The Food, Conservation and Energy Act of 2008

Summary of Key Provisions

AgriBank District Farm Credit Council

Introduction

Passage of the 2008 Farm Bill proved to be a long and tortuous journey for members of Congress and stakeholder organizations. Even final passage held its own set of surprises. Due to an error by the House Clerk's Office prior to sending the bill to President George W. Bush for his consideration, it was discovered that one title of the bill (Title III: Trade) had been inadvertently omitted. However, both chambers moved forward with approving the bill that had been sent to the President – the one that contained fourteen of the fifteen titles that make up the legislation.

After successful veto overrides by the United States Senate and the United States House of Representatives, the vast majority (93 percent) of the Food, Conservation and Energy Act of 2008 (Public Law 110-234) went into effect on May 22, 2008. The remaining title was approved following subsequent action by Congress.

In an effort to address the priorities of a growing and diverse group of stakeholders, Congress had to perform a delicate balancing act in order to satisfy both urban and rural constituencies. According to the Congressional Budget Office, the total estimated cost is $307 billion over five years and approximately $600 billion over ten years. Over the period of time when the act would be in effect (2008 through 2012), a total of $209 billion would go to nutrition programs, $35 billion would go towards agricultural commodity programs, and $25 billion would go to conservation programs.

The new farm bill is projected to increase direct spending by $0.5 billion over the 2008-2017 periods, with revenues projected to increase by $0.7 billion over the same period. On balance, CBO estimates that those changes would produce net savings (reductions in deficits or increases in surpluses) of about $0.1 billion over the 10-year period.

Overall spending on farm programs is decreased and now accounts for approximately 12 percent of total expenditures. Of this amount, direct payments account for $25 billion of the estimated $35 billion in commodity program expenditures. However, it is important to note that commodity payment mechanisms such as countercyclical payments and loan deficiency payments are tied to market forces. If commodity prices remain above the "trigger points" for these programs it is possible that government outlays will be less than $35 billion.

Under the new bill, target prices and loan rates are rebalanced, the countercyclical payment structures for both commodity and dairy producers are retained, and eligibility requirements for receipt of commodity program payments are modified. The ethanol tariff is extended until December 31, 2010, and the ethanol tax credit is reduced from 51 cents to 45 cents. This reduction becomes effective with the onset of the year following certification by the Environmental Protection Agency (EPA) that the industry has surpassed the 7.5 billion gallon threshold for ethanol production. For all practical purposes, this makes the effective date for this provision January 1, 2009.

The biggest beneficiary is nutrition spending, where funding was increased by $10.3 billion over the budget baseline. These programs now account for 73.5 percent of the overall total expenditures under the bill, an amount that is unprecedented in the long line of farm bills that preceded the current law.

Conservation funding has also been enhanced, with an additional $4 billion over previous levels for a total of approximately $25 billion. Major programs reauthorized under this title include the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP), the Conservation Security Program (CSP), the Grassland Reserve Program, and the Environmental Quality Incentives Program (EQIP).

The new farm bill strengthens the Energy Title, including $1 billion to leverage renewable energy industry investments in new technologies and new feedstocks. The bill also includes $320 million in loan guarantees for biorefineries producing advanced biofuels, as well as $35 million to assist existing ethanol plants in reducing their use of fossil fuels.

A total of $50 million was allocated to assist the United States Department of Agriculture in implementation of the new law. It is expected that the USDA Farm Service Agency (FSA) will again implement approximately 80 percent of the new farm bill, with an emphasis being placed on customer service and education - as well as working with University Extension agents.

Among the provisions that are of interest to FCS institutions is a modification to Rural Business Investment Companies (RBICs). Under the 2002 Farm Bill, FCS institutions were specifically authorized to establish or invest in RBICs, vehicles that are designed to channel venture capital investments to smaller enterprises primarily located in rural areas. Under the previous bill, System institutions were limited to 15 percent of voting stock. That cap has been raised to 25 percent.

This booklet is intended to highlight provisions contained in the Food, Conservation and Energy Act that may be of interest to FCS borrowers, directors and managers in that it touches upon every title of the Act. Many titles have a direct impact on producers and rural businesses; others are targeted at increasing demand for agricultural commodities and value-added products.

Please contact Dave Ladd at dave.ladd@agribank.com with any questions or comments regarding the following title-by-title summary:

Title I: Commodity Programs

The Commodity Title addresses a number of issues that have been sticking points amongst policymakers for a number of years. Although a number of reforms were included in the final bill, it is highly unlikely that they will be enough to quiet critics of the commodity program payment structure.

For the purposes of direct payments, loan rates and target prices, commodities that shall be considered as "other oilseeds" include:

- Sunflower seed
- Rapeseed
- Canola
- Safflower
- Flaxseed
- Mustard seed
- Crambe
- Sesame seed
- Other oilseeds designated by the Secretary

Direct Payments:

Direct payments (otherwise known as fixed or decoupled payments) are retained in the new farm bill but are reduced for all crops. This reduction is made by lowering the payment acres percentage from 85 percent to 83.3 percent in crop years 2009 through 2011. For the 2012 crop year, the payment acres percentage is restored to 85 percent. Therefore, the amount of the direct, decoupled payment will be equal to the product of 0.83 x the payment rate x the program base acres x the payment yield. Direct payments will continue to use historical AMTA yields, with per unit payments set at the following levels:

Commodity	2008 – 2012
Corn/bushel	$0.28
Soybeans/bushel	$0.44
Other oilseeds/hundredweight	$0.80
Wheat/bushel	$0.52
Upland cotton/pound	$0.0667
Long grain rice/hundredweight	$2.35
Medium grain rice/hundredweight	$2.35
Grain sorghum/bushel	$0.35
Barley/bushel	$0.24
Oats/bushel	$0.024

Direct payments will be made at a rate of 83.3 percent of base acres regardless of price of commodity, with an exception for participants in the Average Crop Revenue Election (ACRE) program. Advance payments of 22 percent of the total payment are to be made

available to producers for the 2008 through 2011 crop years beginning December 1st of the year prior to the year the crop is harvested, with the balance to be paid in September of the year the crop is harvested. However, advance direct payments will be terminated starting with the 2012 crop year.

Loan Rates:

Loan rates are held steady for major program crops for the 2008 and 2009 crop year before being enhanced for wheat, barley, oats, oilseeds, graded wool and honey for the 2010 – 2012 crop years. Large chickpeas are added beginning with the 2009 crop year.

Loan rates under the new farm bill are as follows:

2008 Crop Year

Corn/bushel	$1.95
Soybeans/bushel	$5.00
Other oilseeds/hundredweight	$9.30
Wheat/bushel	$2.75
Upland cotton/pound	$0.52
Extra long staple cotton/pound	$0.7977
Long grain rice/hundredweight	$6.50
Medium grain rice/hundredweight	$6.50
Grain sorghum/bushel	$1.95
Barley/bushel	$1.85
Oats/bushel	$1.33
Dry peas/hundredweight	$6.22
Lentils/hundredweight	$11.72
Small chickpeas/hundredweight	$7.43
Large chickpeas/hundredweight	N/A
Graded wool/pound	$1.00
Non-graded wool/pound	$0.40
Mohair/pound	$4.20
Honey/pound	$0.60

2009 Crop Year

Corn/bushel	$1.95
Soybeans/bushel	$5.00
Other oilseeds/hundredweight	$9.30
Wheat/bushel	$2.75
Upland cotton/pound	$0.52
Extra long staple cotton/pound	$0.7977
Long grain rice/hundredweight	$6.50
Medium grain rice/hundredweight	$6.50
Grain Sorghum/bushel	$1.95
Barley/bushel	$1.85
Oats/bushel	$1.33
Dry peas/hundredweight	$5.40
Lentils/hundredweight	$11.28
Small chickpeas/hundredweight	$7.43
Large chickpeas/hundredweight	$11.28
Graded wool/pound	$1.00
Non-graded wool/pound	$0.40
Mohair/pound	$4.20
Honey/pound	$0.60

Subsequent Crop Years (2010 – 2012)

Corn/bushel	$1.95
Soybeans/bushel	$5.00
Other oilseeds/hundredweight	$10.09
Wheat/bushel	$2.94
Upland cotton/pound	$0.52
Extra long staple cotton/pound	$0.7977
Long grain rice/hundredweight	$6.50
Medium grain rice/hundredweight	$6.50
Grain sorghum/bushel	$1.95
Barley/bushel	$1.95
Oats/bushel	$1.39
Dry peas/hundredweight	$5.40
Lentils/hundredweight	$11.28
Small chickpeas/hundredweight	$7.43
Large chickpeas/hundredweight	$11.28
Graded wool/pound	$1.15
Non-graded wool/pound	$0.40
Mohair/pound	$4.20
Honey/pound	$0.69

The rebalanced loan rates for wheat, barley, oats, oilseeds, graded wool and honey are intended to enhance the basic safety net for these commodities.

Target Prices:

Target prices have been retained in the new farm bill, with the revised target price for upland cotton effective with the 2008 crop year. Target prices for pulse crops (dry peas, lentils, small chickpeas and large chickpeas) are effective beginning with the 2009 crop year and the rebalanced target prices for wheat, grain sorghum, barley, oats, soybeans and other oilseeds are effective with the 2010 crop year.

Target prices (by crop year and covered commodity) are as follows:

Commodity	2008 Crop Year
Corn/bushel	$2.63
Soybeans/bushel	$5.80
Other oilseeds/hundredweight	$10.10
Wheat/bushel	$3.92
Upland cotton/pound	$0.7125
Long grain rice/hundredweight	$10.50
Medium grain rice/hundredweight	$10.50
Grain sorghum/bushel	$2.57
Barley/bushel	$2.24
Oats/bushel	$1.44

Commodity	2009 Crop Year
Corn/bushel	$2.63
Soybeans/bushel	$5.80
Other oilseeds/hundredweight	$10.10
Wheat/bushel	$3.92
Upland cotton/pound	$0.7125
Long grain rice/hundredweight	$10.50
Medium grain rice/hundredweight	$10.50
Grain sorghum/bushel	$2.57
Barley/bushel	$2.24
Oats/bushel	$1.44
Dry peas/hundredweight	$8.32
Lentils/hundredweight	$12.81
Small chickpeas	$10.36
Large chickpeas	$12.81

Subsequent Crop Years (2010 – 2012)

Corn/bushel	$2.63
Soybeans/bushel	$6.00
Other oilseeds/hundredweight	$12.68
Wheat/bushel	$4.17
Upland cotton/pound	$0.7125
Long grain rice/hundredweight	$10.50
Medium grain rice/hundredweight	$10.50
Grain sorghum/bushel	$2.63
Barley/bushel	$2.63
Oats/bushel	$1.79
Dry peas/hundredweight	$8.32
Lentils/hundredweight	$12.81
Small chickpeas	$10.36
Large chickpeas	$12.81

Countercyclical Payments:

Countercyclical payments were intended to be the "shock absorber" for farmers under the previous farm bill and they have been retained in the 2008 legislation. They will continue to be made whenever the effective U.S. average farm price for a covered commodity is less than the target price listed in the previous tables and will be made on 85 percent of a farmer's base acres and yields (<u>not</u> tied to production). The effective price is equal to the sum of (1) the **<u>higher</u>** of the national average market price during the 12 – month marketing year for the commodity or the national average loan rate, **<u>and</u>** (2) the payment rate for direct payments for the commodity.

The payment rate for countercyclical payments is the difference between the target price and the effective price. For example, assuming the marketing year average farm price is less than (or equal to) $1.98 per bushel the payment rate for corn would be:

National Average Loan Rate	$1.98
+ Direct Payment Rate	$0.28
Effective Price	$2.26/bushel

Therefore, the countercyclical payment would be:

Target Price	$2.60/bushel
- Effective Price	$2.26/bushel
	$0.34/bushel

A producer can elect to receive up to 35 percent of the projected payment in October of the year the crop is harvested, with an additional 35 percent beginning in February of the following year and the balance at the end of the 12-month marketing year for the specific

crop. The counter-cyclical program payment by class of rice is effective for the 2008 crop year and, beginning with the 2011 crop year, partial counter-cyclical payments will be eliminated. Furthermore, the Secretary is prohibited from establishing a target price for a covered commodity that is different from the target price specified. There is a special rule for calculation of countercyclical payments for long and medium/short grain rice.

Acreage Updates:

The Act provides for adjustments in the following situations:

- CRP contract expires or is voluntarily terminated
- Cropland is released from coverage under CRP by the Secretary
- Pulse crop acreage is established similarly to the establishment of oilseed acreage under the 2002 Act
- Additional eligible oilseed acreage is established, because of the Secretary designating additional oilseeds, similarly to the establishment of oilseed acreage under the 2002 Act
- If the sum of the base acres on the farm plus the following items exceed the DCP cropland on the farm, the base acres on the farm <u>must</u> be reduced unless the double-cropping exception applies:

    - acreage enrolled in CRP or WRP
    - any acreage enrolled in a Federal conservation program for which payments are made in exchange for not producing an agricultural commodity on the acreage
    - the addition of any pulse crop acreage
    - the addition of any additional oilseed acreage

Payment Yields:

The formula for calculating payment yields is similar to the 2002 Farm Bill, with provision made for the establishment of a payment yield for any designated oilseed or eligible pulse crop for the purpose of making direct payments and countercyclical payments.

Payment Limitations:

Effective with the 2009 crop year, the payment limits for loan deficiency payments and marketing loan gains are removed and the three-entity rule is eliminated, with direct attribution of payments being instituted. The adjusted average gross income (AGI) cap for participation in farm programs was reduced from $2.5 million to a “hard cap” of $500,000 per person or entity for non-farm income and $750,000 per person or entity for farm income, after which a producer would be ineligible for direct payments but would retain eligibility for other commodity payment mechanisms (e.g. countercyclical payments). Furthermore, there is a $1 million AGI cap for total income (with a 2/3 farm

income exemption) for conservation program benefits. All of these AGI limits utilize a three-year average.

Payment limits for the commodity programs are:

- $40,000 for a combination of traditional direct and average crop revenue fixed payments (excluding peanuts)
- $65,000 for countercyclical payments (excluding peanuts)
- Unlimited for marketing loan gains and loan deficiency payments (effective 2009)

As noted previously, beginning with the 2009 crop year the three-entity rule is repealed and direct attribution is required. The AGI limit can be apportioned to each spouse, thereby allowing each person to have up to the stated income levels above. Each entity or person receiving payments is to provide the Secretary the name and social security number of each individual, or the name and tax ID number of each entity that holds or acquires an ownership interest. Existing special classes of actively engaged participants are continued, with the exception that as long as one spouse is determined to be actively engaged the other spouse shall be determined to have met the requirements of personal labor or active personal management.

Average Crop Revenue Election Program:

The intent of the Average Crop Revenue Election (ACRE) program is to provide producers with payments for a commodity when the actual state revenue for the covered commodity is less than the revenue guarantee. Beginning with the 2009 crop year, producers will have the option of a one-time enrollment which remains effective for a period of four years (2009, 2010, and 2011, 2012) in this revenue protection program. They would agree to an irrevocable election of a 20 percent reduction in direct payments as well as a 30 percent reduction in loan rates. In return, they would be eligible for a state-based revenue guarantee on acres planted equal to 90 percent of the product of a state average yield per acre for the previous five years (after dropping the high and low years) times the national average price for the previous two years of the commodity.

If the actual state per-acre revenue is less than the guarantee <u>and</u> the producer suffers actual revenue loss for the crop on the farm, then the producer receives an ACRE payment equal to the difference between the state per-acre revenue guarantee and the state actual revenue calculation paid on 83.3 percent (85 percent for 2012) of the acres planted to the covered commodity on the farm. Payments would begin October 1 or as soon as possible thereafter, following the end of the applicable marketing year for the covered commodity.

The total number of planted acres for which the producers on a farm may receive ACRE payments may not exceed the total base acreage for all covered commodities and peanuts on a farm. If the total number of planted acres to covered commodities <u>does</u> exceed the total base acreage, the producer may choose which planted acres to enroll in this program.

Beneficial Interest:

There is no change in beneficial interest or loan deficiency calculation for rice, cotton or peanuts. For other commodities USDA maintains authority to adjust repayment rates during natural disaster events that disrupt the market, as well as calculating Posted County Prices using a 30-day moving average price.

Planting Flexibility:

Section 1107 authorizes a 75,000 acre Planting Transferability Pilot Program for specialty crops. The new planting flexibility provision gives Midwest farmers (all of whom would be within the AgriBank District) the option of planting specialty crops on up to 75,000 acres of program crop base for the 2009 – 2012 crop years. Although producers will lose commodity program payments on any acres they choose to utilize for specialty crop production, they will not lose program payments on their whole base. In addition, their base will be protected for future years. The pilot program is limited to cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes (only if they are grown for processing) and does not include dry beans and potatoes because these two crops are viewed as being too price sensitive to oversupply.

The authorized states and defined acreage levels are as follows:

State	*Acreage*
Minnesota	34,000
Illinois	9,000
Indiana	9,000
Michigan	9,000
Wisconsin	9,000
Ohio	4,000
Iowa	1,000
Total:	75,000

The Secretary is required to periodically evaluate this pilot project to determine whether or not producers of fresh fruits and vegetables are being negatively impacted or if existing production capacities are being supplanted.

Dairy:

The Dairy Product Price Support Program is retained, with the Secretary of Agriculture required to support the price of cheddar cheese, butter, and nonfat dry milk by purchasing these products at the following specified prices:

Product	Specified Price

Cheddar cheese in blocks	Not less than $1.13 per pound
Cheddar cheese in barrels	Not less than $1.10 per pound
Butter	Not less than $1.05 per pound
Nonfat dry milk	Not less than $0.80 per pound

If net removals of cheese, butter or nonfat dry milk exceed specific limits for 12 consecutive months, the Secretary of Agriculture may reduce the purchase price of that commodity, or commodities, during the month that immediately follows.

In addition to the traditional federal dairy programs and milk marketing order system, the countercyclical Milk Income Loss Contract (MILC) program is authorized through 2012. This program will continue to distribute a direct payment to all dairy farmers (regardless of the end use for the milk) when the federal order price for Class I utilization in Boston is below $16.94/hundredweight. The payment will be 45 percent of the difference between $16.94 and the monthly Boston Class I price. Payments will be made on 2.985 million pounds of production per year.

A "Feed Price Ratio" is also included as part of the MILC program. From October 1, 2008 through August 31, 2012, the $16.94/hundredweight price is adjusted by 45 percent whenever the National Average Dairy Feed Ration Cost for a month is greater than $7.35/hundredweight. Beginning September 1, 2012, the trigger for the adjustment in the price used to determine the payment rate is set at $9.50/hundredweight.

The Dairy Forward Pricing Program, a risk management tool that allows producers and handlers to "lock in" prices, thereby reducing risks associated with changes in price and income has been reestablished. Dairy producers are allowed to voluntarily enter into forward contracts with milk handlers by which they agree to sell a stated quantity of milk for a stated period and a stated price. No forward price contract can be entered into after September 30, 2012 or extend beyond September 30, 2015. Furthermore, milk handlers are prohibited from requiring participation in a forward contract, and the Secretary of Agriculture is required to investigate complaints and to take appropriate action if evidence of coercion is found.

In addition to the Dairy Product Price Support, MILC and Forward Pricing programs, the Dairy Export Incentive Program (DEIP) has been extended until December 31, 2012. The Secretary of Agriculture authorized to issue rules to ensure that each year the maximum volume of dairy product exports allowable within the United States' obligations under the Uruguay Round Agreements is exported.

The Dairy Research and Promotion Program is extended through fiscal year 2012 and is amended to include Alaska, Hawaii, the District of Columbia and the Commonwealth of Puerto Rico for both promotion and research programs. The legislation reduces the rate of assessment on imported dairy products is reduced to 7.5 cents/hundredweight and provides for a refund of assessments for importers on contracts in effect prior to July 26, 2007 for a period of one year after the date of enactment.

Sugar:

In an effort to mitigate an oversupply of sugar caused by increased imports and increased domestic production, the new farm bill retains an inventory management policy. The USDA will continue to balance sugar supply and demand by controlling domestic sugar sales. When United States sugar production exceeds USDA's determination of allowable sales, U.S. sugar producers store surplus at their own expense (otherwise known as "blocked stocks").

The loan rate is increased ¾ of a cent per pound (raw value) and is phased in over four years, with no change for the 2008 crop. There will be ¼ cent increases in crop years 2009 through 2011. The loan rate for raw cane will rise gradually from 18 cents/lb in 2008 to 18.75 cents/lb in 2012, a 4.2 percent increase. The loan rate for refined beet sugar is set at 128.5 percent of the loan rate for raw cane sugar beginning with the 2009 crop year. Under this provision, the Secretary of Agriculture is required to operate the loan program at "no cost" by avoiding forfeitures.

Imports are controlled via a Tariff-rate quota (TRQ), with an increase before April 1 (October through September crop year) only in case of a crop emergency. The TRQ would be increased on April 1 if domestic production plus the initial TRQ plus Mexican imports are inadequate to meet domestic demand.

The minimum Overall Allotment Quantity (OAQ) is the amount of allowable sales by U.S. producers. This is set at no less than 85 percent of domestic consumption and allotments no longer trigger with a surge in imports. This is consistent with the 86 percent share during the six years of the 2002 Farm Bill and production in excess of the OAQ will still be stored at producer's expense.

A new market balancing mechanism is instituted to be used when imports of sugar oversupply the domestic market. The sucrose-ethanol (or sugar-to-ethanol) program would not be utilized to clear domestically produced blocked stocks. The USDA would estimate the import-oversupply amount and solicit bids from sugar producers to supply sugar, as well as from ethanol producers to buy sugar.

The bill retains a requirement that the Secretary of Agriculture collect information on the production, consumption, stocks and trade of sugar in Mexico, including United States exports of sugar to Mexico.

Cotton:

The bill requires payment of cotton storage costs in the same manner as the Secretary provided for the 2006 crop of cotton effective for the 2008 – 2012 crop years. Payments are limited to a percentage of the actual storage rates.

Rice:

The 2008 Farm Bill ensures a uniform $6.50 per hundredweight loan rate for all classes of rice and provides for the separate calculation of counter cyclical payments for long grain and medium/short grain rice.

Beginning with the 2008 crop year, the calculation for countercyclical payments for long and medium/short grain rice a farm's rice base acres shall be apportioned using a 4-year average of the state's long and medium/short grain rice acreage percentages planted during the 2003 through 2006 crop years.

However, producers have the option to apportion a farm's rice base acres using a four-year average of:

- The **farm's** long and medium/short grain rice acreage percentages for the 2003 through 2006 crop years
- The **farm's** percentages that were prevented from being planted to long and medium/short grain rice during the 2003 through 2006 crop years due to natural disaster or other conditions beyond a producer's control (as determined by the Secretary)
- The **state's** long and medium/short grain rice acreage percentages (as determined by the Secretary). This option may be used if the producer elected not to plant long and medium/short grain rice in the 2003 – 2006 crop years.

Generally, base and payment acres, as well as payment yields, used in the calculation will be the same as those utilized under the 2002 Farm Bill.

Farm Storage Facility Loan Program:

Although farm storage facility loans have been made by the Farm Service Agency since 2000 under authority granted by the Commodity Credit Corporation Charter Act, this is the first time the provisions have been included in the farm bill. In an effort to improve grain storage capacity, language was included that will provide loans to producers to build and upgrade storage facilities. These loans may be for a period of up to 12 years and the terms are "locked-in" for the life of the loan. The maximum loan amount is $500,000 per facility loan.

Peanuts:

The 2002 Farm Bill had terminated the marketing quota program for peanuts but had compensated quota holders for the loss of the quota at an asset value of $0.11 per pound per year for five years.

The current farm bill continues the progression of market reforms for peanuts. For each of the 2008 through 2012 crop years, direct payments at a rate of $36/ton are to be made to producers on a farm for which a payment yield and base acres for peanuts has been established. The target price for peanuts remains $495/ton and countercyclical payments

will be made if the effective price is less than the target price. The effective price is equal to the higher sum of the following:

- The national average market price for peanuts received by producers during the 12-month marketing year for peanuts

- The national average loan rate for a marketing assistance loan for peanuts

Payment limitations for peanuts are $40,000 for direct payments and $65,000 for counter cyclical payments (either directly or indirectly by a person or legal entity) for crop years 2008 through 2012.

Durum Wheat:

Authorizes compensation to producers of durum wheat in an amount not to exceed 50 percent of the actual costs of fungicides applied to a producer's crop in order to control wheat scab. Discretionary funding is provided in the amount of $10 million for each of fiscal years 2009 through 2012 (subject to appropriations).

Honey:

The loan rate for honey is retained at a level of $0.60/pound for crop years 2008 and 2009 before being increased to $0.69/pound in subsequent years.

Title II: Conservation

Conservation programs saw a total spending increase of $7.9 billion, with a number of current programs being reauthorized through 2012. Overall, this title shifts the focus of conservation expenditures in the direction of working land conservation. Funding that would not have been used in land retirement programs was redirected to programs that focus on reducing the impact of agricultural production.

The Wetlands Reserve Program (WRP) is extended to 2012 and will receive funding to re-establish a baseline of $1.4 billion. The enrollment cap for this program has been enhanced to 3.041 million acres (up from 2.27 million acres under the 2002 Farm Bill) and there is a greater focus on private land. Also of note is the Wildlife Habitat Incentives Program (WHIP) which received increases in cost-share assistance on long-term agreements.

In addition, the Grassland Reserve Program (GRP) has an acreage enrollment goal of an additional 1.22 million acres by 2012. This program encourages common grazing practices done in various regions of the country and is intended to enhance wildlife habitat and prevent tracts of land from being subdivided for development. Rental contracts of 10,15, and 20 years in duration are authorized – as are permanent easements. However, easements of the maximum duration allowed by State law are considered as permanent easements.

Other programs of interest include:

Conservation Reserve Program:

The Conservation Reserve Program (CRP) is reauthorized through calendar year 2012 and the acreage cap is decreased from 39.2 million acres to 32 million acres. Retired landowners participating in CRP will now be allowed to modify their contracts if the land is transferred to a beginning, limited resource, or socially disadvantaged farmer or rancher. Eligible producers would be allowed to return a portion of this land to grazing or crop production.

Environmental Quality Incentives Program:

The Environmental Quality Incentives Program (EQIP) is modified to include forest resource management and funding is increased to assist producers in complying with local, state, and national regulatory requirements concerning soil, water, and air quality as well as surface and ground water conservation on eligible land. This includes cropland, grassland, rangeland, pasture land, private non-industrial forest land, and other agricultural land as determined by the Secretary of Agriculture. Funding levels for this program are as follows:

FY 2008	$1.2 billion
FY 2009	$1.33 billion
FY 2010	$1.45 billion
FY 2011	$1.58 billion
FY 2012	$1.75 billion

Contracts under EQIP will be continue to be capped at $300,000 over six years per person or legal entity, with the Secretary of Agriculture granted the authority to waive this cap up to $450,000 for large projects that have special environmental significance (e.g. methane digesters). Payments for practices with organic production benefits are limited to not more than $20,000 annually or $80,000 during any six-year period.

For fiscal years 2008 through 2012, 60 percent of the funds made available for cost-share and incentive payments under EQIP are to be targeted to livestock producers and 40 percent are to be targeted to crop producers. Incentive payments are provided for producers who develop Comprehensive Nutrient Management Plans (CNMPs) and livestock producers must have a CNMP for participation. Once a project is completed, the contract duration ranges from a minimum of one year to a maximum of ten years. A cost share of up to 90 percent for beginning, limited resource or socially disadvantaged farmers who undertake projects is authorized under this Title.

In addition, a new Agricultural Water Enhancement Program (AWEP) is authorized within EQIP to promote ground and surface water conservation, as well as to improve water quality on agricultural lands. The Secretary of Agriculture may enter into contracts

directly with producers to carry out agricultural water enhancement activities or enter into partnership agreements with entities to indirectly enter into contracts with producers to carry out agricultural water enhancement activities.

Partners for this program are selected competitively and projects may be considered in areas experiencing exceptional drought to impound water to capture surface water runoff on agricultural land for new irrigation projects or maintenance of ponds. Funding is provided at $73 million for FY 2009 and FY 2010, $74 million for FY 2011 and $60 million in FY 2012 (and every year thereafter). For this program, the Secretary is allowed to waive AGI limitations.

Conservation Stewardship Program:

Although confused with its predecessor the Conservation Security Program, this new program will require the Department of Agriculture to issue new rules and undergo a comment period. The Natural Resources Conservation Service (NRCS) will pay off the contracts under the old Conservation Security Program and the focus will shift from a nationally competitive program to a state competitive program.

Beginning in 2009 (and continuing through 2017), the program will enroll approximately 13 million acres annually, for a total of 115 million acres. Producers will be allowed one renewal with no option to modify the agreement. Funding for this program is increased by $1.1 billion, for a total of $12 billion over ten years and payments to an individual producer are limited to $200,000 in any five-year period. There are no longer any 10-year contracts and direct attribution of payments is a mandatory requirement.

Eligible lands include private agricultural lands, private forests, some tribal lands and forested land that is incidental to an agricultural operation. Lands that have not been planted or devoted to crop production cropped for at least four out of the past six years prior to the date of enactment are not eligible for a CSP contract.

The three tiers for participation that had been part of the Conservation Security Program have been eliminated but the new CSP program will continue to encourage conservation practices on working lands. It will continue to provide incentives for adopting, improving and maintaining sound conservation practices on land in agricultural production and producers will be eligible to receive payments for the implementation of these conservation practices as a way to address resource concerns in their operation.

Title III: Trade

Congress sought to recognize the importance of trade to producers in the new farm bill. Under the Trade Title, investments are made in programs that are designed to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. Amongst the provisions is a $60 million pilot program for local or regional food purchases. In addition, the Foreign Market Development Cooperator Program is extended through FY 2012 and the baseline of $34.5 million per year is retained.

Other programs of note include:

Market Access Program (MAP):

Funding authority for this program is maintained at $200 million per year through 2012, with the dollars intended for the promotion of value-added agricultural products in international markets. Organic commodities are now eligible for the program.

McGovern – Dole International Food for Education and Child Nutrition Program:

Established in the 2002 Farm Bill as a replacement for the Global Food for Education Initiative pilot program, the McGovern – Dole Program is reauthorized through fiscal year 2012. Intended to provide meals in schools for hungry children in needy areas of the world, the bill establishes the USDA as the permanent home for this program at a level of up to $300 million annually. A total of $84 million in mandatory spending is approved for fiscal year 2009, to be available until expended.

Title IV: Nutrition

The new farm bill seeks to maintain the link between agriculture and nutrition programs, with the latter now accounting for 73.5 percent of total spending in the 2008 Farm Bill (or an increase of $10.36 billion in additional funding). This title also contains a number of changes to simplify the food stamp program with the intent of giving states greater flexibility, removing unnecessary barriers to participation and increasing assistance to working families.

The Food Stamp Program is now known as Supplemental Nutrition Assistance Program (SNAP) and the Emergency Food Assistance Program (which purchases commodities for food banks) is authorized at $1.25 billion. Of this amount, $50 million is to be disbursed in 2008 to immediately address shortages in food pantries. Furthermore, the Fresh Fruit and Vegetable Snack Program is expanded nationally and will receive $1 billon in funding.

Title V: Credit

The Credit Title primarily reauthorizes United States Department of Agriculture (USDA) farm lending programs and provides greater access to USDA farm credit programs for young, beginning and socially disadvantaged farmers in credit programs. This title also contains a number of provisions that directly impact the Farm Credit System (FCS).

The bill amends section 1.12 (b) of the Farm Credit Act to change the method that each Farm Credit System (FCS) bank must use to assess associations and other financing institutions to cover the costs of making Farm Credit System Insurance Corporation (FCSIC) premium payments. Premiums were increased from 15 to 20 basis points and that they are now assessed on debt outstanding rather than loans. The FSCIC is now allowed to collect premiums more frequently than annually. System banks are now allowed to collect insurance premiums quarterly rather than annually.

Rural utility loans (loans, or interest in a loan, for electric and telephone facilities) are now considered as "qualified loans" for Federal Agricultural Mortgage Corporation financing. Authorization is given to create appropriate underwriting, security, and repayment standards for agricultural mortgage and rural utility loans. Minimum criteria standards are set for agricultural real-estate loans focused on individual borrower traits (loan-to-value ratio, sufficient cash flow, documentation standards, appraisal process, actively engaged in farming, speculation in real estate, and consideration of real estate tax purposes). These standards do not apply to rural utility loans.

Another provision authorizes the board of a bank for cooperatives to determine the terms and conditions for the issuance and transfer of bank voting stock to bank for cooperatives customers, as well as other Farm Credit System associations.

The Farm Credit Act is also amended by establishing a new section (7.7) which equalizes lending authorities among FCS associations in Alabama, Mississippi and Louisiana. The Federal Land Banks or Credit Associations are given the ability to make short-and intermediate-term loans, and Production Credit Associations (PCAs) are given the ability to make long-term loans. These new authorities can only be exercised if the board of directors of the association and a majority of voting stockholders approve. The FCA is authorized to issue charter amendments to reflect the new lending authority.

There are also a number of USDA Farm Service Agency (FSA) related provisions that are of interest to the Farm Credit System. For example, authorization levels for FSA loans and guarantees are increased from $3.796 to $4.226 billion annually for FY 2008 through 2012 , with $1.2 billion for direct loans. The increased authorization in direct loans increases the direct Farm Operating (FO) authorization level from $205 million to $305 million and the direct operating authorization level from $565 million to $850 million. The bill increases the farm ownership loan and operating loan limits from $200,000 to $300,000.

For purposes of emergency disaster loans, the definition of a farmer or rancher includes equine farmers and ranchers, making them potentially eligible for these types of loans.

In addition, eligibility for FSA direct loans is redefined. Any farm experience, without regard to time elapsing between farm experiences, will be considered in determining whether a loan applicant meets the experience requirements for direct ownership loan eligibility.

The 15 year limit for FSA borrowers to receive guaranteed operating loans is waived through December 31, 2010 and the agency is required to establish a plan and promulgate regulations (including performance criteria) intended to promote the graduation of farm ownership and farm operating loan program borrowers to private credit in the shortest practicable time.

Other FSA provisions of interest to Farm Credit borrowers, associations and managers include:

Down Payment Loan Program:

In addition to beginning farmers, this program is expanded to include socially disadvantaged farmers. The interest rate is specified as the direct FO rate less 4 percent with a floor of 1.5 percent (rather than a set 2 percent). The maximum loan purchase price is increased to 45 percent of $500,000, with a maximum FSA share of $250,000. Furthermore, the loan term is extended from 15 to 20 years and the required down payment is reduced from 10 percent to 5 percent. FSA is required to establish annual performance goals for this program and joint financing loans as the preferred use of direct farm ownership funds by beginning and socially disadvantaged farmers.

Conservation Loan and Loan Guarantee Program:

A new loan and loan guarantee program is established to finance qualifying conservation projects. Eligibility for the program is not restricted to those who cannot get credit elsewhere but the applicant must have an acceptable conservation plan that includes the projects to be financed. All guarantees will be at 75 percent of the loan amount with preference given to beginning farmer and socially disadvantaged applicants, conversion to sustainable or organic production practices, and compliance with highly erodible land conservation requirements.

Inventory Sales Preferences and Loan Fund Set-Asides:

Provides socially disadvantaged farmers (in addition to beginning farmers) first priority for the purchase of farm property that FSA acquires. The funding target amounts for direct operating loans are increased from 35 percent to 50 percent and farm ownership loans from 70 percent to 75 percent of available funding. This provision also increases funding targets from 25 percent to 40 percent of available funding for guaranteed operating loans.

Title VI: Rural Development

Rural development programs also received an increase in funding. In an effort to reduce a backlog of rural development water and wastewater loan and grant applications that remain unfunded, the bill provides $120 million in mandatory funding for pending qualified applications for water and waste disposal grants and loans. In addition, lower interest rates for most water and wastewater loans are made permanent.

Economic development and retention of small and medium-sized businesses in rural areas is also a priority under this title. The bill provides $15 million in mandatory funding and establishes a rural microenterprise assistance program to provide technical assistance to low and moderate income individuals to assist in developing the skills necessary to establish a new business in rural areas. These small businesses must be in rural areas and have fewer than ten employees.

The Value-Added Producer Grant Program (which encourages independent producers to process their raw commodities into marketable goods) is also funded at the $15 million level. In addition to the creation of a 10-percent set-aside for both beginning and socially disadvantaged farmers and ranchers, this program also includes a 10 percent set-aside for strategic marketing alliances between small to mid-sized farms and ranches and other supply chain partners.

The issues of health care, emergency medical services and first responders in rural areas are also addressed. This title authorizes the Rural Firefighters and Emergency Medical Services Assistance Program to provide improved emergency medical services in rural areas. Furthermore, 9-1-1 access is expanded in rural areas by making telephone loans to public entities for facilities and equipment.

Title VII: Research and Related Matters

There are a number of initiatives and program extensions under the Research Title that are intended to enhance long-term basic research in agriculture and rural America. A total of $78 million in mandatory funding has been allocated for the Organic Research and Extension Initiative, which is intended to enhance the ability of organic producers and processors to grow and market organic food, feed and fiber. In addition, the Specialty Crop Research Initiative is funded at $230 million and $25 million is authorized for fresh produce safety grants.

There are also a number of new initiatives, including:

National Institute of Food and Agriculture:

In an effort to streamline agricultural research, the National Institute of Food and Agriculture (NIFA) has been established. A number of the USDA offices in charge of fundamental and applied research (as well as extension and education programs) have been reorganized. A total of six Program Offices have been created to formulate programs, develop planning and priorities, and coordinate/track activities related to agriculture research. The new Program Offices are:

- Renewable Energy, Natural Resources & Environment
- Food Safety, Nutrition, and Health
- Plant Health and Production & Plant Products
- Animal Health and Production & Animal Products
- Agriculture Systems and Technology
- Agriculture Economics and Rural Communities

In addition, the Agriculture and Food Research Initiative (AFRI) has been created. The intent is to encourage entrepreneurship, support business development, and expand access to capital. Competitive grants will be awarded to colleges and universities, agricultural experiment stations, and other organizations conducting research in priority areas.

Research funding requests will be consolidated and the Administration will be required to submit to Congress a single line item reflecting the total amount requested for agriculture research programs.

Title VIII: Forestry

The Forestry Title is intended to emphasize the importance of sustainable forest management practices to the United States. This title sets new national private forest conservation priorities and directs states to conduct assessments of current forest resources, as well as requiring the states to develop a long-term strategy for forest resource management.

For example, the bill amends Section 2 of the Cooperative Forestry Assistance Act of 1978 (CFAA) by requiring the Secretary of Agriculture to focus on a set of three national private forest conservation priorities when allocating appropriated CFAA funds: (1) conserving and managing working forest landscapes; (2) protecting forests from threats, including wildfire, hurricane, tornado, windstorm, snow or ice storm, flooding, drought, invasive species, or insect or disease outbreak and (3) enhancing public benefits from private forests. The Secretary is required to submit a report to Congress describing how funding has been utilized under the CFAA (as well as other programs administered by the Secretary) to address the three national priorities.

The Emergency Forestry Restoration Program is modified to include emergency measures that are necessary to address damage caused by a natural disaster to natural resources on non-industrial private forest land. To be considered "eligible damages" it would have to be determined that they would impair or endanger the natural resources on the land and would materially affect future use of the land. Payments made under this program cannot exceed 75 percent of the total cost of the emergency measures carried out by an owner of non-industrial private forest land.

In addition, the Healthy Forest Reserve Program is extended to 2012 and funded at $10 million in mandatory funding for each of the fiscal years 2008 through 2012.

Title IX: Energy

The farm bill continues the focus on renewable fuels and biomass by providing $1 billion to fund programs that will leverage renewable energy industry investments in new technologies and feedstocks. This includes $320 million in loan guarantees for biorefineries producing advanced biofuels (i.e. cellulosic ethanol or fuel derived from biomass other than corn kernel starch), as well as $35 million for a new program to assist existing ethanol facilities to reduce their fossil fuel use.

Examples of other energy provisions found throughout the new farm bill include:

Bioenergy Program:

The Commodity Credit Corporation (CCC) Bioenergy Program is extended through 2012. This program provides support to biodiesel and other advanced biofuels producers to make domestically produced biofuels competitive with petroleum fuel and foreign imports of biofuels. Furthermore, all gallons of biodiesel gallons are now eligible for the program.

Funding for this program is $300 million in mandatory spending, with an additional $25 million in funding each year from FY 2009 through FY 2012. However, this additional funding is contingent upon Congress doing so via the annual appropriations process.

Biodiesel Fuel Education Program:

Originally authorized as part of the 2002 Farm Bill, the Biodiesel Fuel Education Program is reauthorized at $5 million over five years, or $1 million per year (FY 2009 through FY 2102). Funding is provided to support increased fuel quality measures, increase acceptance of biodiesel by engine and equipment manufacturers – as well as petroleum partners, users and the general public.

Biorefinery Assistance:

This provision provides for grants and loan guarantees for construction and retrofitting of biorefineries for the production of advanced biofuels. Grants are provided for construction of demonstration-scale biorefineries and loan guarantees are authorized for the development and construction of commercial-scale biorefineries that use technologies that are either pre-commercial or commercially available.

Grants are limited to 30 percent of project costs and loan guarantees are limited to 90 percent of the principal and interest on loans. The maximum principal amount of a loan guarantee may not exceed $250 million or 80 percent of the project cost. Furthermore, the amount of the loan guarantee must be reduced by the amount of other direct Federal funding going toward the project.

Rural Energy for America Program:

The Rural Energy for America Program provides for grants or loan guarantees for renewable energy systems and energy efficiency improvements for agricultural producers and rural small businesses. The limit on the maximum amount of the combined loan and grant is increased from 50 percent to 75 percent of the funded activity and the grant portion cannot exceed 25 percent of the cost of the activity. In addition to an authorization of $25 million annually for fiscal year 2009 through 2012, mandatory funding for this program is as follows:

Fiscal Year	Amount
2009	$50 million
2010	$60 million
2011	$70 million
2012	$70 million

The Secretary of Agriculture is encouraged to continue funding animal manure digester projects and that the Secretary consider small hydroelectric systems as renewable energy for the purpose of receiving financial assistance under this program.

Sugar-to-ethanol:

A new sugar-to-ethanol program is created whereby the USDA is expected to purchase excess sugar as necessary to eliminate excessive supplies (see sugar provisions under Title I).

Federal Procurement of Biobased Products:

Initially established in the 2002 Farm Bill, this program directs Federal agencies to give preference to purchasing biobased products. This provision provides for $1 million in mandatory funding for fiscal year 2008 (as well as $2 million for each of fiscal years 2009 through 2012) for biobased testing and marketing. This is in addition to $35 million in discretionary spending for fiscal years 2009 through 2012.

Biomass Research and Development Act:

Funding for the Biomass Research and Development Act of 2000 is increased substantially. For fiscal year 2009 there will be $20 million available, followed by $28 million in FY 2010, $30 million in FY 2011 and $40 million in FY 2012.

Title X: Horticulture and Organic Agriculture

For the first time, the 2008 Farm Bill includes a title for fruit and vegetable production. This title authorizes $33 million to broaden opportunities for direct producer-to-consumer marketing and expands activities covered under the Farmers' Market Promotion Program, a program that provides competitive grants to improve and expand farmers markets, roadside stands, community-supported agriculture programs, and other direct producer-to-consumer market opportunities. In addition, there is an expansion of Electronic Benefit Transfer (EBT) systems at farmers markets.

The new farm bill also includes new specialty crop provisions, including $2 billion in new research money and additional nutrition program spending for specialty crops and organic agriculture.

With the exception of "socially disadvantaged" or "limited resource" farmers and ranchers, farms with an acreage base of 10 acres or less lose eligibility for direct, countercyclical or average crop revenue payments. The purpose of this reform is two-fold. First, it is intended to end payments to hobby farmers or non-farmers who have base acreage only because a farm has been subdivided into a housing development with five or 10 acre house lots. Second, by removing non-commercial hobby farms, it will bring greater clarity to Census of Agriculture statistics regarding producers and commodity program payments.

New funding is provided to support organic farmers, including $22 million for USDA's National Organic Cost-Share Program (which is used by producers and handlers to help defray the costs associated with organic certification) and $5 million for organic marketing data collection and publication.

The issues of food safety and disease management are also addressed. Over a ten year period $377 million is authorized for pest and disease detection and control, with USDA directed to develop assessments and establish priorities to combat pest and disease threats. This is in addition to funding for new programs to provide for early detection and surveillance of plant pests and diseases.

Funding in the amount of $466 million over ten years is provided to expand the Specialty Crop Block Grant Program. These block grants are provided to states to support projects in research, marketing, education, pest and disease management, production, and food safety.

Title XI: Livestock

Also for the first time, the farm bill includes a separate livestock title. Intended to provide basic protections for producers in the livestock and poultry markets, this title provides producers the ability to decline to be bound by an arbitration clause in a livestock or poultry contract. In addition, producers will also have the option of settling a dispute in the Federal judicial district where the principal part of their production occurs rather than where the company headquarters are located. In addition, the USDA is required to establish criteria to determine if there is discrimination against smaller volume swine and poultry producers in the form of undue or unreasonable preferences or advantages.

A compromise regarding the Country of Origin Labeling (COOL) requirements that were established in the 2002 Farm Bill was also reached. Retailers are required to label the country of origin of meat (including beef, lamb, pork, chicken and goat meat), fish, fruits and vegetables, ginseng, peanuts, pecans and macadamia nuts by September 30, 2008. Because mandatory COOL covers only retail sales, food products sold at restaurants or other food service establishments are exempt. For a commodity to be labeled a product of the United States, it must be born, raised and processed in the U.S. However, commodities that are ingredients in processed products would not fall under the labeling requirement. The four categories of origin created by the Farm Bill are:

- Product of the United States
- Multiple countries of origin
- Imported for immediate slaughter
- Covered commodity that is foreign country of origin

The law also permits a U.S. country of origin label for covered commodities present in the U.S. on or before July 15, 2008 as long as the animal remained in the U.S. until slaughter.

Another long-standing issue regarding state-inspected meat and poultry plants has also been resolved. States with meat inspection programs that are identical to Federal regulations will be allowed to ship meat and poultry products to other states. The practical result is that these plants will now have improved market access beyond their particular state.

Congress also sought to improve oversight regarding enforcement of the Packers and Stockyards Act by requiring the USDA to provide an annual compliance report detailing the number and length of time spent on investigations of potential violations of the Act. Investigations will be required to be tracked and documented throughout every step of the enforcement process beginning with the Grain Inspection, Packers and Stockyards Administration (GIPSA) through the USDA Office of General Counsel and the Department of Justice.

Title XII: Crop Insurance and Disaster Assistance

Beginning in 2012, the crop insurance billing date is changed to August 1 meaning producers will be required to pay their portion of the premium approximately six weeks earlier than under the previous farm bill. In addition, the producer premium subsidy for the area plans of insurance such as the Group Risk Plan (GRP) and the Group Risk Income Protection (GRIP) plan are reduced across the board by 4 percent. These timing shifts and reductions in the crop insurance program are estimated to save $1.322 billion and $887 million over ten years.

The Administration and Operating (A&O) reimbursement rate is set at an average of 18.5 percent, which is a 2.3 percent reduction. The provision allows for half of the reduction to be restored in states that suffer significant crop losses in a given year. For example, in states with a loss ratio in excess of 1.2 percent in any given year, there is a 50 percent "snapback" provision. The reduction in A&O would be 1.15 percent in those years. This is intended to assist crop insurance companies and agents in dealing with the higher costs associated with adjusting the crop losses experienced by farmers. In addition, A&O reimbursement on area plans (i.e. GRP and GRIP) is reduced to 12 percent.

Fees for Non-insured Assistance Program (NAP) and Catastrophic (CAT) policies have been raised to $250 and $300 respectively, and the reimbursement rate for the latter plan has been reduced to 6 percent.

The Premium Reduction Plan (PRP) is eliminated and premium rebating (except in specific instances) is prohibited. For example, patronage programs based on a formula other than the amount of crop insurance purchased (i.e. net interest margin) with income from loans related services and crop insurance included in the total patronage pool are not viewed to violate the rebating provision. A small handful of southern Farm Credit associations that received approval in past years for their programs were grandfathered in under the Farm Bill but the inclusion of additional programs was not approved. Furthermore, the bill also prohibits the receipt of commissions by a person where the commission for the policies the individual has an interest in "exceeds 30 percent of the aggregate of all commissions received by the person."

Also of note is a pilot program that will allow producers to convert the value of their crop insurance coverage under optional and basic units to higher levels of coverage for enterprise or whole farm units. The share of the producer-premium under this program will be no less than 20 percent and any producer (whether or not they purchased coverage with optional or base units) is eligible to participate.

The Risk Management Agency (RMA) is directed to undertake research and development (as well as establish pilot programs) for organic agriculture, dedicated energy crops, poultry production, aquaculture, whole farm revenue insurance and the needs of beginning farmers.

Disaster Assistance Program:

The bill establishes a new Permanent Disaster Assistance Program which will assist producers who lose crops, livestock, or trees or who suffer from shallow losses due to disasters such as floods or drought. The intent of Congress was to compliment the existing crop insurance program by providing additional assistance to farmers based on loss of crop revenue for their whole farm operation. Payments under this program are based on a producer's level of losses compared to a benchmark proportional to their level of crop insurance coverage purchased at the beginning of the crop year.

Funding is provided to upgrade the computer systems at the RMA, as well as to allow the continuation of that agency's use of data-mining to assist in the detection of fraud and abuse.

Title XIII: Commodity Futures

The Commodity Futures Trading Commission (CFTC) was created by Congress in 1974 to regulate commodity futures and options markets in the United States. At the time, futures trading was primarily limited to agricultural products but has evolved to include a wide array of physical commodities and financial instruments. The CFTC was last reauthorized in 2000, with enactment of the Commodity Futures Modernization Act but market volatility and the passage of time brought about renewed oversight.

The farm bill reauthorizes the agency through 2013 and strengthens CFTC authority over retail foreign currency (forex) transactions. To reduce fraud, the bill requires retail foreign exchange dealers to register with the CFTC, making them subject to CFTC rules and anti-fraud authority along with Futures Commission Merchants that engage in retail forex transactions.

The CFTC is now required to monitor exempt commercial markets (EMC) trading of oil, natural gas, and other commodities for contracts that perform a significant price discovery function. The bill also sets forth criteria for the CFTC to determine whether a contract traded on an EMC qualifies as a significant price discovery contract. Criminal and civil penalties for market manipulation are increased, including making it a felony for those who fail to comply with cease and desist orders in connection with fraud and manipulation.

Title XIV: Miscellaneous

The Miscellaneous Title of the farm bill contains a wide range of provisions pertaining to socially disadvantaged producers, farm program reforms, agriculture security and animal welfare. There is language prohibiting the closure or relocation of Farm Service Agency (FSA) county or field offices for a period of two years and permanently bans anyone convicted of defrauding the USDA from any subsequent participation in programs administered by the Department (with the exception of food assistance programs).

An Office of Homeland Security within USDA is established to integrate inter-agency emergency response plans to coordinate planning and response efforts in the event of

agro-terrorism attacks and other threats to agricultural bio-security. Furthermore, a competitive grant program to develop and expand agriculture bio-security training programs for veterinarians and food science professionals is established, as is grant and loan assistance for states to assess their agricultural disease response capabilities.

In the area of minority, socially disadvantaged and beginning farmers and ranchers, a Minority Farmer and Rancher Advisory Committee is established and mandatory funding for the Section 2501 Socially Disadvantaged Farmers and Ranchers Outreach and Technical Assistance Program is increased, for a total of $15 million in fiscal year 2009 and $20 million for each of fiscal years 2010 through 2012. Not more than 5 percent of the amounts made available for a given fiscal year can be used for expenses related to administration of this program. In addition, funding for the Beginning Farmer and Rancher Development Program is also provided at a total of $75 million for fiscal years 2009 through 2012.

Three regional Commissions (i.e. Southeast Crescent, Southwest Border and Northern Border) are established to encourage economic development. Funding of $30 million per year is authorized for use by the Commissions to provide grants for basic infrastructure and business development in their respective regions to improve economically distressed and underdeveloped areas.

Title XV: Trade and Tax Provisions

A nonrefundable "cellulosic biodiesel producer credit" of $1.01 per gallon for the production of cellulosic biofuels is effective for fuel produced after December 31, 2008 and terminates on December 31, 2012.

The bill also requires the Secretary of the Treasury (in consultation with the Secretaries of Agriculture and Energy, as well as the Administrator of the Environmental Protection Agency) to enter into an agreement with National Academy of Sciences to produce an analysis of current scientific findings to determine:

- Current biofuels production, as well as projections for future production
- The maximum amount of biofuels production capable in United States forests and farmlands
- The domestic effects of an increase in biofuels production levels on the price of fuel, land in rural and suburban communities, crop and forage acreage and the environment due to changes in crop acreage. In addition, the effects on feed, the selling price of grain and forest products, exports and imports of grain and forest products, and the expansion of refinery capacity must also be studied
- The ability to convert corn ethanol plants for other uses, such as cellulosic ethanol or biodiesel
- The impact of the cellulosic biofuels tax credit on the regional agricultural on silvicultural capabilities of commercially available forest inventories; and
- The need for additional scientific inquiry, and specific areas of interest for future research

As part of this study, a comparative analysis of corn ethanol versus other biofuels and renewable energy sources (considering cost, energy output, and ease of implementation) must be conducted.

Additional copies of this booklet may be obtained by contacting Dave Ladd with the AgriBank District Farm Credit Council at dave.ladd@agribank.com or by accessing the District Council website at grn.agribank.com.

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