

HR 2642, *The Agricultural Act of 2014*

TITLE 1: COMMODITY

Eliminates Direct, Average Crop Revenue Election, and Counter-Cyclical Payments

The Title I safety net programs are streamlined and simplified to ensure that farmers receive support only when it is needed and triggered by losses in the market. The conference agreement is fiscally-responsible policy because it ensures that farmers are not paid just because they are farmers.

Payment Limits

The total amount of payments received, directly or indirectly, by a person or legal entity for PLC, ARC and a marketing loan gain or loan deficiency payment under subtitle B of the Farm Bill may not exceed \$125,000. There is a separate and equal payment limitation for peanuts. Farmers who participate in these programs must abide by “sodbuster” and “swampbuster” conservation compliance provisions.

Payments Limited to Active Farmers

The Conference Agreement requires that within 180 days of date of enactment, the Secretary must promulgate regulations to define significant contribution of active personal management. The Secretary is also directed, if the Secretary determines appropriate, to establish limits for varying types of farming operations on the number of individuals who may be considered to be actively engaged in farming on the basis of management.

Adjusted Gross Income

The Conference Agreement amends current law regarding adjusted gross income eligibility requirements by deleting the farm/non-farm distinction. The Agreement also prohibits a person or legal entity from receiving benefits under subtitle A if the average gross income of the person or legal entity exceeds \$900,000 by using a moving three-year average.

Producers will have the option to enroll in one of two programs on a crop-by-crop and farm-by-farm basis—a revenue guarantee program known as Agriculture Risk Coverage (ARC) and a counter-cyclical price program known as Price Loss Coverage (PLC). Both programs make payments on 85% of historical plantings or “base acres.” Producers who enroll in ARC will also have a one-time opportunity to select “Individual ARC,” an individual whole farm revenue guarantee program. This will be an irrevocable decision and the guarantee will be paid on 65% of base acres.

The Marketing Assistance Loan program is extended at the same rates as current law. There is an exception to the loan rate for upland cotton, which has a fluctuating, market-oriented loan rate that adjusts according to the average world price.

Agriculture Risk Coverage (ARC)

Farmers elect between individual and county-level coverage. Both guarantee a producer’s revenue between 76 and 86 percent of the average five year revenue benchmark. County ARC

is paid on 85% of the base acres and calculates revenue on a commodity basis. Individual ARC is paid on 65% of base acres and calculates revenue on a whole farm multi-crop basis.

Price Loss Coverage (PLC)

The Secretary will make PLC payments when market prices fall below a trigger level. Payments depend on fixed program yields. The payment rate is the difference between a reference price and the national average 12-month market price or loan rate if the loan rate is higher.

DAIRY REFORMS

The Conference Agreement includes a new, voluntary safety net for dairy producers known as the Margin Protection Program. The Margin Protection Program is an insurance based program that will provide protection based on the margin between the national average all-milk farm price and a formula-derived estimate of feed costs. The Conference Agreement does not include a Dairy Market Stabilization Program (DMSP).

Coverage levels and premiums for the Margin Protection Program are outlined below. During calendar years 2014 and 2015, premiums are reduced by 25 percent for each coverage level (except for \$8.00) for production under 4 million pounds.

Coverage Level	Premium/cwt (first 4 million lbs of production)	Premium/cwt (excess 4 million lbs of production)
\$4.00	None	None
\$4.50	\$0.010	\$0.020
\$5.00	\$0.025	\$0.040
\$5.50	\$0.040	\$0.100
\$6.00	\$0.055	\$0.155
\$6.50	\$0.090	\$0.290
\$7.00	\$0.217	\$0.830
\$7.50	\$0.300	\$1.060
\$8.00	\$0.475	\$1.360

The Conference Agreement also includes a Dairy Product Donation Program that allows the Secretary to purchase dairy products in the event that margins fall below \$4.00 and direct those products to feeding assistance programs. The program remains in effect until margins rise above the \$4.00 margin level.

Summary of Other Dairy Programs:

- Reauthorization of the following programs:
 - o Dairy Forward Pricing Program
 - o Dairy Indemnity Program
 - o Dairy Promotion and Research Program

- Repeal of the following programs:
 - o Dairy Product Price Support Program
 - o Milk Income Loss Contract Program (MILC)
 - o Provides a short term extension of MILC during the transition of implementing the new Margin Protection Program
 - o Dairy Export Incentive Program

Livestock & Supplemental Disaster Program:

Provides assistance for producers whose livestock has been affected by high mortality rates caused by severe weather, disease, or other acts of nature. These programs will cover retroactive losses dating back to October 2011 and will have permanent baseline going forward.

Livestock Indemnity Program (LIP) covers 75% of the fair market value of the animal that has died.

Livestock Forage Program (LFP) covers grazing losses due to drought.

Emergency Livestock Assistance Program (ELAP) covers losses not covered in LIP and LFP. ELAP is funded at \$20 million per year.

Tree Assistance Program (TAP) covers losses to tree growers and orchardists for replanting, pruning, or removal of trees as the result of a natural disaster.

TITLE 2: CONSERVATION

The Conference Agreement maintains the core conservation functions that farmers and ranchers may use to achieve their economic and environmental objectives while making a contribution to deficit reduction. This legislation consolidates 23 conservation programs into 13, reduces spending by \$6 billion over 10 years, increases program flexibility while improving program performance, and provides conservation opportunities for farmers and ranchers to help them improve water quality, enhance wildlife habitat, and address other related natural resource concerns.

Conservation Compliance

Requires Highly Erodible Land compliance and Wetland Compliance for eligibility for crop insurance benefits on lands that produce annually tilled agricultural commodities. Also included is \$10 million for a Water Bank Mitigation Program to assist producers coming into compliance.

Conservation Reserve Program (CRP)

- Strengthens and clarifies authority for managed haying and grazing while under contract, allows for two million acres of grassland to be enrolled, and gradually reduces the overall acreage cap to 24 million acres.
- Provides a one-time early out provision for certain contract holders.
- Funding: Steps down maximum amount of acreage to be enrolled from 27.5 million in FY 2014 to 24 million in FY 2018 resulting in a savings of \$3.3 billion over 10 years.

Environmental Quality Incentives Program (EQIP)

- Maintains the role of helping agricultural producers to meet Federal, state and local regulatory requirements.
- Continues the function and flexibility of EQIP to address multiple natural resource concerns and agriculture production types—crop, livestock, forestry, fruits and vegetables. And, preserves the allocation of at least 60 percent of funds to livestock production practices.
- Consolidates the authorities of EQIP and the Wildlife Habitat Incentive Program, while retaining clear wildlife priorities in a combined program.
- Funding: Provides a gradual increase in mandatory funding to \$1.75 billion per year by FY 2018 while maintaining at least a 5 percent allocation for wildlife priorities.

Conservation Stewardship Program (CSP)

- Retains basic program structure as re-written in the 2008 Farm Bill with small changes to increase program flexibility and administration. However, the acreage enrollment cap is reduced to 10 million acres.
- Funding: Reduces the acreage to be enrolled for a savings of \$2.2 billion in mandatory funding over 10 years.

Agricultural Conservation Easement Program (ACEP)

- Consolidates the easement authorities of the Wetlands Reserve Program, Grassland Reserve Program, and Farmland Protection Program and establishes a 10 year funding baseline.
- Funding: Provides increased funding for FY 2014-2018 then decreases to \$250 million per year in FY 2018 for over \$1 billion in mandatory funding over 10 years.

TITLE 3: TRADE

Trade Programs

- The Market Access Program (MAP) and the Foreign Market Development Cooperator (FMD) program are reauthorized at existing levels.
- The Conference Agreement updates and improves the Export Credit Guarantee Program (GSM-102) to facilitate resolution of the Brazil WTO case.
- The Food for Progress Act of 1985, the Bill Emerson Humanitarian Trust, promotion of agricultural exports to emerging markets, McGovern-Dole, Technical Assistance for Specialty Crops and the Global Crop Diversity Trust are also reauthorized at existing levels.

TITLE 4: NUTRITION

The Conference Agreement reduces mandatory spending by \$8.0 billion over ten years. Nutrition program spending is reduced by \$8.645 billion, and reinvestments are designated to enhance fraud detection, create work requirements, support local food banks, and improve other programs.

The legislation improves the integrity of the administration of SNAP, formerly known as food stamps, through the following:

- Eliminating automatic eligibility for SNAP standard utility allowance based on nominal annual LIHEAP payments.
- Eliminating the Secretary's authority to waive penalties for high administrative error rates.
- Terminating SNAP benefits to lottery winners, closing the college student loophole, ensuring that SNAP benefits do not go to illegal immigrants, and requiring additional income verification.
- Requiring the Secretary to employ data mining and data warehousing technologies to combat waste, fraud and abuse. The agreement includes additional funding for data mining activities.
- Instituting additional fraud prevention in electronic benefit transfer systems and cards.
- Requiring a documented need for the state restaurant meal option and improving oversight.
- Allowing state law enforcement to partner with federal agencies to reduce retailer fraud.
- Instituting additional prevention measures regarding SNAP participants that are deceased, disqualified, or simultaneously participating in more than one state.
- Preventing improper deposit payments and excluding medical marijuana deductions.
- Prohibiting government-sponsored recruitment activities and promotion of SNAP with foreign governments.

- Preventing USDA from excluding erroneous benefit payments.
- Increasing oversight and monitoring of current state employment and training activities.

The conference agreement allows states to create mandatory TANF-type work, job training, and other programs to reduce dependency on public assistance and increase employment and work activities among SNAP participants.

TITLE 5: CREDIT

The Conference Agreement extends and reauthorizes all existing farm loan programs, including:

- Farm Ownership Loans
- Operating Loans
- Emergency Loans
- Conservation Loan and Loan Guarantee Program
- Beginning Farmer and Rancher Individual Development Accounts Pilot Program

Other Provisions of Note:

- Authorizes USDA to conduct targeted pilot programs within farm loan programs.
- Allows USDA to update eligibility requirements for operating loans to recognize certain legal entities, while requiring that an owner-operator own at least 75 percent of an embedded entity.
- Eliminates 15 year term limits for guaranteed operating loans, which allows lending institutions more flexibility in lending to farmers.

TITLE 6: RURAL DEVELOPMENT

The Conference Agreement reauthorizes Rural Development programs, including the Distance Learning and Telemedicine program; Water, Waste Disposal and Wastewater Facility grants and loans; and the Rural Water and Wastewater Circuit Rider program.

Summary of Mandatory Funding:

Title VI maintains several mandatory funding streams from the Senate-passed Farm Bill. The Rural Micro-entrepreneur Assistance Program is funded at \$15 million over five years, the Value-Added Agricultural Product Market Development Grant program is funded at \$63 million over 5 years, and \$150 million is allocated to reduce the backlog of pending rural water, waste disposal, and wastewater facility grant and loan applications.

Other Provisions of Note:

As included in the Senate-passed Farm Bill, the Conference Agreement retains the rural housing extension of eligibility for communities for purposes of the Housing Act of 1949 until the 2020 Census data is received, and it adjusts the population cap from 25,000 to 35,000.

Additionally, the Conference Agreement includes language which revises the Broadband Loan program to insure that funds are directed towards the unserved areas most in need of broadband.

TITLE 7: RESEARCH

The Conference Agreement includes reauthorization of the primary USDA research, education and extension authorities that are currently utilized and funded. The authorities for the Agriculture Research Service (ARS) and the Land Grant University formula funds (Hatch Act, Smith-Lever and McIntire-Stennis) have been extended without any changes. The Agreement attempts to reduce the overall authorization level of the Farm Bill by reducing program authorization levels to more closely reflect actual appropriated funding levels. It also includes provisions which promote greater transparency and accountability of how USDA invests federal resources for agricultural research. The Research Title includes the Foundation for Food and Agriculture Research which would foster new public/private partnerships in the agricultural research community.

Reduction in overall discretionary authorization levels: Approximately \$780 million over five years.

Mandatory Funding: The Research title includes \$1 billion in mandatory funding for the following programs:

- Specialty Crop Research Initiative – \$600 million over 10 years and establishes baseline for the program
- Organic Research and Extension Initiative – \$100 million over five years
- Beginning Farmer and Rancher Development Program – \$100 million over five years
- Foundation for Food and Agriculture Research – \$200 million

TITLE 8: FORESTRY

The Conference Agreement reauthorizes the primary State and Cooperative Forestry programs, while also consolidating and eliminating unused and unfunded program authorities.

Reauthorizations:

- State-Wide Assessment and Strategies for Forest Resources
 - Reauthorized at \$10 million annually through FY 2018
- Rural Revitalization Technologies
 - Reauthorized at \$5 million annually through FY 2018
- Office of International Forestry
 - Reauthorized through FY 2018
- Healthy Forest Reserve Program
 - Reauthorized at \$12 million annually through FY 2018
- Forest and Rangeland Renewable Resource Research Priorities
 - Includes Congressional direction on Forest Inventory & Analysis Program

TITLE 9: ENERGY

The Conference Agreement includes reauthorization of USDA's energy programs. The Energy Title includes \$880 million in mandatory funding. Overall policy changes in the agreement are consistent with the provisions included in the Senate-passed farm bill.

Mandatory Funding: The Energy title includes \$880 million in mandatory funding for the following programs:

- **Biobased Markets Program**
 - \$3 million annually through FY 2018
- **Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance**
 - \$100 million for FY 2014 and \$50 million for each of FY 2015 and FY 2016
- **Repowering Assistance Program**
 - \$12 million for FY 2014
- **Bioenergy Program for Advanced Biofuels**
 - \$12 million annually through FY 2018
- **Biodiesel Fuel Education Program**
 - \$1 million for each of FY 2014-2018
- **Rural Energy for America Program (REAP)**
 - \$500 million and establishes a 10 year baseline at \$50 million per year for the program. Blender pumps are no longer eligible for this program.
- **Biomass Research and Development Initiative**
 - \$3 million annually through FY 2017
- **Biomass Crop Assistance Program (BCAP)**
 - \$25 million annually through FY 2018

TITLE 10: SPECIALTY CROPS

The Conference Agreement includes the following provisions:

- Repeal of the Grant Program to Improve Movement of Specialty Crops.
- Reauthorization of the Farmers Market and Local Food Promotion Program. Includes a 4 percent limit on administrative expenses, a matching fund requirement, prohibition on construction activities, and a designation of funds for food businesses.
- Reauthorization of Organic Production and Market Data Initiatives, modernization of the National Organic Program, creation of permission for an organic promotion order, and additional oversight and enforcement authorities for products that are being fraudulently marketed as organic.
- Reauthorization of Food Safety Education Initiatives.
- Consolidation of the National Clean Plant Network into a single program focused on plant pest and disease management, early detection and surveillance, and disaster prevention projects.
- Reauthorization of and changes to Specialty Crop Block Grants. Changes include adjustments to the grant allocation formula and the allowance of funding for multistate projects related to pest and disease, food safety, and commodity-specific projects.
- Requirement for the Secretary to submit a report to FDA regarding a Federal Standard of Identification of honey.
- Direction to the Secretary to conduct a study on locally or regionally produced agricultural products, including the direct and indirect costs and other effects of federal regulation.
- Address regulatory issues at EPA, including treatment of imported seeds, use of sulfur fluoride, and pesticide registrations.

TITLE 11: CROP INSURANCE

The Conference Agreement contains several enhancements in the crop insurance title. The most significant are two new programs—the Supplemental Coverage Option (SCO) and the Stacked Income Protection Plan (or “STAX”) for upland cotton. Both of these programs will be available beginning with the 2015 crop year. The Conference Agreement also maintains several improvements to the crop insurance title from the Senate bill passed last year.

Supplemental Coverage Option (SCO)

SCO enables producers to buy supplemental area-wide insurance coverage in addition to existing individual farm coverage. The supplemental coverage uses a county-level trigger to insure crops against losses that are not covered by the individual policies.

Stacked Income Protection Plan (STAX)

STAX is essentially a group revenue insurance policy for upland cotton. The producer selects a coverage level between 70 and 90 percent of expected revenue. USDA determines the premium rates based on standard actuarial calculations.

Additional Enhancements to Crop Insurance

- Allows for separate rating of irrigated and non-irrigated enterprise units
- Makes permanent the enterprise unit pilot program that allows producers to aggregate revenue coverage across farms
- Standard Reinsurance Agreement sideboard language
- Allows adjustment in actual production history to establish insurable yields
- STAX available for cotton
- Authorizes margin coverage
- Peanut Revenue Insurance
- Beginning Farmer premium support
- Allow up to 75 percent reimbursement for product development of underserved commodities and specialty crops
- Provides additional funds to combat fraud and abuse
- Includes multi-state Sodsaver provisions

Producers are required to comply with conservation measures in order to receive premium support.

TITLE 12: MISCELLANEOUS

Livestock

- **Trichinae Certification Program:** Reauthorizes the Trichinae Certification Program. Directs the Secretary to amend the 2008 Trichinae Certification Regulation to include a requirement to establish an alternative surveillance program based on other methods consistent with international standards.
- **Sheep Production and Marketing Grant Program:** Establishes a competitive grant program to improve the sheep industry; funded at \$1.5 million per year.
- **National Aquatic Health Plan:** Reauthorizes the National Aquatic Health Plan.
- **Country of Origin Labeling:** Requires the Secretary to conduct an economic analysis of USDA's final rule on country of origin labeling for beef, chicken, and pork.
- **National Animal Health Laboratory Network (NAHLN):** Codifies the NAHLN and authorizes it at \$15 million per year.
- **Food Safety Inspection:** Amends section 11016 of the 2008 Farm Bill to direct FSIS and FDA to enter into a memorandum of understanding to ensure no duplication of inspection activities; to provide direction to the Secretary regarding covered species; and to otherwise expedite implementation.
- **National Poultry Improvement Plan (NPIP):** Requires the Secretary to administer the surveillance program for low pathogenic avian influenza for commercial poultry.
- **Sense of Congress Regarding Feral Swine Eradication:** The Secretary should recognize the threat that feral swine pose to the agriculture industry.

Socially Disadvantaged Producers and Limited Resource Producers

- **Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers:** Extends the program with an authorization level of \$20 million per year and \$10 million in mandatory funding per year. Includes veteran farmers and ranchers.
- **Office of Advocacy and Outreach:** Extends the program with an authorization level of \$2 million per year.

Other Provisions

- **Grants to Improve Supply, Stability, Safety, and Training of Agricultural Labor Force:** Reauthorizes at \$10 million per year.
- **Military Veterans Agricultural Liaison:** Establishes a military veterans liaison to connect returning veterans with beginning farmer training and other USDA programs.
- **Noninsured Crop Disaster Assistance Program:** Removes overlap between NAP and disaster programs. Allow producers to elect higher coverage levels (55-65%). Producers who elect higher coverage levels would pay a premium based upon the value of their production and acres planted.
- **Science Advisory Board:** Establishes a standing agriculture committee as part of the EPA Science Advisory Board to provide advice on matters that have a significant direct impact on the production of food and fiber, ranching and raising livestock, aquaculture, and all other farming- and agriculture-related industries.
- **Amendments to Animal Welfare Act:** Amends the Animal Welfare Act (AWA) to prohibit knowingly attending an animal fight as well as causing a minor to attend an animal fight. The Conference Agreement also amends the AWA to allow USDA to determine whether certain exhibition businesses are *de minimus* and to exempt such businesses from licensing requirements.
- **American Produce Fraud:** Requires USDA to provide technical assistance to U.S. Customs and Border Patrol regarding produce falsely represented as grown in the United States.
- **Scientific and economic analysis of the FDA Food Safety Modernization Act:** Requires USDA, when publishing the final rule on Standards for the Growing, Harvesting, Packing, and Holding of Produce for Human Consumption, to include analysis of the information used in promulgating the final rule; an analysis on the economic impact of the rule; and a plan to evaluate any impacts and respond to producer concerns.
- **Forest Roads:** Includes a provision that clarifies forest roads are not point sources and are not subject to permit requirements under the Clean Water Act.
- **Agriculture Wool Apparel Manufacturers Trust Fund:** Establishes a trust fund in the Treasury to be funded through the CCC for the support and promotion of wool.