Americans are employed by the agricultural industry.

American agriculture relies significantly on foreign exports in contrast to other industries and that reliance can be expected to increase in the coming years. These exports consist of a variety of products. For example, nearly half of our wheat supply and rice crops are exported, a third of soybean, tobacco and cotton produced, and twenty percent of corn. This not only boosts sales and improves our economy; it provides quality food to developing countries.

The Market Access Program (MAP) will be increased to \$200 million annually by 2006 under the new Farm Bill. The MAP program obtains funding from the USDA's Commodity Credit Corporation (CCC) to facilitate the creation, expansion and maintenance of foreign markets for U.S. agricultural exports. This program enables agricultural producers to enter foreign markets by creating partnerships between agricultural trade associations and cooperatives, non-profit groups, small businesses and the CCC. Each applicant for the program is required to contribute a certain amount of money towards the given program. For example, individual companies provide at least 50 percent of the funding for branded product promotion activities while trade associations and others must contribute 10 percent towards generic promotion activities. Once the

competitive review process is complete and applicants are accepted, the USDA's Foreign Agriculture Service (FAS) determines the funding for the given proposal and signs an agreement with each participant.

In order to increase the export of specialty crops and overcome trade barriers, the 2002 Farm Bill established the Technical Assistance for Specialty Crops (TASC) Program. The purpose of the TASC program is to provide funding for projects that address sanitary, phytosanitary and technical barriers that prohibit or threaten the export of U.S. specialty crops. Examples of such projects can include seminars and workshops, study tours, field surveys, pest and disease research and pre-clearance programs. Once proposals are submitted and accepted, organizations such as government agencies, non-profit trade associations, private companies and universities can receive grants of up to \$250,000.

The Foreign Market Development (FMD) Program, which has existed for over 45 years, will be receiving \$67 million under the new Farm Bill. The FMD Program provides funds to Cooperatives, which are groups representing producers, processors, and non-profit commodity and trade associations. Under this program, Cooperatives and the USDA form a partnership to implement programs aiding in the creation, expansion and development of export markets. These Cooperatives submit proposals, maintain itemized lists of expenditures and are reimbursed by the CCC. Unlike the MAP Program, the FMD Program focuses on generic commodities and favors non-profit agricultural and trade groups representing an entire

industry as opposed to individual brand-name producers.

Provisions set by the 2002 Farm Bill go beyond merely benefiting America's agricultural producers, they will also help to feed developing countries. The



amount of \$308 million is being contributed to the Food for Progress Program, a program that supports countries making commitments to promote free enterprise within their agricultural economies. Projects are devoted to such things as developing improved techniques, farmer education and cooperative development and the development and introduction of new foods.

To further extend the abundance of agricultural products to underdeveloped countries, \$100 million is being contributed towards the Global Food for Education (GFE) Initiative, now known as the McGovern-Dole International Food and Education and Child Nutrition Program. The purpose of this program is to reduce hunger experienced by these children and improve education. This program will encourage other donor countries to participate and contribute.

The McGovern-Dole program builds on past success of the GFE Initiative, which include providing education and basic services in countries such as Bolivia, creating jobs in the European country of Moldova and providing food and education in Pakistan. "Nearly 7 million children in 38 countries have been receiving school meals under the pilot USDA initiative which is in its final year" Says USDA Secretary Ann Veneman. "The new program being announced today will ensure that we can continue to build upon these successful efforts in other countries to improve childhood education and nutrition."

## ECONOMIC IMPACT

In expressing her appreciation to the national, state and county level USDA staff, Secretary Ann Veneman was pleased to say that they "implemented all key commodity program provisions quickly and efficiently" and "provided more than \$8 billion in program payments for agricultural producers." Those that were expected to make a significant impact on the livelihoods of America's agriculture sector are loan programs geared towards specific products such as corn, soybeans and wheat. For all commodities listed

under Title I, three types of payments are available; they are direct (AMTA), Counter Cyclical (CCP) and Loan Deficiency (LDP) payments.

Introduced in the 1996 Farm Bill, direct payments (AMTA) are fixed based on the producers' historical production base. Payments are received regardless of the commodity being planted and its price levels; furthermore, producers not receiving these payments are eligible to sign up if they have been planting any of the program crops over the last four years. Just like direct payments, Counter Cyclical Payments (CCP) are made based on historical production levels. However, CCPs will provide additional payments to producers if market prices fall below a certain level. A Loan Deficiency Payment (LDP) is determined based on county prices for a given commodity; in other words, payments are made when the posted country prices falls below the average loan rate.

Despite the steady progress in which funds are being distributed towards commodities, certain producers are still facing financial difficulty. This applies particularly to America's dairy producers, one of the most disadvantaged of all commodities groups. On August 13, 2002, the Farm Bill established the Milk Income Loss Contract (MILC), a program that compensates dairy farmers when prices fall below a specified level. Eligible producers include those that commercially produce and market cows milk within the U.S., those who produce milk in the U.S. and market it outside the country and producers from foreign countries with working visas or other valid taxpayer ID.

Although the Farm Bill makes provisions for the disadvantaged dairy industry, there are those who believe that they are insufficient. According to Wisconsin Congressman Dave Obey, "the 2002 Farm Bill has turned out to be a huge disappointment for Wisconsin dairy farmers. We're not better off than where we were a year ago today — we're worse off. Milk prices continue to languish at 25 year lows, and Wisconsin farmers continue to go bankrupt."

Peanut farmers tend to be doing some-

what better under the 2002 Farm Bill yet remain highly dependent on government subsidies. In January 2002, Georgia peanut farmer Jerome Paulk filed a lawsuit seeking compensation for income loss that resulted from the elimination of the peanut quota system. He was only able to farm one year between 1998 and 2001 because he had a back problem requiring surgery. The Farm Bill, which was enacted in the middle of growing season, replaced quota allotments with "base" allotments, transferring base allotment to growers who had previously been renting quota. As a result of this change, Mr. Paulk lost three-fourths of what would have been his new base to the farmer who had rented their quota. According to Mrs. Paulk, "we have struggled and paid our debts. We have purchased our quota. But because we did not farm for three years, we've lost 75 percent of the newly created base. People need to know that this is the greatest injustice that has ever been done in a farm bill." As of this writing, the lawsuit is still awaiting resolution.

## QUALITY OF LIFE ISSUES

Those issues that were expected to have the most significant impact on all rural Americans are the several provisions within the 2002 Farm Bill created to enhance the quality of life in rural areas. Approximately \$18 billion dollars have been allocated toward programs addressing conservation, nutrition and food assistance, telecommunications access and other community services. Of all the money being contributed towards quality of life issues, \$17.1 billion is being distributed between eleven conservation programs. The 2002 Farm Bill builds on existing voluntary incentive programs along



with providing producers the opportunity to participate in new ones. These programs not only help to preserve our natural resources, they will also promote responsible land stewardship by motivating agricultural producers to implement progressive conservation practices.

One such program, the Environmental Quality Incentives Program (EQIP) allows producers to meet local, state and federal environmental regulations by helping in the reduction of soil erosion, improve water use efficiencies and protect grazing lands. The final rule on the EQIP program has made the program more farmer friendly by expanding eligibility, focusing on priority issues such as clean water and clean air and allowing greater access to financial and technical assistance to better carry out the program.

The Farm and Ranch Lands Protection Program (FRPP), formerly known as the Farmland Protection Program, is expected to receive \$72 million in fiscal year 2003. This is a voluntary program that protects valuable agricultural land through the purchase of conservation easements. This enables farmers to keep their land by agreeing not to convert their land to nonagricultural uses and to develop conservation plans while maintaining the lands agricultural usage. Unlike the Farmland Protection Program, the FRPP allows participation of non-governmental organizations.

Another conservation program expecting significant funding for fiscal year 2003 is the Grassland Reserve Program (GRP), which represents an historic beginning of America's conservation and protection of valuable grasslands. This program will for the first time allow the USDA to direct resources towards restoring, enhancing and protecting grasslands by preventing its conversion to cropland or turning it over for development. Areas expected to benefit from this program are the Klamath River Basin, watersheds of the Rio Grande, drought affected areas such as Idaho, Montana and Wyoming and prairie-chicken habitat in states such as Colorado, Kansas, New Mexico, Oklahoma and Texas. Applications for this program will be accepted on an ongoing basis.

The Forest Land Enhancement Program (FLEP) was established by the 2002 Farm Bill to provide incentives to private landowners to become better managers and improve the health and productivity of their lands. The FLEP program will allow the more than 10 million private landowners with the know-how and resources to manage their lands for long-term sustainability. Funding of \$100 million over the life of the Farm Bill will be allocated for this program.

Despite the variation of conservation programs available through the 2002 Farm Bill, many agricultural producers are still waiting for them to be implemented. According to an Environmental Defense update from January 2003, the Bush Administration made a proposal that would create a discretionary fund for conservation technical assistance by taking money from other programs, including some Farm Bill programs, Conservation Operations and the Women, Infants, and Children (WIC) program.

Others have expressed concern that even after a year after being enacted, the 2002 Farm Bill has yet to implement its Conservation Security Program. The Conservation Security Program was developed to pay producers for maintaining conservation practices and installing additional conservation measures on working farmland. In a recent coalition letter to Congressmen Herb Kohl and Thad Cochran, the National Grange joined forces with 19 other environmental and public interest organization urging them to keep this program intact. The letter made the following points:

*“The Conservation Security Program (CSP) is an important farm bill innovation providing stewardship incentives for working farms and ranches to help solve critical resource issues while maintaining the economic viability of agricultural operations. It is specifically designed to assist farmers and ranchers in all regions of the country, including dairy, poultry and livestock producers and program and specialty crop growers, be the best land and resource stewards they can be. The CSP includes high conservation standards*

*to ensure lasting, cost-effective environmental benefits and conservation results.”*

In other regions of the country, the response towards the implementation of these programs has been favorable. Tennessee land-owners are especially pleased with the progress the 2002 Farm Bill conservation programs are making. James W. Ford, State Conservationist, USDA Natural Resources Conservation Service said, “I have been very pleased with the level of participation in Farm Bill programs in Tennessee this past year... The conservation provisions in this new Farm Bill represent a historic opportunity for producers in Tennessee to implement conservation on private lands through a variety of programs. These programs help Tennessee’s farmers continue with their efforts to improve watershed health, water quality and wildlife habitat.”

As illustrated throughout, the 2002 Farm Bill goes beyond ensuring a steady production of commodities, it sees to it that they are available to those in need. The total cost of the nutrition program is \$6.4 billion. These provisions reinstate benefits such as food stamps for legal immigrants residing in the U.S. for at least 5 years; provide 5 months of transitional benefits for households discontinuing Temporary Assistance to Needy Families (TANF); and simplifies the food stamp program to benefit recipients and administrators.

Also provided is an increase in funding for both the senior and WIC Farmer’s Market Nutrition Programs and a program in which fresh fruits and vegetables will be provided free in schools. Schools in Iowa, Michigan, Indiana and Ohio initiated fruit and vegetable giveaway programs with much success. In some classrooms, tubs are filled with fruit or packs of carrots to which the students can help themselves. This has resulted in better performance and eating habits of participating children, along with being a very effective way to combat the obesity epidemic that plagues the U.S.

Another health issue of concern to all Americans is food safety; the Farm Bill ad-

resses this concern by establishing Country of Origin Labeling (COOL) regulations. The COOL regulations apply towards meat, fruits and vegetables and dairy products. These regulations will require a label of showing where the product was produced, including where animals for meat products were born, raised and slaughtered. According to Senator Max Baucus, one of the cosponsors for COOL, these regulations will “enable consumers to make informed decisions about their food purchases and add value to our domestic commodities.”

Despite the empowerment these regulations will give to consumers, those in the meat industry find them highly inconvenient and a threat to the industry. To claim U.S. origin, meat producers must provide documentation verifying where their cattle was born, raised and slaughtered; if this cannot be provided, they will be unable to claim U.S. country of origin. The USDA claims that labeling requirements will cost producers about \$1.9 billion, but industry groups claim it will be even more costly. In the June 20<sup>th</sup> issue of the online *Daily Globe*, Worthington, MN meat producer Steve Brake said, “right now there are too many unanswered questions on what we have to do. It’s going to cost producers a lot of money to interpret the rules, and it’s going to cost packers a lot of money to comply. These costs are going to be recouped somehow. If I cannot verify the origin of my cattle, they could be fined \$10,000, which they will tell me to pay.”

## **RURAL DEVELOPMENT**

One of the most relevant attributes of the 2002 Farm Bill are the many provisions geared towards development projects that enhance the quality of life for rural Americans. There are 7 different programs under Title VI – Rural Development section of the Farm Bill that support television and Internet access, business development and investment, water and wastewater programs and emergency services.

The 2002 Farm Bill allocates \$180 million towards the development and deploy-

ment of telecommunications services in rural areas. Under Title VI – Rural Development, there are two programs that were developed to increase the use of technology in rural areas. The Rural Local Television Broadcast Signal Loan Guarantees provide funds allowing rural residents in underserved areas access to their local television stations. Also included under Title VI is the Broadband Service in Rural Areas program that provide funding to allow rural residents to receive high-speed, high-quality, broadband service.

In February 2003, it was reported that the president's \$2.2 trillion budget for 2004 did not have sufficient funds for grants created by the 2002 Farm Bill, most of these grants being devoted to rural development. This poses a potential threat to the 2002 Farm Bill and to the deployment of Internet and telecommunications access. According to an article in the *Des Moines Register* in February, money for the Internet loan program would be cut by more than half from the level originally set in the Farm Bill. The USDA said it would make loans worth \$1.4 billion for high-speed Internet services, which would come from \$40 million worth of taxpayer money.

## WHERE WE ARE/WHERE WE'RE GOING

The 2002 Farm Bill is complex and ever changing legislation, it is constantly evolving in response to current economic conditions and the needs of the rural community. To fully benefit from provisions set forth in the 2002 Farm Bill, producers must be patient and persistent. According to Cynthia McCarville, executive director of the Hall County Farm Service Agency in Nebraska, "it seems like there are so many more options for producers to choose from than the 1996 Farm Bill. The option then was whether or not to participate, but with this farm bill there are all kinds of options for them to choose." Ms. McCarville went on to say that "it takes a long time. One producer can be sitting in our office for as long as three hours. But what they decide today will affect them up until 2007."

Despite the fact that certain agricultural industries feel they may not have re-

ceived any significant benefit from the 2002 Farm Bill, the legislation is still brand new with many programs waiting to be implemented. "The legislation that Congress adopted and President Bush signed one year ago is designed to provide a safety net for American farmers and ranchers. While U.S. producers continue to look to the marketplace for economic reward and make resource allocations accordingly, this safety net allows them to make the investments in land and equipment required in modern farming and ranching," said Farm Service Agency Administrator James R. Little. He went on to say, "FSA will continue to administer programs that keep our agricultural sector stable and viable as a strong contributor to the overall health of the domestic and world economy." Through education, patience and persistence, Grange members and America's agricultural industry will be able to fully benefit from the 2002 Farm Bill, which in turn benefits not only our agricultural producers but our society as a whole.

# Resources

## AGENCIES

USDA Farm Bill Page  
[www.usda.gov/farmbill/index.html](http://www.usda.gov/farmbill/index.html)

Economic Research Service  
1800 M Street, NW  
Washington, DC 20036-5831  
[www.ers.usda.gov](http://www.ers.usda.gov)

Farm Service Agency  
State office locator: [www.fsa.gov/edso/statedefault.htm](http://www.fsa.gov/edso/statedefault.htm)

Foreign Agriculture Service  
[www.fas.usda.gov](http://www.fas.usda.gov)

House Committee on Agriculture  
[www.agriculture.house.gov/farmbill.htm](http://www.agriculture.house.gov/farmbill.htm)

Senate Agriculture, Nutrition & Forestry  
Committee  
[Agriculture.senate.gov/ag/fb.htm](http://Agriculture.senate.gov/ag/fb.htm)

## NEWS SOURCES

Farm Bill Watch  
[www.farmbillwatch.org](http://www.farmbillwatch.org)

Agriculture Online – Farm Bill  
[www.agriculture.com/farmbill/](http://www.agriculture.com/farmbill/)

## UNIVERSITY SPONSORED

University of Minnesota Extension Service –  
Farm Bill 2002  
[www.extension.umn.edu/farmbill/](http://www.extension.umn.edu/farmbill/)

University of Arkansas  
[www.agriculture.org/agfoodpolicy/default.asp](http://www.agriculture.org/agfoodpolicy/default.asp)

Clemson University

[Cherokee.agecon.Clemson.edu/ag-policy.htm](http://Cherokee.agecon.Clemson.edu/ag-policy.htm)

University of Missouri  
[www.fapri.missouri.edu/  
FAPRI\\_Welcome.htm](http://www.fapri.missouri.edu/FAPRI_Welcome.htm)

Iowa State University  
[www.extension.iastate.edu/feci/FSRIA/  
homepage.html](http://www.extension.iastate.edu/feci/FSRIA/homepage.html)

University of Georgia  
[www.ces.uga.edu/Agriculture/agecon/fbill/  
fbill.html](http://www.ces.uga.edu/Agriculture/agecon/fbill/fbill.html)

University of Illinois  
[www.farmdoc.uiuc.edu/](http://www.farmdoc.uiuc.edu/)  
Texas A&M  
[Agecoext.tamy.edu/2002fb/](http://Agecoext.tamy.edu/2002fb/)