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Farm Bill Agreement

This Conference Summary describes the conference agreement on HR 2642 , Agricultural Act of 2014, that the House will consider Wednesday.

The agreement extends most major federal farm and nutrition assistance programs through FY 2018 — but repeals direct and countercyclical payments to commodity producers, replacing them with two new risk-management programs to protect farmers when they suffer significant losses. It also bolsters the use of crop insurance for risk mitigation, creating new programs for "shallow losses" and for cotton, and repeals several major dairy programs and replaces them with a new voluntary margin insurance program.

It modifies the food stamp program to reduce the ability of states to artificially boost an individual's benefits, requiring that an individual receive at least $20 or more in state LIHEAP aid before that individual's SNAP benefits are automatically increased. It does not include House provisions to restrict categorical eligibility or the ability of states to waive SNAP work requirements for certain adults.

CBO estimates that the measure would reduce deficits by $16.6 billion over 10 years (or $23 billion when already-enacted sequester savings are factored in), including $8.6 billion from food stamps. Overall, mandatory spending under the agreement would total $956 billion over 10 years, including $756 billion (79% of the total) for food stamps.

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Section I

Background & Summary

The federal government first provided financial assistance to farmers during the Great Depression. A system of price supports and income subsidies for major commodities was created under President Franklin D. Roosevelt to ensure that farmers had adequate funds to maintain their operations. Safeguarding the financial viability of the nation's agriculture infrastructure was viewed as a matter of national security. Since the inception of federal farm policy, the laws governing it have been reauthorized periodically; in recent decades they have been regularly reauthorized and modified as needed through multi-year farm bills.

Since 1973, the food stamp program — now formally known as the Supplemental Nutrition Assistance Program (SNAP), which is intended to help the poor and prevent hunger by increasing the food-purchasing power of eligible low-income households — has been reauthorized as part of the farm bill on the premise that federal programs intended to reduce hunger in America should be paired with programs that support the nation's agricultural abundance. Other federal nutrition programs, as well as international food aid, are now also routinely reauthorized as part of the farm bill.

The most recently enacted farm bill, the Food, Conservation and Energy Act of 2008 (PL 110-246), expired in September 2012, although most programs were extended through Sept. 30, 2013, with dairy programs being extended through December 2013. Without a new law or an extension of the existing law, farm policy reverts to "permanent" laws enacted in the 1930s and 1940s that establish commodity prices that are not sustainable and are no longer in line with present economics or agricultural policy.

Recent Actions

Congress has been working the past few years to reauthorize and update farm and nutrition programs, with the primary push on farm programs being an effort to end the direct payments program under which farmers receive payments based solely on their past production history. Lawmakers have experienced numerous difficulties, however.

In 2012, during the 112th Congress, the Senate passed a five-year farm and nutrition bill, but the House never considered its own version because GOP leaders believed it would not pass — with Democrats mostly opposed to its proposed cuts to the food stamp program and House Republicans divided, with many demanding much deeper cuts to food stamps.

In the 113th Congress, both the House and Senate quickly resumed work on a new multi-year reauthorization, with the Senate last June passing its five-year farm bill (S 954) by a vote of 66 to 27. The House later that month considered its own version (HR 1947 ; see House Action Reports Fact Sheet No. 113-8, June 18, 2013), but that bill was defeated on the House floor by a 195-234 vote as Democrats overwhelmingly opposed the measure's proposed $20 billion, 10-year cut to food stamps, and a quarter of House Republicans also opposed it because they thought the bill didn't cut SNAP or farm support programs enough.

GOP leaders subsequently decided to consider food stamps and farm programs separately, and in July the House by a 216-208 vote passed an agriculture-program-only five-year farm bill (HR 2642 ; see House Action Reports Fact Sheet 113-11, July 10, 2013) that excluded food stamps and other nutrition programs. In September, the House by a 217-210 vote passed a separate nutrition bill (HR 3102 ; see House Action Reports Fact Sheet 113-15, Sept. 18, 2013) that would cut food stamps even deeper than the earlier measures, reducing SNAP spending by $39 billion over 10 years and reauthorizing the program for only three years. No Democrats voted for either bill.

Later in September, the House voted to combine its two bills in order to go to conference with the Senate.

Conference Consideration

Going into the conference, the most contentious issue to be reconciled seemed to be the extent to which to cut the food stamp program, which has grown to claim more than 70% of the Agriculture Department's budget.

Both the House and Senate versions proposed to restrict a mechanism through which states have been able to significantly boost federal SNAP payments to individuals in the state by providing minimal assistance from the Low-Income Home Energy Assistance Program (LIHEAP). But the biggest contributor to the difference between the Senate's $4 billion SNAP reduction and the House's $40 billion cut was House provisions that would cause millions of individuals to lose their benefits by restricting "categorical eligibility" and ending benefits to able-bodied adults unless they had jobs. However, in the face of united Democratic opposition to those provisions, including a veto threat from President Obama, House negotiators agreed to drop them (for more detailed information on the House provisions, see House Action Reports Fact Sheet 113-15, Sept. 18, 2013).

The issue that received the most attention for delaying an eventual conference agreement was a new dairy support program. Initially, both the Senate and House bills included a new voluntary dairy program that would guarantee profits for milk producers but also effectively limit their milk production in order to prevent surpluses. The program

was dropped from the House bill on the floor after Speaker John A. Boehner, R-Ohio, expressed his opposition to the program, but it was revived in conference until Boehner declared that if the agreement included such a "Soviet-style" supply management program he would not bring the agreement to the House floor. Negotiations then centered on how to set up a program that gave the correct market incentives to reduce production in a time of oversupply while still providing support for dairy producers when their profit margins decreased.

Other issues that were not resolved until the final days of negotiation included the level of subsidies a farmer could collect in a year for risk-management programs (both the House and Senate bills capped payments at $50,000 per person or $100,000 for a married couple for each program; the final deal provides overall annual limits of $125,000 per person or $250,000 per couple, with no per-program caps); regulations on mandatory country-of-origin-labeling (COOL) for meat; and proposed Grain Inspection, Packers and Stockyards Administration (GIPSA) rules regarding livestock marketing.

Summary

The conference agreement on HR 2642 , Agricultural Act of 2014, extends most major federal farm, nutrition assistance, rural development and agricultural trade programs through FY 2018 — but repeals or modifies certain major programs, including dairy programs, conservation programs and direct payments to farmers.

The measure provides five-year authorizations for both farm and nutrition programs (unlike the House version, which reauthorized nutrition programs for only three years), and it retains 1938 and 1949 agricultural laws as underlying, but suspended, permanent law that is superseded by the agreement's provisions (the House bill would have repealed those laws, making its commodity provisions the new permanent law and reducing the need to reauthorize farm programs in another five years).

The Congressional Budget Office (CBO) estimates that the bill would reduce net direct spending by $16.6 billion over 10 years compared with CBO's May 2013 baseline (or $23 billion in total savings when $6.4 billion in already-enacted sequester savings are factored in).

Reductions include $14.3 billion over 10 years from commodities programs, $8.6 billion from food stamps and $4 billion from conservation programs, while crop insurance spending would increase by $5.7 billion. Agriculture research, energy and horticulture programs would also see increases in mandatory spending. CBO estimates that total mandatory spending under the agreement would be $956 billion over 10 years, including $756 billion (79% of the total) for nutrition, primarily food stamps.

Commodities and Risk Mitigation

The agreement repeals current programs that make direct and countercyclical payments to agriculture commodity producers and replaces them with two new risk-management programs to protect farmers when they suffer significant losses: a Price Loss Coverage (PLC) program to address deep, multiple-year declines in commodity prices and an Agriculture Risk Coverage (ARC) program to cover a portion of a farmer's revenue losses when crop prices fall to 86% of the average of the middle three of the last five years.

The measure sets new subsidy caps of $125,000 per person or $250,000 per couple for total payments from the two programs as well as any marketing loan benefits. Cotton producers would not be eligible for either program. CBO estimates that the PLC program would cost an estimated $13.1 billion through FY 2023, while the ARC program would cost $14.1 billion.

Crop Insurance

The agreement includes changes to crop insurance programs, including the creation of two new programs, that CBO estimates would result in a net increase of $5.7 billion in direct spending over 10 years.

It establishes a new crop insurance program known as Supplemental Coverage Option (SCO), an areawide group-risk policy also called shallow loss coverage, under which producers can purchase additional insurance to cover a portion of losses not covered by individual crop insurance policies (i.e., part of their deductible). Coverage under SCO would be triggered only if the area loss exceeds 14%. CBO estimates that it would cost $1.7 billion over 10 years.

Because cotton growers would not be eligible for the new PLC and ARC risk mitigation programs, the measure also creates the Stacked Income Protection Plan (STAX) for upland cotton growers, under which they could obtain areawide group-risk insurance policies that would be available as supplemental insurance or as a stand-alone policy. CBO estimates that the new program would cost $3.3 billion over 10 years.

Dairy

The agreement reauthorizes three dairy programs and repeals four others — replacing them with a new voluntary margin insurance program that is aimed at protecting dairy farmers from economic loss. Overall, CBO estimates that the measure's dairy provisions would increase direct spending by a net total of $912 million through FY 2023.

The new dairy margin protection program is meant to protect farmers against losses if milk prices drop too close to feed costs. All dairy producers in the United States would be eligible for the program and could choose coverage level thresholds in 50-cent-per-hundredweight increments from $4.00 per hundredweight (cwt) to $8.00/cwt. At $4.00/cwt there are no premiums, and premiums for the first 4 million pounds of milk produced would cost less per cwt than those for milk produced beyond 4 million pounds.

Limits on Payments

The measure reduces the threshold at which a farmer becomes ineligible to receive benefits under federal commodity and conservation programs — prohibiting any such payments if his or her adjusted gross income (AGI) exceeds $900,000. The current limit is $1 million in annual AGI. In addition, individuals with less than $900,000 in AGI would be eligible for subsidies regardless of the portion of their income that comes from farming.

Disaster Assistance

The agreement reauthorizes and modifies certain Supplemental Agricultural Disaster Assistance programs through 2018, and it moves the disaster assistance authorizations to the commodities title of the law. Authorized programs include Livestock Indemnity Payments; the Livestock Forage Disaster Program; Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish; and the Tree Assistance Program.

It increases to $125,000 the cap on disaster payments that may be made to any one individual or entity and eliminates income restrictions for individuals or entities to receive agriculture disaster payments. CBO estimates that disaster spending would total $3.7 billion through FY 2023, including $897 million in FY 2014.

Food Stamps / SNAP

The agreement reauthorizes through FY 2018 spending for federal nutrition programs, including food stamps (formally known as the Supplemental Nutrition Assistance Program, or SNAP).

It modifies SNAP to reduce the ability of states to artificially boost an individual's food stamp benefits by providing a minimal level of assistance through the Low Income Home Energy Assistance Program (LIHEAP), requiring that an individual receive at least $20 or more in LIHEAP aid from the state before that individual's SNAP benefits may be automatically increased. CBO estimates that this provision would reduce spending by $8.6 billion over 10 years.

It does not include House provisions that would have restricted "categorical eligibility" for SNAP or restricted the ability of states to waive SNAP work requirements for certain able-bodied adults, but it does create a pilot program to help get more SNAP recipients working by allowing states to require work and job training as part of receiving SNAP benefits.

The measure prohibits undocumented immigrants, major lottery winners, traditional college students, and convicted murderers and violent sex offenders from receiving SNAP benefits, and it requires stores authorized to accept SNAP benefits to purchase point-of-sale equipment that will allow electronic tracking of where SNAP benefits are used. It also includes provisions to prevent SNAP fraud, including by requiring the Agriculture Department to establish pilot projects to improve federal-state cooperation in reducing retailer fraud.

It also modifies the Commodity Supplemental Food Program to eliminate program eligibility for low-income pregnant and breast-feeding women, other new mothers up to one year postpartum, infants and children up to their 6th birthday. CBO estimates that the measure's nutrition provisions would reduce direct spending by $8 billion through FY 2023.

Conservation

The agreement reauthorizes through FY 2018 most conservation activities but consolidates the 23 current programs into 13. It also generally reduces the number of acres of land that may be enrolled in the programs but requires farmers to comply with conservation practices in order to receive premium subsidies on crop insurance and to participate in the measure's new risk-management programs. CBO estimates that the changes would produce $4 billion in savings over 10 years.

Reauthorized programs include the Conservation Reserve Program, the Farmable Wetlands Programs, the Conservation Stewardship Program and the Environmental Quality Incentives Program (EQIP). EQIP would be expanded to include functions now administered under the Wildlife Habitat Incentives Program.

It establishes a new Agricultural Conservation Easement Program by consolidating the Wetland Reserve Program, the Grassland Reserve Program and the Farmland Protection Program. Similarly, a Regional Conservation Partnership Program is established by combining the Agricultural Water Enhancement Program, the Chesapeake Bay Watershed Program, the Cooperative Conservation Partnership Initiatives Program and the Great Lakes Basin Program.

Other Programs

Forestry

The agreement repeals some expired forestry programs and reauthorizes most of the main programs. The measure grants the Forest Service authority to designate critical areas within the national forest system in order to address deteriorating forest health conditions and grants the Agriculture Department authority to enter into agreements with state foresters to provide restoration and protection services on U.S. Forest Service lands.

Horticulture

The agreement includes provisions addressing pesticides and reducing some regulatory requirements placed on pesticide users. It reauthorizes the Specialty Crop Block Grant Program, the Farmers Market and Local Food Promotion Program, and organic agriculture programs. CBO estimates that the horticulture provisions will increase mandatory spending by $694 million over 10 years.

Credit

The measure reauthorizes all Farm Service Agency (FSA) loans through FY 2018 and makes a series of changes aimed at facilitating credit for beginning farmers.

Rural Development

The agreement reauthorizes through FY 2018 dozens of rural development programs and eliminates 13 programs. CBO estimates that the rural development provisions in the agreement increase direct spending by $228 million through FY 2023.

The measure reauthorizes the Rural Microentrepreneur Assistance Program, which provides grant support to third parties that assist rural entrepreneurs in establishing microenterprises in rural areas; value-added agricultural product market development grants; and Rural Water and Waste Disposal Infrastructure. It requires the development of a simplified application process for grants and relending programs, including single-page applications where possible.

Research & Extension

The measure reauthorizes more than three dozen research, extension and education programs, including intramural and extramural research programs; land grant universities; Beginning Farmer and Rancher Development; and the Agriculture and Food Research Initiative. It eliminates dozens of other programs and reports.

According to CBO, the measure's research provisions would increase direct spending by $1.1 billion through FY 2023.

Energy

The agreement reauthorizes energy programs through FY 2018 and increases direct spending by $879 million through FY 2023 — including for the Biorefinery Assistance Program, the Rural Energy for America Program and the Biomass Crop Assistance Program. It includes language that prohibits subsidies for ethanol blending pumps.

Miscellaneous Provisions

The agreement is silent on the country of origin labeling regulations and the proposed regulations required by the 2008 farm bill (PL 110-246) regarding livestock and poultry marketing practices.

It extends for one year, through FY 2014, the payment in lieu of taxes (PILT) program, which would result in $410 million in spending this year.

References

The Conference Report (H Rept 113-333) was filed Monday, Jan. 27.

The House passed its agriculture-only farm bill on July 11, 2013, by a vote of 216 to 208 (see House Action Reports Fact Sheet 113-11). The House passed its nutrition-only farm bill on Sept. 19, 2013, by a vote of 217 to 210 (see House Action Reports Fact Sheet 113-15). On Sept. 28, 2013, the House merged the two bills through the adoption of H Res 361 by a vote of 226 to 191. The Senate passed its version of the farm bill on June 10, 2013, by a vote of 66 to 27.

See CQ Weekly 2013, pp. 888 , 942 , 1000 , 1034 , 1051 , 1098 , 1210 , 1280 , 1469 , 1558 , 1657 , 1782 , 1832 , 1858 , 2044 and 2093 ; CQ Weekly, pp. 19 and 123 .

Section II

Payments, Commodities & Insurance

This section describes the provisions of the conference agreement on HR 2642 , Agricultural Act of 2014, that deal with Agriculture Department programs governing commodity prices and subsidies, crop insurance, and farmer and rancher risk management.

The agreement repeals current programs that make direct and countercyclical payments to agriculture commodity producers and replaces them with two new risk-management programs to protect farmers when they suffer significant losses, and it expands crop insurance programs to help with risk management — including a new insurance program for "shallow loss coverage" of losses that wouldn't otherwise trigger crop insurance payments. It also repeals several major dairy programs and replaces them with a new margin insurance program aimed at protecting dairy farmers from economic loss.

The Congressional Budget Office (CBO) estimates that the measure's changes to federal commodities and crop insurance programs would reduce mandatory spending on commodities by $14.3 billion through FY 2023 while increasing crop insurance expenditures by $5.7 billion.

General Commodities & Risk Management

The measure repeals the Direct Payments, Countercyclical Payments and Average Crop Revenue Election (ACRE) programs and replaces them with new risk-management farm "safety net" programs.

Program Repeals

Unlike the House bill, the agreement repeals the Direct Payments, Countercyclical Payments and ACRE for all commodities, including cotton. The House version would have maintained direct payments for upland cotton in crop years 2014 and 2015 at 70% and 60% of base acres, respectively, because they are ineligible for the two new risk-management programs. Like the House bill, however, it maintains direct payments for all covered commodities for crop year 2013 (the Senate bill would not have continued direct payments for peanuts or pulse crops).

Direct payments provide farmers and other producers with fixed annual payments based on their farms' historical crop production and do not vary with crop prices or crop yields. Countercyclical payments are available to producers with historic program payment acres for certain commodities; payments are made whenever the current effective commodity price is less than the target price. ACRE is an optional revenue-based program that replaces countercyclical payments for producers who participate in it.

There is broad agreement that the current payment programs unfairly favor certain commodities and often provide assistance regardless of whether it is needed — particularly in the case of Direct Payments, which was originally established by the 1996 Farm Bill to be a temporary program as other support programs were being phased out. CBO estimates that repealing direct payments will reduce spending by $40.8 billion through FY 2023 (about $4.5 billion a year), while repealing countercyclical payments and ACRE will save $1.5 billion and $4.7 billion through FY 2023, respectively.

New Price and Revenue Loss Risk-Management Programs

In place of the terminated payment programs, the agreement creates two new risk-management programs to protect farmers against volatility in either commodity prices or their revenues: a Price Loss Coverage (PLC) program and an Agriculture Risk Coverage (ARC) program.

Under the measure, farmers would be required to choose, on a commodity-by-commodity basis, to enroll in one of the new programs for the duration of the new farm bill. However, in the case of multiple commodity producers who work a single farm, if they fail to make a unanimous selection, the Agriculture Department would be prohibited from making any payments to that farm under either program for crop year 2014 and will deem the producers to have chosen the PLC program for crop years 2015 through 2018.

The measure sets new subsidy caps of $125,000 per person or $250,000 per couple for total payments from the two programs as well as any marketing loan benefits. (Both the House and Senate bills limited annual subsidies to $50,000 per person or $100,000 per couple.) Cotton producers would not be eligible for either of these programs; the agreement establishes a separate crop insurance program for cotton (STAX; see below).

Farmers who choose to participate in either program would be required to comply with conservation practices and wetland conservation practices — including control of noxious weeds, the use of sound agricultural practices, and using the enrolled lands for agricultural (and not residential or commercial) purposes. Farmers must also submit annual acreage and production reports to the department.

Base Acres

Similar to the House bill, current base acres now used in the existing direct and countercyclical programs will be used for determining eligible acreage for payments under the PLC and ARC programs, unless the farmer chooses to update or reallocate acres to reflect what he or she planted between 2009 and 2012. In addition, because the agreement

moves cotton to a separate program, it allows farmers who plant other commodities on acreage where cotton was previously planted to add that additional acreage to the generic base acres used for the PLC and ARC calculations.

Price Loss Coverage

As under the House bill, PLC is meant to be a risk-management tool to address deep, multiple-year declines in commodity prices and would follow the countercyclical model of payments based on target ("reference") prices rather than a rolling five-year average. Specifically, payments would be triggered when a crop's midseason market price (or loan rate, if higher) drops below its reference price, with the payment rate being the difference between these two prices. Payments are to be made on 85% of base acres (not planted acres) in addition to any generic base acres added by the substitution of another commodity for cotton.

CBO estimates that the PLC program would cost an estimated $13.1 billion through FY 2023. Farmers who sign up for PLC would also be eligible for a new version of revenue insurance called the Supplemental Coverage Option (SCO; see below) to cover their "shallow losses" — i.e., losses that occur up to the point where the farmer has purchased conventional crop insurance.

Agriculture Risk Coverage

The agreement includes Senate provisions to create a new program for revenue-based payments known as Agriculture Risk Coverage (ARC) designed to cover a portion of a farmer's revenue losses. Payments to farmers would be triggered when crop prices fall to 86% of the average of the middle three of the last five years. Because the average is recalculated every year, these payments would cease if a commodity drops in price and stays at the new, lower price. (The House bill included a different revenue loss coverage program.)

The average price calculation for ARC under the measure includes safeguards to prevent prices from dropping too quickly year over year. It provides a "yield plug" of 70% of the transitional yield when the production yield per planted acre or historical county yield for any of the five most recent crop years is less than 70% of the transitional yield. It also provides that the price cannot be less than the established reference price for that commodity.

Farmers adopting ARC could choose coverage that is based on broader countywide yields or just their own farm's yield, although if the farmer elects farm-level yield for any commodity then all crops covered under the ARC program must also use farm-level yields. This choice must be made when the farmer first adopts ARC and could not be reversed

during the five-year duration of the farm bill. Payments based on countywide results are to be paid on 85% of base acres; payments based on the individual farm would be 65% of that farm's base acres.

CBO estimates that the ARC program would cost $14.1 billion through FY 2023.

Other Commodities Provisions

The agreement continues the following commodity programs with relatively minor changes.

- **Nonrecourse Marketing Loans** — Are continued for crop years 2014-18. Following the House bill, the agreement includes peanuts in these loans but preserves the special rules for peanuts set by the 2008 farm bill. It includes Senate provisions that reduce from 52 cents per pound to 45 cents per pound the minimum loan rate for upland cotton, which conferees in the statement of managers say is intended to address Brazil's dispute with the United States regarding domestic cotton supports.

- **Repayment of Loans** — Current provisions are generally extended; it also includes House language reducing cotton storage payment rates by 10% compared with rates in effect for the 2006 crop year.

- **Payments in Lieu of LDPs for Grazed Acreage** — Continues current provisions regarding payments in lieu of loan deficiency payments (LDPs), except payments would be based on the yield used for the PLC program.

Crop Insurance

The traditional federal crop insurance program is a permanent program that does not require reauthorization. However, the agreement makes numerous revisions to crop insurance programs, including establishing a new "shallow loss" supplemental coverage option and a new program for cotton, and requiring that farmers follow conservation compliance practices in order to be eligible for subsidized coverage.

CBO estimates that the measure's crop insurance provisions would increase net spending by $5.7 billion through FY 2023.

Supplemental Coverage Option

Similar to both House and Senate bills, the agreement establishes a new crop insurance program known as Supplemental Coverage Option (SCO), an areawide group-risk policy also called shallow loss coverage, under which producers can purchase additional insurance to cover a portion of losses not covered by individual crop insurance policies (i.e., part of their deductible).

Coverage under SCO would be triggered only if the area loss exceeds 14%, and SCO coverage could not exceed the difference between 86% of the actual loss and the coverage level selected by the producer for the underlying crop insurance policy. Crops enrolled in ARC and acreage enrolled in STAX (see below) are not eligible for SCO.

Farmers could choose between individual farm yield and loss coverage or broader areawide yield and loss coverage. In addition, farmers could receive margin coverage insurance, either alone or in combination with one of the options for yield and loss coverage.

SCO must be available beginning with the 2015 crop year. Under the measure, 65% of the premium for SCO would be paid by the government through the Federal Crop Insurance Corp. CBO estimates that the SCO program would cost $1.7 billion through FY 2023.

Cotton and Peanuts

Cotton/STAX

Like the House and Senate bills, the agreement creates the Stacked Income Protection Plan (STAX) for upland cotton growers, under which they could obtain areawide group-risk insurance policies. Under the measure, the program must be available no later than the 2015 crop year.

(STAX is meant to provide necessary risk management for cotton producers without violating World Trade Organization (WTO) rules, since the only commodity subsidy that would otherwise remain for cotton growers under the bill are marketing loans. The United States and Brazil have had a dispute over U.S. cotton subsidies, and STAX is intended to help cotton growers without violating an earlier WTO ruling that the U.S. unfairly subsidizes its cotton producers.)

STAX would be available as supplemental insurance or as a stand-alone policy — although the maximum coverage for an area already covered under other insurance could not exceed the deductible for that underlying crop insurance. STAX would provide coverage for revenue loss of at least 10%, and up to 30% for a stand-alone policy, insuring

the cotton for a minimum price based on the expected price established under existing Group Risk Income Protection or areawide policy offered by the corporation for the applicable county (or area) and crop year.

Under the measure, 80% of the premium for STAX would be paid by the government through the Federal Crop Insurance Corp. CBO estimates that the new program would cost $3.3 billion through FY 2023.

Because cotton is not eligible for ARC or PLC, and because implementing STAX is expected to take some time, the agreement provides for transition payments for the growers of upland cotton. Specifically, transition payments for the 2014 crop year would be available for producers with a cotton base in the 2013 crop year, and in 2015 for producers with a 2013 crop year cotton base in counties where STAX is not yet available. Payments would be based on a formula that estimates the marketing year average price and a yield of 597 pounds per acre, with payments capped according to rates in place under the 2008 farm bill. CBO estimates that the transition payments (which are in the measure's commodities title) would total $556 million in FY 2015 and $2 million in FY 2016.

Peanuts

The agreement also establishes a revenue crop insurance program for peanuts, beginning with the 2015 crop year. Under the measure, the program's target level for peanuts would be based on a price equal to the Rotterdam price index for peanuts, adjusted for some U.S. farmer costs, or an appropriate price as determined by the Agriculture Department.

CBO estimates that the new program would cost $119 million through FY 2023.

Crop Production on Native Soil

Under current law, crops planted for five years after native sod is tilled are not eligible for crop insurance. The agreement, like both the House and Senate bills, permits crop insurance for crops planted on native sod in the first five years after it is tilled, but it provides that for the first four years the insured yield be determined using 65% of the farmer's transitional yield with a subsidy that is 50 percentage points less.

Similarly, the measure amends the Non-Insured Crop Disaster Assistance Program (NAP) so that during the first four years the yield is determined by 65% of the producer's "T yield" with premiums that equal 200% of regular premiums.

These provisions would apply only to native sod in the states of Minnesota, Iowa, North Dakota, South Dakota, Montana and Nebraska (the House bill applied to a more limited region, while the Senate bill would have applied nationwide). CBO estimates that these provisions would reduce spending by $114 million over 10 years.

Other Crop Insurance Provisions

Under current law, if a producer experiences multiple-year disasters that lower production yield and thus affect the Actual Production History (APH) used to calculate losses and compensation under crop insurance, that producer is allowed to opt for a transitional yield for that year. This option excludes the low-yield year from the APH calculation, and instead the low yield is replaced with 60% of the transitional yield.

The agreement provides a different method for calculating APH that allows the farmer to exclude certain yield histories. Specifically, a farmer could exclude yields for any crop year in which the yield was at least 50% below the simple average yield of the same commodity in the county during the previous 10 consecutive crop years. Irrigated and non-irrigated crops must be considered separately. CBO estimates that these provisions would cost $357 million through FY 2023.

The agreement also makes the following other adjustments to crop insurance:

- **Disclose Premium Adjustment Violations** — Like the House bill, the agreement requires the Federal Crop Insurance Corp. to publish information regarding each violation of the prohibition on rebates or premium adjustments, including sanctions imposed. The information is to serve as guidance for insurance agents and producers.

- **Enterprise Units** — Makes permanent a current pilot project under which an increased subsidy is available for enterprise and whole farm units being insured under the same policy. CBO estimates that this would cost $533 million through FY 2023.

- **Irrigated and Non-Irrigated Crops** — Allows the same crop produced on dry or irrigated land to be insured for different levels, depending on whether the land is dry or irrigated, and allows for separate enterprise units for irrigated and non-irrigated crops (costing $168 million through FY 2023, according to CBO).

- **Beginning Farmers and Ranchers** — Provides a 10-percentage-point increase in the federal subsidy for crop insurance for beginning farmers and ranchers, as well as the ability to use the temporary yields or the APH of previous producers if natural disasters have depressed current APH yields (costing $261 million, according to CBO).

- **Organic Crops** — Requires the issuance of crop insurance for organic crops, beginning no later than the 2015 reinsurance year (costing $8 million, according to CBO).

- **Submission and Review of Policies** — Establishes a process for the submission and review of potential insurance policies.

- **Crop Insurance Fraud** — Authorizes the use of up to $9 million from the crop insurance fund to pay for maintaining program integrity and compliance activities (costing $81 million, according to CBO).

- **Index-Based Weather Insurance Pilot Programs** — Authorizes a pilot program to provide assistance in the purchase of an index-based weather insurance product from a private insurance company (costing $50 million, according to CBO).

- **Insurance Research and Development Priorities** — Authorizes research and development of insurance policies for different commodities. The measure designates underserved commodities, making these a priority for the development of new insurance products. Underserved commodities include sweet sorghum, biomass sorghum, rice, peanuts, sugar cane, alfalfa, pennycress and specialty crops. The agreement also promotes development of insurance policies for margin coverage for catfish, whole farm diversified risk management, swine catastrophic disease, poultry catastrophic disease and food safety. CBO estimates that these provisions would cost $36 million through FY 2023.

The agreement does not include language from the House bill that would have mandated the disclosure of the amount of crop insurance assistance received by members of Congress, Cabinet secretaries and members of their immediate families.

Dairy

The agreement reauthorizes three dairy programs and repeals four others — replacing them with a new voluntary margin insurance program that is aimed at protecting dairy farmers from economic loss. Overall, CBO estimates that the measure's dairy provisions would increase direct spending by a net total of $912 million through FY 2023.

New Dairy Margin Protection Program

The agreement creates a dairy margin protection program meant to protect farmers against losses if milk prices drop too close to feed costs. All dairy producers in the United States would be eligible for the program; to participate, they simply must register and pay an annual $100 fee. However, dairy producers could not participate if they are enrolled for federal crop insurance under the livestock gross margin for dairy program.

Under the program, dairy producers would choose coverage level thresholds in 50-cent-per-hundredweight increments from $4.00 per hundredweight (cwt) to $8.00/cwt. At $4.00/cwt there are no premiums, and premiums for the first 4 million pounds of milk produced would cost less per cwt than those for milk produced beyond 4 million pounds. For calendar years 2014 and 2015 the premiums are reduced by 25%, except the premiums for $8.00/cwt.

Producers also would choose a percentage of coverage in 5% increments, between 25% and 90%, with elections to be made annually. Producers would receive margin protection payments when the average actual dairy production margin for a consecutive two-month period is less than the coverage level threshold selected by the producer.

Under the measure, the Agriculture Department must establish the program by Sept. 1, 2014. It would sunset on Dec. 31, 2018.

Reauthorized Dairy Programs

Like both the House and Senate bills, the agreement reauthorizes through FY 2018 the Dairy Forward Pricing Program, the Dairy Indemnity Program, and the Dairy Promotion and Research Program.

The Dairy Forward Pricing Program allows dairy producers to voluntarily enter into forward price contracts with milk processors for pooled milk used for manufactured products. Processors can contract to pay producers a price other than the minimum Federal

Milk Marketing Orders (FMMO) price for pooled milk. The measure allows for new contracts until Sept. 30, 2018, but provides that no contract can extend beyond Sept. 30, 2021.

The Dairy Indemnity Program makes payments to dairy producers when a public regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated through no fault of their own. Payments also are made to manufacturers of dairy products, but only for products removed from the market because of pesticide contamination.

The Dairy Promotion and Research Program is a dairy product promotion, research and nutrition education program funded by a mandatory $0.15-per-hundredweight assessment on milk produced and marketed in the 48 contiguous states.

Program Repeals

The four programs eliminated by the agreement are the Dairy Product Price Support Program, the Dairy Export Incentive Program, the Federal Milk Marketing Order Review Commission and the Milk Income Loss Contract Program (MILC) — although MILC payments would continue through June 30, 2014, at a 45% payment rate, with the repeal to be effective July 1, 2014.

MILC gives participating dairy farmers a government payment if the price of milk falls below the target price. Starting in 2008, the MILC target was adjusted by the costs of dairy feed. MILC payments are made only on the first 2.985 million pounds of annual milk production per farm (about the amount produced by 150 dairy cows). This production limitation has the effect of limiting MILC protection to about 30% of U.S. milk production, and the program is not popular with large dairy producers and regions that tend to have large herds.

The Dairy Product Price Support Program supports the price of fluid milk at $9.90/cwt through government purchases of dairy products from dairy processors. The government purchases when prices are low and stops purchasing when prices rise above support levels. The $9.90/cwt price has been consistently lower than the annual farm price of milk, and dairy producers argue that a set price does not take into account sudden increases in the cost of feed. Some analysts claim the price supports have impeded dairy exports, distorted domestic markets and constrained dairy product innovation.

The Dairy Export Incentive Program subsidizes dairy product exports by providing cash payments to exporters. Originally intended to counter foreign dairy subsidies, the program has been used only rarely in recent years.

The Federal Milk Marketing Order Review Commission was established by the 2008 farm bill and is required to conduct a comprehensive review and evaluation of the FMMO system as well as non-FMMO systems. Federal Milk Marketing Orders regulate milk marketing across state lines but within explicitly defined regions and are designed to provide price support and market stability. Within each FMMO, dairy processors are required to pay a minimum price for milk, depending on its end use (this is referred to as classified pricing), and the values of all milk sales are pooled to generate a uniform average price that is paid to all dairy farmers. Approximately two-thirds of U.S. milk has its price regulated under FMMOs.

Sugar

The agreement reauthorizes the federal sugar program, without any changes, through FY 2018. (The House bill would have permanently reauthorized the program.)

Under current law, the sugar program provides a price guarantee to the processors and producers of sugar cane and sugar beets. The Agriculture Department manages the price of sugar by providing price support loans that work as a guarantee of price, limiting the amount of sugar that each processor is allowed to sell, imposing import quotas to restrict sugar from entering the United States and employing a sugar-to-ethanol backstop in case marketing allotments and import quotas fail to prevent a sugar surplus from developing.

Income Limits

The agreement reduces the threshold at which farmers become ineligible to receive benefits under federal commodity and conservation programs — prohibiting any such payments if his or her adjusted gross income (AGI) exceeds $900,000. The current limit is $1 million in annual AGI.

However, it also eliminates the restriction that currently bars farmers earning between $500,000 and $1 million in AGI from receiving federal subsidies if less than 67% of their income comes from farming. Under the measure, individuals with less than $900,000 in AGI would be eligible for subsidies regardless of the portion of their income that comes from farming.

Separate limits apply to agriculture disaster assistance programs, which would be moved by the agreement into the commodities title of agriculture law (see below).

Disaster Assistance

The agreement reauthorizes and modifies certain Supplemental Agricultural Disaster Assistance programs, and it moves the disaster assistance authorizations to the commodities title of the law. CBO estimates that disaster spending would total $3.7 billion through FY 2023, including $897 million in FY 2014.

Disaster programs include the following:

- **Livestock Indemnity Payments** — Eligible producers receive payments for livestock losses in the excess of normal mortality due to adverse weather or attacks by federally reintroduced animals. The measure maintains the rate for indemnity at 75% of the market value.

- **Livestock Forage Disaster Program** — Eligible livestock producers receive compensation for livestock losses due to grazing losses caused by drought or fire. The measure increases payments for losses over the current payment rate in cases of extreme and exceptional drought and eliminates the minimum risk-management purchase requirement.

- **Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish** — This program provides emergency relief for producers to aid in the reduction of loss due to disease and adverse weather. The measure clarifies that cattle tick fever is included in losses due to disease. The maximum funding for this program is limited to $20 million annually.

- **Tree Assistance Program** — Orchardists and nursery growers receive assistance for losses of trees due to natural disaster. The measure provides a reimbursement rate of 65% of the cost of replanting trees (down from 70% under current law) for losses in excess of 15% mortality. The measure maintains the 500-acre limit for which a person or legal entity is entitled to receive payments.

Income Limits for Disaster Assistance

The agreement increases to $125,000 the cap on disaster payments that may be made to any one individual or entity. The current cap is $100,000 per crop year.

It also eliminates income restrictions for individuals or entities to receive agriculture disaster payments. Currently, a person is not eligible to receive any benefit if his or her non-farm AGI exceeds $500,000 or if his or her farm AGI exceeds $750,000.

Section III

Nutrition Programs, Food Aid & Trade

This section describes the provisions of the conference agreement on HR 2642 , Agricultural Act of 2014, that deal with nutrition programs, food aid and trade.

The agreement reauthorizes through FY 2018 spending for federal nutrition programs, including food stamps (formally known as the Supplemental Nutrition Assistance Program, or SNAP). It modifies SNAP to reduce the ability of states to artificially boost an individual's food stamp benefits by providing a minimal level of energy assistance, and it creates a pilot program to help get more SNAP recipients working by allowing states to require work and job training as part of receiving SNAP benefits. It does not include House provisions that would have restricted "categorical eligibility" for SNAP or restricted the ability of states to waive SNAP work requirements for certain able-bodied adults.

The House initially reauthorized nutrition programs through a separate bill (HR 3102), and only for three years in an effort to end the long-standing practice of reauthorizing agricultural and nutrition programs together. The agreement continues the practice of enacting a combined authorization, providing five-year reauthorizations for both agricultural and nutrition programs.

CBO estimates that the measure would reduce direct spending on nutrition by $8 billion through FY 2023. However, the agreement's nutrition spending would still total $756 billion over 10 years — constituting 79% of the agreement's total spending on all programs and activities.

Food Stamps / SNAP

The food stamp program is fully funded by the federal government and is administered by the Agriculture Department, with benefits being distributed to individuals by the states. Benefits are provided to eligible low-income households through an electronic benefit transfer card that can be used to obtain food at authorized retailers. Eligibility for SNAP benefits is determined on a household basis, with eligibility determined through a traditional income and asset test, or through so-called "categorical eligibility," under which individuals become eligible for food stamps based on their participation in other low-income assistance programs.

Under the program, most able-bodied adults must register for work activities with the appropriate state agency, accept a suitable job if offered one and fulfill any work, job search or training requirements set by the state SNAP agency. The 1996 welfare reform law (PL 104-193) established special work requirements for able-bodied adults between

the ages of 18 and 50 who are without dependents (so-called ABAWDs), generally limiting SNAP benefits to three months over a three-year period unless the individual worked or engaged in job training for at least 20 hours a week.

Food stamps are the single largest nutrition safety net provided by the federal government. Agriculture Department figures for September 2013 (released on Dec. 6, 2013) show 47.3 million individuals receiving an average of $133.20/month, or 23 million households receiving an average of $273.97/month, under SNAP. In FY 2007, before the great recession and financial crisis hit, an average of 26.5 million individuals per month were receiving SNAP benefits.

Those receiving food stamps already experienced a cut in benefits. On Nov. 1, 2013, the increase in SNAP benefits established by the 2009 American Reinvestment and Recovery Act expired, resulting in a loss of approximately $25 per month for a family of four.

Eligibility and Benefits

The agreement modifies SNAP to reduce the ability of states to artificially boost an individual's food stamp benefits by providing a minimal level of energy assistance, and it creates a pilot program to help get more SNAP recipients working by allowing states to require work and job training as part of receiving SNAP benefits. It does not, however, include House provisions to restrict categorical eligibility or limit the ability of states to waive work requirements.

Modify LIHEAP Interaction

Like the House bill, the agreement requires that an individual receive at least $20 or more in aid from the state through the Low Income Home Energy Assistance Program (LIHEAP) before that individual's SNAP benefits may be automatically increased. CBO estimates that this provision would reduce spending by $8.6 billion over 10 years.

LIHEAP assists low-income families with home energy bills for heating and cooling, energy crises, and weatherization and energy-related minor home repairs and is administered locally by the states. Under current law, receipt of fuel assistance through LIHEAP automatically makes a household eligible to claim heating or cooling expenses and to use the state's standard utility allowances (SUA) in determining the level of SNAP eligibility.

States set their own SUAs, which is a fixed dollar amount assigned for a household's utility expenses (heating, electricity, garbage collection, water and sewer fees, telephone costs); it is not tied to what an individual family actually pays, however, and is often much higher. When determining SNAP eligibility and benefits, applying a state's SUA reduces an individual's calculated income and increases SNAP benefit levels.

To boost SNAP benefits to its residents, some states have been sending LIHEAP payments of as little as $1 to households with no utility costs so that the household can use the SUA and receive increased SNAP benefits (this has been dubbed the "Heat and Eat" policy). By requiring states to provide individuals with at least $20 in LIHEAP benefits in order to use the SUA in calculating SNAP benefits, the agreement seeks to end that practice.

Eligibility Restrictions

The agreement prohibits certain individuals from receiving SNAP benefits, including undocumented immigrants (states would be required to verify an applicant's immigration status), major lottery winners, traditional college students and convicted violent rapists, pedophiles and murderers (for crimes that occur after enactment and for which the individual is not in compliance with the conditions of his or her sentence or parole).

In determining SNAP eligibility and benefit levels, it requires states to obtain wage data directly from the National Directory of New Hires (which CBO estimates would reduce spending by $18 million over 10 years), and it excludes medical marijuana as an eligible medical expense deduction when calculating adjusted income.

The agreement does not , however, include House provisions that would have restricted "categorical eligibility" to certain cash assistance programs (under categorical eligibility, individuals become eligible for food stamps based on their participation in other low-income assistance programs; CBO estimated that the House provisions would have reduced SNAP spending by $11.6 billion over 10 years), nor does it restrict the ability of states to waive SNAP work requirements for certain able-bodied adults (the House bill would have reimposed requirements of the 1996 welfare reform law that limited SNAP eligibility to three months unless the individual worked or participated in job training; CBO estimated that those House provisions would have reduced SNAP spending by $19 billion). It also does not include a House provision that would allow drug testing on SNAP recipients.

Work and Job Training Pilot Program

Although the measure does not restrict the ability of states to waive SNAP work requirements, it does provide for the establishment of a pilot program to help get more SNAP recipients working by allowing states to require work and job training as part of receiving SNAP benefits. The House bill included similar provisions.

Specifically, it directs the Agriculture Department to conduct a pilot program in up to 10 states to develop and test employment and training programs for SNAP recipients that would raise the number of individuals who obtain unsubsidized employment, increase recipients' income and reduce reliance on public assistance. It provides $200 million in mandatory funding to operate the pilot program: $10 million for FY 2014 and $190 million for FY 2015.

States that participate in the pilot program must not supplant existing employment and training funds. The pilot projects must be in a range of geographic areas; include mandatory and voluntary participation; and target individuals with varying skills and work experience. The department must provide for an independent evaluation of the projects and must report to Congress on their success.

CBO estimates that the measure's work and job training pilot program would increase direct spending by $250 million over 10 years.

SNAP Retailers

The agreement requires stores authorized to accept SNAP benefits to purchase point-of-sale equipment that will allow electronic tracking of where SNAP benefits are used, and it terminates the use of vouchers except in cases of disasters or similar circumstances.

It also requires that at least one pilot program to reduce retailer fraud be conducted in a large urban area that administers its own SNAP program. CBO estimates that the retail food store provisions would decrease direct spending by $77 million over 10 years.

The measure also:

- Prohibits retailers from giving cash refunds on bottle deposits to SNAP participants, even if the bottle was originally purchased by means of a SNAP benefit;

- Requires the Agriculture Department to conduct demonstration projects on using online or mobile transactions for SNAP benefits;

- Requires SNAP retailers to provide at least seven foods in each of the four categories of staple foods, and perishable items in at least three of the four staple food categories. The four staple food categories are dairy; meat, poultry or fish; fruits or vegetables; and bread or cereals. Under current law, a store stocking as few as 12 food items is eligible to be a SNAP retailer.

State Administration of SNAP

Under current law, the Agriculture Department offers performance awards to states based on excellence in payment accuracy, program access, application timeliness and low rates of improper denials. The House bill would have eliminated these state bonuses; the agreement preserves the bonus awards and requires states to reinvest the funds in SNAP to improve technology, administration and program integrity.

Fraud Prevention

The agreement requires the Agriculture Department to establish pilot projects intended to improve federal-state cooperation in reducing retailer fraud of SNAP benefits. At least one of the projects must be carried out in one of the nation's 10 most populous urban areas.

It provides $15 million in mandatory funding for FY 2014, to remain available until expended, to track and prevent SNAP trafficking. It also authorizes $5 million in discretionary spending for this purpose for each subsequent year. CBO estimates that this provision would increase direct spending by $15 million over 10 years.

States must report annually to the Agriculture Department that they verified that households receiving food stamps did not obtain benefits for anyone who has died, who is simultaneously receiving assistance in another state or who has been disqualified from receiving benefits. The department must complete a study on ways to prevent payment of benefits to the same recipient by multiple states and report to Congress on how to implement the results.

Program Recruiting Limits & Expansion

The agreement prohibits states from conducting activities to recruit SNAP participants, advertising the SNAP program and entering into agreements with foreign governments to promote SNAP benefits.

It terminates the U.S.-Mexico Partnership for Nutrition Assistance Initiative, an agreement made between the Agriculture Department and government of Mexico in 2004 to improve the access of eligible Mexicans in the United States to federal nutrition assistance programs.

The measure requires the Agriculture Department to conduct a study to determine the feasibility of a demonstration project for Native American tribes to administer all federal food assistance programs, as well as a study to determine whether the Commonwealth of the Northern Mariana Islands can operate a food stamp program and whether an alternative model would best meet the islands' needs. If the department determines that a pilot program is feasible for the islands, it must establish one. CBO estimates that the Northern Mariana Islands study and pilot program will increase direct spending by $33 million over 10 years.

It also phases out, by 2021, authority for Puerto Rico to provide SNAP benefits as cash, but allows some cash benefits to continue if the complete phaseout of cash would be harmful.

Unused Benefits / Lost Cards

The measure requires states, in cases where a household has made multiple requests for replacement electronic food stamp benefit cards, to decline to replace the cards if the household is unable to provide adequate explanation for the loss of the cards. However, the state is required to protect vulnerable individuals who lose cards but are not intentionally committing fraud, such as people who are homeless, disabled or victims of crimes.

It does not include a House provision that would have required states to delete card balances that hadn't been used within 60 days.

Training and Employment

Under current law, states must conduct education and training programs for SNAP participants who are unemployed or underemployed. Like the Senate bill, the agreement provides $90 million per year in mandatory funds for this program. (The House bill would have provided $79 million, the program's reduced level for the past few years).

Under the agreement, the Agriculture Department must assess the effectiveness of state SNAP employment and training programs in preparing recipients for employment and in increasing the number of individuals who obtain and retain employment after participating in the programs.

Other SNAP Provisions

The agreement increases funding for Emergency Food Assistance, boosting funding by $50 million in FY 2015, $40 million in FY 2016, $20 million in FY 2017 and $15 million in FY 2018. Funding for FY 2019 and each year thereafter is indexed from the FY 2018 funding level. CBO estimates that these provisions would increase direct spending by $205 million over 10 years.

It includes Senate language that renames the hunger-free community grants program (it is renamed the Food Insecurity Nutrition Incentive) and limits the federal cost share to 50%. It authorizes $5 million in discretionary funding for each of FY 2014-18 and provides mandatory funding of $35 million for FY 2014 and 2015, $20 million for FY 2016 and 2017, and $25 million for FY 2018. The grants are to develop projects that incentivize SNAP participants to buy fruits and vegetables. CBO estimates that this provision would increase direct spending by $100 million over 10 years.

The measure increases mandatory funding for Community Food Projects from $5 million to $9 million a year. Under the measure, the Healthy Urban Food Enterprise Development Center and Innovative Programs for Addressing Common Community Problems are eliminated from this program. Community Food Projects is a grant program for nonprofit organizations with the goal of improving community access to food. Grants require 50% matching funds. CBO estimates that this provision would increase direct spending by $36 million over 10 years.

It also allows nonprofit organizations that purchase and deliver food to elderly and disabled individuals to accept SNAP benefits as reimbursements for these purchases. The organizations may not, however, charge a delivery fee on the SNAP account.

The agreement adopts provisions from the Senate bill creating a pilot program to grant loans between $500 and $5,000 to gleaners and other borrowers for the purpose of providing food to the hungry. The program is funded from the farm operating loan program and has a program maximum of $500,000. “Gleaners” are defined as people that collect edible, surplus food that would be thrown away and distribute the food to organizations that feed the hungry. Gleaners also harvest donated crops for distribution to the needy.

Other Nutrition Programs

The agreement authorizes through FY 2018 a number of other federal nutrition programs, including the Commodity Distribution Program, Commodity Supplemental Food Program, Distribution of Surplus Commodities to Special Nutrition Projects, the purchase of fresh fruits and vegetables for distribution to schools and service institutions, and the Seniors Farmers' Market Nutrition Program.

Commodity Distribution Program

The Commodity Distribution Program requires the Agriculture Department to purchase commodities for child and elderly nutrition programs to meet the annually programmed level of commodity assistance for nutrition programs mandated by the National School Lunch Act, Child Nutrition Act (PL 89-642) and Older Americans Act (PL 89-73).

Like the House bill, the agreement requires the federal government to retain ownership of any commodities delivered to a processor on behalf of a state until the end products containing the commodities are delivered to a state distributing agency. The Agriculture Department must develop regulations to ensure accountability for commodities provided to processors.

It also includes Senate provisions to establish a multi-agency task force to provide guidance to the commodity distribution programs. The task force must include members from FNS's Food Distribution Division, Agricultural Marketing Service, Farm Service Agency, and Food Safety and Inspection Service.

Commodity Supplemental Food Program

Like the House bill, the agreement provides that the Commodity Supplemental Food Program (CSFP) may serve only individuals over the age of 60. Those under 60 currently being served by CSFP are allowed to remain in the program until they no longer meet the current eligibility requirements.

CSFP provides a periodic package of food meant to supplement the individual's existing diet. Under current law, low-income pregnant and breast-feeding women, other new mothers up to one year postpartum, infants and children up to their 6th birthday qualify for this program, as well as individuals 60 years of age and older.

Healthy Food Financing Initiative

Like the House bill, the measure establishes a new Healthy Food Financing Initiative within the Agriculture Department.

The purpose of the initiative is to improve access to healthy foods in underserved areas, to create and preserve quality jobs and to revitalize low-income communities by providing loans and grants to eligible fresh, healthy food retailers to overcome the higher costs and initial barriers to entry in underserved areas. The department must provide assistance to eligible projects through revolving loan pools, grants and technical assistance. Priority must be given to projects that are located in severely distressed low-income communities, create or retain quality jobs for low-income residents, support regional and local foods, are served by public transit, involve women- or minority-owned businesses and receive funding from other sources.

The agreement authorizes $125 million for this initiative.

Other Nutrition Provisions

The agreement repeals the Nutrition Information and Awareness Pilot Program, which was established to increase domestic consumption of fresh fruit and vegetables, but reauthorizes the Fresh Fruit and Vegetable Program and creates a pilot project to evaluate the impact of offering all forms of fruit and vegetables in schools, providing $5 million in mandatory funding for this project. It also establishes a pilot project to purchase pulse crop products for schools (authorizing $10 million in discretionary funding for the project) and establishes a pilot project to give states flexibility in procuring unprocessed fruits and vegetables by allowing the use of multiple suppliers and allowing geographic preference.

It also:

- Reauthorizes the Senior Farmers' Market Nutrition Program through FY 2018, at its current funding level of $20.6 million per year.
- Requires the department to study sole-source contracting in federal nutrition programs for the effects on participation, goals, consumers, retailer and free-market dynamics.
- Requires the department to use kosher and halal foods within the Emergency Food Assistance Program.
- Requires the development of dietary guidelines for pregnant women and children under the age of 2.

- Establishes a program to increase the capacity for food, garden and nutrition education, authorizing $25 million for the program.

Food Aid

As the single largest donor of food aid worldwide, the United States contributes nearly half of all in-kind food aid.

The president last year proposed major changes to U.S. food aid programs, especially the Food for Peace program administered by the Agriculture Department. The president's proposal would have loosened requirements on how much of the food that the United States sends to hungry people around the world must come from U.S. farmers and be transported on U.S. ships, and would allow as much as 45% of U.S. emergency food assistance to come from nearby sources overseas. The White House also proposed to end "monetization" (the practice of selling U.S. food abroad to raise money for international development projects) and to move jurisdiction for the programs from agriculture authorizers and appropriators to those who oversee the State Department and foreign aid.

The agreement generally rejects the president's proposals but clarifies that emergency and non-emergency food assistance is implemented by the U.S. Agency for International Development (USAID), even though funding is provided through agricultural appropriations acts. It requires the Agriculture Department or USAID to report on the use of funds for each project and the rate of return on monetized commodities (for rates less than 70%, the report must include the reason for the lower rate of return). The conferees, in their statement of managers, say that they expect USAID to consider the full impact of monetization when evaluating proposals under Food for Peace and that they wish to supply greater flexibility to USAID so that it has the most effective food assistance tools.

Food for Peace

One of the most important food aid programs administered by the Agriculture Department is the Food for Peace program. The purpose of the program (also known as PL 480 because it was established under PL 83-480) is to promote the food security of developing countries, which is accomplished by providing food aid to save lives, to help people recover from crises, and to support nutrition and development in impoverished countries.

The agreement reauthorizes the program through FY 2018 and modifies the objectives of the program to include building resilience to mitigate food crises and reduce the need for future emergency aid.

It increases the maximum allowable cash assistance available for administrative costs in non-emergency programs from 13% to 20% of available funds and expands the purposes for which cash assistance may be used to include administrative, transportation, storage and distribution tasks; community development, health, nutrition and cooperative development, and other developmental activities; and investment authority.

The measure requires USAID to assess agricultural commodities that are donated as food aid. The conferees, in their statement of managers, note that the Government Accountability Office has cited deficiencies in the nutrition and quality controls of U.S. food aid commodities. The conferees expect USAID to set goals and address these concerns.

Farmer-to-Farmer Program

The John Ogonowski and Doug Bereuter Farmer-to-Farmer Program, which mobilizes U.S. volunteers from agriculture, universities and nonprofit organizations to assist farmers in developing economies, is authorized through FY 2018 at the greater of $15 million per year (up from $10 million) or 0.5% of funding for the Food for Peace program.

The measure requires that GAO review the program and provide recommendations to improve the monitoring and evaluation of the program.

Other Food Aid Programs

The agreement also reauthorizes through FY 2018 the Bill Emerson Humanitarian Trust and the McGovern-Dole International Food for Education and Child Nutrition program.

It does not include Senate language that would have prohibited assistance for North Korea.

Trade

The agreement requires the Agriculture Department to reorganize the department's trade functions, including by establishing an Undersecretary of Agriculture for Trade and Foreign Agricultural Affairs. Conferees in their managers' statement note that international trade is critical to U.S. agriculture, accounting for more than 25% of farm receipts — but that the department's trade organization structure has not changed since 1978, even though the value and nature of agricultural exports has changed dramatically.

The measure includes Senate language that establishes a local and regional procurement (LRP) program and authorizes appropriations of $80 million for each of FY 2014-18. The program originated as a pilot program in the 2008 farm bill.

It also requires the Agriculture Department to conduct a study on the market for the U.S. Atlantic spiny dogfish.

CBO estimates that all the measure's trade provisions would increase direct spending by $139 million over 10 years.

Individual Trade Programs

The agreement reauthorizes funding for the following agricultural trade programs through FY 2018:

- **Export Credit Guarantee Program** — Export guarantees help finance exports of U.S. agricultural commodities in markets where credit might not otherwise be available. The measure allows the Agriculture Department to adjust the program to meet WTO obligations.

- **Market Access Program (MAP)** — This program provides assistance on a cost-share basis to small businesses, farmer cooperatives and nonprofit trade organizations. MAP encourages the development and expansion of commercial export markets for agricultural commodities through consumer promotions, market research, technical assistance and trade servicing.

- **Foreign Market Development Coordinator Program** — The program partially reimburses participants for approved overseas trade promotion activities that address long-term foreign-market import constraints and that identify new markets or uses for U.S. commodities.

- **Technical Assistance for Specialty Crops (TASC)** — TASC provides funding for seminars and workshops, study tours, field surveys, pest and disease research, and pre-clearance programs to address barriers to the export of U.S. specialty crops. Eligible crops include all cultivated plants and their products, except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar and tobacco.

- **Emerging Markets Program** — The program promotes U.S. exports established in emerging markets and is limited to generic, rather than branded, products.

- **Global Crop Diversity Trust** — The trust supports the storage of germplasm in seed banks around the world.

Section IV

Conservation & Forestry

This section describes the provisions of the conference agreement on HR 2642 , Agricultural Act of 2014, that deal with conservation and forestry.

The measure consolidates 23 existing conservation programs into 13, reauthorizing those remaining programs while also reducing the allowable amount of acreage that may be enrolled in some of the major programs, such as the Conservation Reserve Program. It also repeals five expired forestry programs. The measure requires farmers to comply with conservation practices in order to receive premium subsidies on crop insurance or to participate in the measure's new risk-management programs.

The Congressional Budget Office (CBO) estimates that the agreement's conservation and forestry provisions would reduce direct spending by $4 billion over a 10-year period.

Conservation

The conservation programs administered by the Agriculture Department provide cost-sharing and technical assistance for farmers, ranchers, foresters and landowners; the programs are generally voluntary and incentive-based. Through producers' actions, the programs protect and restore water quality and quantity, air quality and wildlife habitat and address regulatory requirements while allowing for a safe, ample and affordable food supply.

The agreement consolidates 23 existing conservation programs into 13 and reauthorizes through FY 2018 the programs it retains. It clarifies that receiving conservation payments does not affect a producer's eligibility for other agriculture payments, such as disaster assistance or payments under particular commodity programs. The agreement's adjusted gross income limitation applies to most conservation programs; a person or legal entity with an adjusted gross income of $900,000 would be ineligible for these benefits.

The measure also requires that farmers comply with sound conservation practices in order to receive premium subsidies on crop insurance and to participate in the new risk-management programs. For instance, farmers who choose to participate in either risk-management program would be required to comply with conservation practices and wetland conservation practices — including control of noxious weeds, the use of sound agricultural practices and using the enrolled lands for agricultural (and not residential or commercial) purposes. The House bill had no comparable requirements.

Conservation Reserve Program

The Conservation Reserve Program (CRP) is a voluntary program for agricultural landowners. Participants enroll in CRP contracts for 10 to 15 years and receive annual payments and cost-share assistance to establish long-term, resource-conserving vegetative covers on eligible farmland. The covers protect topsoil from erosion and reduce water runoff to improve the condition of groundwater, lakes, rivers, ponds and streams. The covers also increase wildlife populations by providing a place for them to live.

The measure reduces the cap on the number of acres enrolled in CRP from 27.5 million in FY 2014 to 24 million in FY 2018. Within the overall cap, the agreement allows grasslands to be enrolled in CRP and authorizes the department to grant priority to lands expiring from current CRP contracts. The conferees in their managers' statement note that this accommodates acreage that previously would have been eligible for inclusion under the Grassland Reserve Program — which is repealed by the agreement.

CBO estimates that the CRP provisions would decrease direct spending by $3.3 billion over a 10-year period.

Farmable Wetland Program

Under the agreement, the Farmable Wetlands Program (FWP), which exists in current law as a pilot program, is reauthorized and the cap is decreased from 1 million to 750,000 acres.

FWP is a voluntary program that has the goal of restoring farmable wetlands and associated buffers by improving the land's hydrology and vegetation. Producers can enroll eligible land in the FWP through the CRP. In return for planting long-term, resource-conserving vegetative covers, participants receive rental payments and cost-share assistance. Contract duration is between 10 and 15 years.

While the CRP and FWP are reauthorized by the measure, new provisions allow for some harvesting, grazing and commercial use of forage in exchange for a minimum 25% reduction in the rental rate. In cases of drought or other natural disaster, the agreement allows for the use of forage without the reduction in rent. It also allows certain haying and grazing practices on grasslands. Beginning farmers and ranchers can graze livestock without any reduction in the rental rate, under certain conditions.

The agreement allows for incentive payments for tree thinning, eliminates in-kind payments and allows the National Agricultural Statistics Services (NASS) survey of dryland cash rental rates to be used to determine rental rates. Conferees, in their managers'

statement, recommend that the department use its authority to incentivize owners to promote forest management, improve the health of tree stands or provide a habitat for wildlife. The NASS survey is meant to ensure that the CRP rental rates are commensurate with the local prevailing rental rates.

The conferees also urge the department to provide greater technical assistance to farmers and ranchers and to ensure that producers are aware of their options under CRP. They direct the department, within a year of enactment, to report to Congress on the quality of land enrolled in CRP, with subsequent reports to be submitted every five years. The reports also must outline the rationale behind decisions to enroll land in the program.

Conservation Stewardship Program

The Conservation Stewardship Program (CSP) encourages producers to adopt new conservation techniques while maintaining current conservation practices in order to protect natural resources.

Under the agreement, land enrolled in other conservation programs is not eligible for CSP, with some exceptions. CRP and ACEP (see below) land could be enrolled in CSP for the final year of the contract, and land enrolled in expiring CRP contracts is given priority for CSP.

In order to qualify for CSP, participants at the time of enrollment must meet the stewardship threshold of at least two priority resource concerns and must add at least one more priority resource concern to their stewardship threshold by the end of the contract. The measure requires the Agriculture Department to use a science-based stewardship threshold to determine priority resource concerns.

Eligible producers also could receive supplemental payments for using improved crop rotations. The conferees in their managers' statement say that crop rotation supplemental payments should not be limited to a particular crop, and they specifically mention peanuts, alfalfa and sorghum as crops that increase conservation and should be included in supplemental payments.

The agreement limits enrolled acreage to 10 million acres for each fiscal year through 2022 (down from the current 13.8 million acres per year) and a national average payment rate of $18 per acre (equal to the current rate).

CBO estimates that the measure's CSP provisions will decrease direct spending by $2.3 billion over 10 years.

Environmental Quality Incentives Program

The agreement reauthorizes through FY 2018 the Environmental Quality Incentives Program (EQIP), expands EQIP to include functions of what is currently the Wildlife Habitat Incentives Program (WHIP) and makes additional changes to the program. CBO estimates that direct spending for EQIP will increase by $497 million over 10 years.

Under current law, EQIP provides cost-share incentives to producers to meet or avoid the need for national, state or local regulation; the agreement maintains these goals and adds developing and improving wildlife to the program's list of purposes.

The measure specifies that 60% of the program's allocation must be used for livestock production, and at least 5% must be used for targeted practices benefiting wildlife habitat. The Agriculture Department must consult at least once a year with the State Technical Committees when determining eligible practices for wildlife habitat incentive payments.

The agreement changes the following aspects of contracts made under EQIP:

- Contracts would have a maximum period of 10 years (equal to the current maximum), but there would be no minimum (currently, contracts must last at least one year).

- Farmers and ranchers who are veterans are included as producers eligible for increased payments. Under current law, only socially disadvantaged or new farmers and ranchers are eligible for increased payments.

- The amount allowed for an advanced payment is increased to 50% (from 30% under current law), and the agreement includes a new requirement that funds provided in advance but not expended during the required 90-day period be returned.

- Wildlife habitat restoration, improvement and development activities are included under EQIP. Under current law, these activities are under WHIP. CBO estimates that repealing WHIP would reduce direct spending by $596 million over 10 years.

- No single entity may receive more than an aggregate of $450,000 under the program over the FY 2014-18 period. Under current law, the limit is $300,000 in a period of six years, and a waiver may be granted for projects of special environmental significance. The agreement eliminates the waiver.

The agreement reauthorizes EQIP Conservation Innovation Grants and adds on-farm research and demonstration activities, as well as pilot testing of new technologies or conservation practices, to the types of projects that the grants may fund. The measure provides reduced annual funding for air quality concerns: $25 million rather than the current level of $37.5 million.

Agricultural Conservation Easement Program

The agreement establishes a new Agricultural Conservation Easement Program (ACEP) — consolidating the Wetland Reserve Program, the Grassland Reserve Program and the Farmland Protection Program. The purposes of the program include restoring, protecting and enhancing wetlands; protecting agricultural use and conservation values on agricultural lands; and protecting grazing uses and related conservation values on agricultural lands.

Under the measure, the Agriculture Department would facilitate and provide funds for the purchase of conservation easements. Easements generally would be permanent, or for the maximum period allowed by state law. The federal share of the cost would be between 50% and 100% of the fair market value or the eligible costs, depending on the land. For wetland easements, priority would be given to land for migratory fowl.

Certain land is ineligible for the program, including lands owned by the United States (other than land held in trust for Native American tribes); lands owned by a state; land subject to an easement that provides similar protection; and land where the purposes of the program are undermined by on-site or off-site conditions. If land is transferred into the CRP, the department may terminate or modify that land's ACEP contract.

CBO estimates that the ACEP provisions will increase direct spending by $1.2 billion over a 10-year period.

Regional Conservation Partnership Program

The measure establishes a Regional Conservation Partnership Program by combining the Agricultural Water Enhancement Program, the Chesapeake Bay Watershed Program, the Cooperative Conservation Partnership Initiatives Program and the Great Lakes Basin Program.

The new regional program would operate through ACEP and CSP to further conservation while encouraging cooperation between private partners and producers to meet or avoid the need for natural resource regulations related to agricultural production. The regional program would implement projects to affect operations on a local, regional, state or multistate basis.

Under the agreement, the Agriculture Department could enter into short-term contracts with eligible private partners; contracts would be a maximum of five years, with the possibility of extension for 12 months to meet the objectives of the program. The partners would assist producers with conservation through ACEP and CSP and provide a significant portion of the overall costs of the scope of the project. The department could also enter into contracts directly with producers who are in an established project area. Producers receiving funding under such regional conservation projects would be excluded from the agreement's adjusted gross income limits on receiving benefits.

Under the agreement, mandatory funding of $100 million a year would be provided for the new program through FY 2018. CBO estimates that creating the Regional Conservation Partnership Program would decrease direct spending by $28 million over the course of 10 years.

Other Conservation Programs

The agreement reauthorizes the Conservation of Private Grazing Land Program, the Grassroots Source Water Protection Program, the Voluntary Public Access and Habitat Incentive Program, the Agriculture Conservation Experienced Services Program and the Small Watershed Rehabilitation Program. CBO estimates that these provisions will increase direct spending by $454 million over 10 years.

It also repeals a number of conservation programs. Aside from those for which authority is consolidated into another program, the following conservation programs are repealed: Comprehensive Conservation Enhancement, Emergency Forestry Conservation Reserve and Environmental Easement.

Forestry

The agreement repeals five expired forestry programs and reauthorizes other existing programs while capping their funding authorization levels. Programs reauthorized include the Forest Legacy Program, the Community Open Space Program, the Office of International Forestry and the Healthy Forest Reserve Program. CBO estimates that the measure's forestry provisions would increase direct spending by $10 million over 10 years.

The measure authorizes through FY 2024 a program under which the Forest Service may designate critical areas within the national forest system in order to address deteriorating forest health conditions due to insect infestation, drought, disease or storm damage — authorizing $200 million for each year through FY 2024. If an area is designated as critical, the Forest Service may engage in a greater range of activities to address the problem, with federal and state foresters being able to work together on restoration and protection services through cooperative agreements or contracts. In their statement of managers, conferees note that the outbreak of pine bark beetle is a great concern and needs to be addressed.

Under the measure, the Agriculture Department may enter into agreements with state foresters to provide restoration and protection services on National Forest System land. Restoration and protection activities include treating insect-infected trees, reducing hazardous land, and other activities that restore or improve forest, rangeland and watershed health. Under such an agreement, the state forester would function as an agent of the department, including for projects involving commercial harvesting or other mechanical vegetative treatments. Any decision regarding the National Environmental Policy Act (PL 91-190), however, could not be delegated to the state forester.

Program & Activity Repeals

The agreement repeals the following programs: Forest Land Enhancement, Watershed Forestry Assistance, Cooperative National Forest Products Marketing, Hispanic-Serving Institution Agricultural Land National Resources Leadership and Tribal Watershed Forestry Assistance.

It repeals the requirement that the Forest Service engage in a notice, comment and appeal process for routine actions such as planting trees after a wildfire. It also waives for two years permitting requirements under the National Environmental Policy Act (NEPA; PL 91-190) for timber cleanup projects on Forest Service land after a disaster.

It prohibits application of Section 428 of the Consolidated Appropriations Act of 2012 (PL 112-74) to any project or activity that implements a land and resource management plan that is categorically excluded from an environmental assessment or environmental impact statement under NEPA. Section 428 establishes a pre-decisional objection process upon the issuance of final regulations. In their managers' statement, conferees state that they have included the provision to stop the requirement that the Forest Service engage in this process for non-controversial, common-sense actions.

Other Provisions

The agreement permanently authorizes the Forest Service and the Bureau of Land Management to enter into stewardship end-result contracting projects — under which the value of wood removed from forests can be used to offset the cost of certain forest restoration work.

The measure also modifies the Clean Water Act (CWA) to codify EPA "silviculture" rules, which provide that stormwater runoff from certain forest management activities does not require a permit under the CWA — including runoff from nursery operations; reforestation or forest-thinning activities; pest and fire control; harvesting; or road construction and maintenance.

Section V

Horticulture & Other Provisions

This section describes the provisions of the conference agreement on HR 2642 , Agricultural Act of 2014, that deal with horticulture, credit, rural development, research and extension, and energy.

The agreement reauthorizes, expands and increases funding through FY 2018 for many horticulture programs that encourage diversity of U.S. specialty crops and organic agriculture (increasing direct spending by an estimated $694 million over 10 years); reauthorizes Farm Service Agency (FSA) loan programs and expands credit for beginning farmers; reauthorizes dozens of rural development programs, including rural broadband investments (increasing overall direct spending by $228 million); and reauthorizes and expands more than three dozen agricultural research, extension and education programs (increasing direct spending by $1.1 billion).

It also provides an additional $879 million in mandatory spending for Agriculture Department energy programs, including for renewable-energy projects and renewable chemical and bio-based product manufacturing, and it reauthorizes for one year, for FY 2014, the Payment in Lieu of Taxes (which would result in $410 million in direct spending).

Horticulture

The agreement reauthorizes, expands and increases funding for many programs that encourage diversity of U.S. specialty crops and organic agriculture. Specialty crops include fruits, vegetables, tree nuts, nursery plants and honey; they account for almost half of the domestic crop value. A stated priority for this farm bill is to expand export markets and increase access to locally produced specialty crop products.

The measure combines the National Clean Plant Network with the Pest and Disease program. The funding for the combined program is increased to $62.5 million for FY 2014 through 2017 and $75 million for FY 2018; current funding for the two programs totals $55 million. Under the legislation, the funding floor for the national clean plant network is set at $5 million per year. CBO estimates that this combined program would increase direct spending by $193 million through FY 2023.

Overall, CBO estimates that the horticulture provisions in the agreement would increase direct spending by $694 million through FY 2023.

Pesticides

The horticulture title includes provisions addressing pesticides and reducing some regulatory requirements placed on pesticide users.

Under the measure, seeds treated with pesticides are no longer considered pesticides that require notification under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA; PL 80-104). In addition, the agreement prohibits the requirement of notification to the EPA of the arrival of a plant-incorporated protectant (PIP) contained in a seed. If requested, the department must provide the EPA with a list of seeds containing PIPs.

The agreement requires the EPA to exclude nonpesticidal sources of fluoride from any aggregate exposure assessment when assessing tolerance associated with residues from a pesticide.

Biological Opinions

The agreement blocks the EPA from modifying or canceling a pesticide registration based on the Biological Opinions of the National Marine Fisheries Service or the U.S. Fish and Wildlife Service (collectively, "the Services") unless the Biological Opinion meets certain criteria — including an external scientific peer review, an analysis of the economic impacts suggested by the Biological Opinion, and an examination of specific scientific and procedural questions and issues pertaining to economic feasibility. This ban on EPA action would remain in effect until the National Academy of Science (NAS) issues a study requested by the Agriculture Committee, or Jan. 1, 2015, whichever comes first.

FIFRA requires EPA to evaluate unreasonable risk of harm to human health or the environment when granting pesticide registrations. The EPA may also consult with the Services, which then issue a Biological Opinion that may include additional recommendations or restrictions. In the past decade, lawsuits have compelled the EPA to consult with the Services — but EPA has not accepted the Services' recommendations, saying it did not find them to be based on sound science. Instead, EPA and the Services brought their dispute to the NAS and asked for guidance.

The agreement authorizes two reports to Congress. The first would describe approaches and actions by EPA, the Fish and Wildlife Service and the National Marine Fisheries Service to implement recommendations regarding assessing risks from pesticides, to ensure public participation and transparency, and to minimize delays in pesticide registration. The second would include an evaluation method, utilizing science, to establish reasonable measures and alternatives for assessing risks from pesticides.

FIFRA and CWA

The agreement does not include House provisions intended to mirror the EPA's final rule issued in 2006, during the George W. Bush administration, that eliminates the requirement of a permit for applications of pesticides authorized for sale, distribution or use under FIFRA.

Specialty Crop Block Grant Program

The Specialty Crop Block Grant program is meant to enhance the competitiveness of specialty crops by awarding grants to states. The grants support research, product quality enhancement, increased consumption of specialty crops, food safety and other projects. Under the agreement, funding for the Specialty Crop Block Grant program is increased from $55 million in FY 2013 to $72.5 million for FY 2014 through 2017 and $85 million for FY 2018. CBO estimates that the program will increase direct spending by $270 million over a 10-year period.

The measure changes the formula for how the grants are allocated among states to balance the value of the crops produced with the number of acres devoted to specialty crops. It limits the amount of funding that can be spent administratively to 3% by federal and 8% by state governments.

Multistate cooperative projects present logistical and coordination difficulties. To address these problems, the agreement requires the Agriculture Department to issue guidance regarding grants for these projects. Multistate projects promote collaborative research and may include food safety, plant pest and disease, and crop-specific projects.

In the managers' statement, conferees urge the Agriculture Department, U.S. Trade Representative and Food and Drug Administration to remove the obstacles outlined in the U.S. International Trade Commission report that are preventing the domestic olive oil industry from reaching its potential.

Farmers Market and Local Food Promotion Program

The agreement expands the Farmers Market Promotion Program to include local food promotion by emphasizing that the program covers locally and regionally produced agricultural products. The measure includes $30 million in mandatory annual spending for FY 2014 through FY 2018 and maintains a discretionary authorization of $10 million for each of those years. CBO estimates that the program would cost $150 million through FY 2023.

Under the agreement, 50% of the funding is reserved for direct producer-to-consumer market opportunities, such as farmers' markets and roadside stands; and 50% is reserved for local and regional food businesses that process, distribute, aggregate and store locally or regionally produced food products. Administrative expenses are limited to 4% of total funds.

The purposes of the program are to increase domestic consumption of, and access to, locally and regionally produced agricultural products and to develop new market opportunities for farm and ranch operations serving local markets. Priority is given to project applications that benefit underserved communities, mid-sized farm and ranch operations, and that build capacity for local and regional food systems.

Organic Agriculture

Organic farms represent an attempt to return to "natural" farming: production without chemical interference. Instead, the farms rely on cultural and biological pest management and exclude all synthetic chemicals, antibiotics and hormones in crop and livestock production. Although the percentage of total crops in the United States that are certified as organic constitutes less than 1%, some crops have a significant percentage that is certified organic. For example: nearly 35% of buckwheat produced in the U.S. in 2008 (the last year for which this data is available) was certified organic, 6% of flax, 7% of tomatoes, 12% of carrots, 8% of berries and 21% of subtropical fruit.

The Agriculture Department's National Organic Program regulates the standards for any farm, wild crop harvesting or handling operation that wants to sell an agricultural product as organically produced. These regulations are intended to assure consumers that foods labeled as organic are produced and processed in a manner consistent with national organic standards.

The agreement reauthorizes and funds the Organic Production and Market Data Initiative Program ($5 million annually for FY 2014 through FY 2018) and the National Organic Program ($15 million annually for FY 2014-18 as well as $5 million in mandatory funding to be spent on modernization). The National Organic Certification Cost Share Program is also reauthorized, at $11.5 million annually for FY 2014-18 to remain available until expended (the House bill would have repealed this program).

CBO estimates that the organic agriculture technology upgrade would increase direct spending by $10 million over a 10-year period.

Under the legislation, organic products would be exempt from payment of an assessment under a commodity promotion law until the department issues an organic commodity promotion order. The agreement also gives the department authority to consider an application for a promotion order by the organic sectors. (Commodity promotion is a series of actions taken by the Agricultural Marketing Service to provide testing, standardization, grading and market news services, oversee marketing agreements and orders, administer research and promotion programs, and purchase commodities for federal food programs. Commodity promotion programs currently exist for cotton, dairy, fruit and vegetable, livestock and seed, poultry and tobacco products.) CBO estimates that this provision would increase direct spending by $61 million through FY 2023.

Organic Foods Production Act

The Organic Foods Production Act of 1990 (PL 101-624) authorized a new National Organic Program to set national standards for the production, handling and processing of organically grown agricultural products. The program also oversees mandatory certification of organic production.

The agreement authorizes the Agriculture Department to take investigative actions to determine violations of the Organic Foods Production Act. It also authorizes the department to suspend organic certification if a producer or processor is not in compliance with organic standards.

Other Horticulture Provisions

The agreement includes a number of other horticulture provisions, including:

- **Honey standard of identity** — Requires the department to consult with honey industry stakeholders on a report describing an appropriate federal standard for identifying honey.

- **Restraining of shipments** — Requires the Agriculture and Labor departments to consult regarding the restraining of shipments of agriculture commodities for actual or suspected labor law violations and to consider the perishable nature of the commodities, the impact on farming operations and the competitiveness of specialty crops. The departments must also submit a report to Congress on the number of instances in which the Labor Department notifies a purchaser of perishable agricultural commodities of an investigation.

- **Christmas tree promotion** — Requires the department to lift an administrative stay on the establishment of an industry-funded promotion, research and information program for fresh-cut Christmas trees. CBO estimates that this provision will cost $10 million in direct spending through FY 2023.

- **Local and regional food production** — Requires the department to study the production and marketing of locally or regionally produced agricultural food products related to food distribution systems, and to monitor the development and success of programs meant to expand such systems.

- **Apples to Canada** — Exempts apples shipped to Canada in any bulk container from the provisions of the Export Apple Act.

Credit

The measure reauthorizes all Farm Service Agency (FSA) loan programs through FY 2018 — including the conservation loan and loan guarantee program, which is authorized at $150 million a year — while making some changes to the programs. CBO estimates that the credit provisions will neither increase nor decrease direct spending over a period of 10 years.

Under the measure, eligibility for loans is expanded to include "other legal entities" as borrowers. The addition of "other legal entities" to the list of eligible borrowers is meant to address those cases where a family forms a separate entity for transition or liability reasons. Under current law, that separate entity is not eligible for an FSA loan.

The agreement eliminates the requirement that the Agriculture Department encourage borrowers with outstanding operating loans or guarantees to "graduate" to private commercial credit, and also eliminates the requirement that mineral rights be appraised when they are included as part of the collateralization of a loan. It requires the department to develop valuation methods for local and regional food for the purposes of lending to local and regional food producers.

The agreement allows the Agriculture Department, on a case-by-case basis, to cancel remaining youth loan debt in circumstances where failure was beyond the youth borrower's control (i.e. project failure due to disease or natural disaster). Borrowers whose debt is forgiven remain eligible for agriculture loans, and specifically eligible for federal education loans. The measure removes the "rural residents" requirement for Youth Operating Loans.

Beginning Farmers

The measure makes a series of changes aimed at facilitating credit for beginning farmers. Specifically, it:

- Increases the maximum loan value for the Down Payment Loan Program from 45% of $500,000 to 45% of $667,000.

- Replaces median farm size with average farm size for beginning farmer ownership loans. Under current law, beginning farmer ownership loans are limited to applicants whose real estate does not exceed 30% of the median farm size in the county. In some counties, the median size is so small that applicants cannot qualify if they own any land at all.

- Extends the beginning farmer and rancher individual development accounts pilot program through FY 2018.

- Grants authority to provide young, beginning, veteran and urban farmers and ranchers with smaller microloans of up to $35,000 and sets the total indebtedness level at $50,000.

- Authorizes the department to establish a cooperative lending pilot project to aid in the administration of microloans. The department may not lend more than $10 million annually through FY 2014-18 under this pilot project.

Rural Development

Rural development programs are intended to assist communities through loans and grants to build critical infrastructure and provide access to credit. Through these programs, small, rural communities can access funds to build or update water systems, build broadband infrastructure and finance other critical community facilities. Small businesses are able to access credit through loans, grants and loan guarantees to finance new enterprises or expand their current business.

Program Reauthorizations

The agreement reauthorizes through FY 2018 dozens of rural development programs. CBO estimates that the rural development provisions in the agreement would increase direct spending by $228 million through FY 2023.

One program reauthorized under the measure is the Rural Microentrepreneur Assistance Program, which provides grant support to third parties that assist rural entrepreneurs in establishing microenterprises in rural areas. The agreement maintains current mandatory funding of $3 million for each of FY 2014-18 and reauthorizes discretionary funding of $40 million annually, subject to appropriations. CBO estimates that this program will increase direct spending by $15 million through FY 2023.

The agreement reauthorizes the value-added agricultural product market development grants through FY 2018 and increases mandatory funding from $15 million to $63 million for marketing and for developing a business plan. The Agriculture Department defines value-added products as a change in the physical state or form of the product (strawberries into jam), production in a manner that enhances value (organically grown), or the physical segregation of the commodity in a manner that results in the enhancement of the value (identity preserved marketing system). CBO estimates that these provisions will increase direct spending by $63 million through FY 2023.

It also reauthorizes the Rural Water and Waste Disposal Infrastructure program and directs the department to encourage private or cooperative lenders to finance rural water and waste disposal facilities by maximizing loan guarantees and direct loans. The conferees in their statement of managers' note the importance of water infrastructure, and the fact that there are more than $3 billion in pending applications for water and wastewater projects throughout rural America. CBO estimates that this program will increase direct spending by $150 million over a 10-year period.

Program Repeals

The measure eliminates 13 rural development programs, in what the conferees say is an effort to reduce confusion regarding programs and simplify the application process. It requires the development of a simplified application process for grants and relending programs, including single-page applications where possible.

It also authorizes the Agriculture Department's Rural Utilities Services (RUS) to hire contractors to perform National Environmental Policy Act (NEPA) studies without going through the Federal Acquisition Regulation (FAR) process.

Broadband

The agreement reauthorizes the rural broadband program through FY 2018, with funding of $50 million annually, subject to appropriations. The measure establishes a priority system for identifying which communities should receive broadband aid: 1) those without a local service provider; 2) those with populations of less than 20,000; 3) those

with a high proportion of low-income residents; and 4) those experiencing significant out-migration. Priority can also be given to applicants that will provide service where at least 25% of the customers would be commercial interests. The highest priority is given to applicants that would provide service to the greatest population of unserved households or households whose broadband does not currently meet minimum standards.

The measure establishes a process whereby an incumbent service provider can submit information regarding the broadband services offered in an applicant's proposed service area, so the Agriculture Department can compare the proposed project to existing service.

It establishes a new grant component to the program, with a maximum grant limit of 50% of a project's development costs; that grant amount could be increased to 75% for remote communities and communities with low-income residents.

The agreement authorizes a pilot program for "ultra-high speed" broadband connectivity.

Research & Extension

The agreement eliminates dozens of agricultural research and extension programs and reports, repeals authority for non-competitive grants under various programs, reduces authorized funding levels and specifies authorization limits for numerous programs and activities. It reauthorizes more than three dozen research, extension and education programs, including intramural and extramural research programs; land grant universities; capacity grants for non-land-grant colleges of agriculture; the National Agricultural Research, Extension, Education and Economics Advisory Board; Beginning Farmer and Rancher Development; the Foundation for Food and Agriculture Research; and the Agriculture and Food Research Initiative.

It is estimated that agricultural research typically provides a return of 30% to 60% on federal investment.

The measure authorizes $20 million in mandatory funding for the Organic Agriculture Research and Extension Initiative for each of FY 2014-18, including for competitive grant purposes such as including farm business management. The conferees in their managers' statement encourage the department to explore technology that meets the requirements of the National Organic Program and can control weeds and pests while maintaining healthy water resources. CBO estimates the initiative will increase direct spending by $100 million through FY 2023.

It also authorizes $80 million in mandatory funding each year for research in plant breeding, genetics and genomics under the Specialty Crop Research Initiative, including for competitive grants for specific crops. Under the measure, an additional $25 million for each year is authorized for an Emergency Citrus Disease Research and Extension Program.

The measure allows institutions of higher education to grow or cultivate industrial hemp for research purposes, but only in states that already permit industrial hemp growth and cultivation under state law.

CBO estimates that the research provisions in the agreement would increase direct spending by $1.1 billion through FY 2023.

Grants

Under the agreement, the recipient of a competitive grant involving applied research that is commodity or state-specific under certain covered laws would be required to provide a dollar-for-dollar match for the federal grant. The match requirement could be waived in instances of national priority. In addition, research agencies of the Agriculture Department are exempt from this requirement.

Veterinary Grants

The agreement establishes a competitive grant program for the purpose of developing and sustaining veterinary services and authorizes $10 million per year for the program. Grants would only be made to qualified entities that relieve veterinary shortage situations, support private veterinary practices engaged in public health activities or support veterinarians who complete services in emergency situations. Preference would be given to applicants that coordinate with others. A qualified entity could use funds to relieve veterinary shortage situations and support vet services. However, qualified entities operating a veterinary clinic could only use a grant to establish or expand veterinary practices; funds could not be used for the purpose of constructing, acquiring, expanding or remodeling a building or facility.

Sun Grant Program

The agreement reauthorizes the Sun Grant program, which was established to promote bio-based energy and products. The measure modifies the program by including federal departments other than Energy and Agriculture as those collaborating, and by shifting the focus from bio-based energy to a wider variety of bio-based products to reflect what the Agriculture Department designates as projects of national interest.

Energy

Energy programs under the Agriculture Department are designed to diversify the nation's energy supply and create new economic opportunities for rural America by promoting the development of advanced biofuels and renewable energy. The agreement reauthorizes energy programs through FY 2018 and specifies their funding levels. CBO estimates that the energy provisions in the agreement will increase direct spending by $879 million through FY 2023.

The agreement expands the definition of bio-based product to include forest products and defines a "renewable chemical" as a monomer, polymer, plastic, formulated product or chemical substance produced from renewable biomass. The agreement excludes from the definition of renewable-energy system a mechanism for dispensing energy at retail. These changes are meant to ensure that mature forest products and wood products such as pulp, paper and wood pellets are treated as other bio-based products, and to remove ethanol blenders from products eligible for funding under renewable energy research and development.

The measure provides $100 million in mandatory funding for fiscal 2014 and $50 million a year in 2015 and 2016 for the Biorefinery Assistance Program. Under the measure, the program is expanded to include renewable chemical and bio-based product manufacturing. Grant funding is eliminated. The department is required to ensure a diversify of projects. The agreement caps the funds used for loan guarantees to promote bio-based product manufacturing at 15% of the total available mandatory funds. CBO estimates that this program will increase direct spending by $200 million through FY 2023.

The measure reauthorizes the Rural Energy for America Program (REAP), mandating $50 million for each of FY 2014-18. Current law provides $70 million in mandatory funding and authorizes $25 million in discretionary funding for FY 2013. REAP provides financial assistance to producers and small rural businesses for renewable-energy systems, energy efficiency measures, and grants for energy audits. The agreement modifies REAP by creating a tiered application process based on the cost of the project; the lowest cost projects would have a simplified application. REAP subsidizes energy-efficiency measures and renewable-energy projects. CBO estimates that the REAP provisions will increase direct spending by $435 million over 10 years.

It also reauthorizes the Biomass Crop Assistance Program, authorizing $25 million in mandatory funding per fiscal year through 2018. "Such sums as are necessary" were authorized through FY 2012, and $20 million was authorized for FY 2013. CBO estimates that this program will increase direct spending by $125 million through FY 2023.

Other Provisions

The agreement includes a number of other provisions, several of which were contentious during the farm bill conference and one that addresses an issue not normally considered under the farm bill.

Payments in Lieu of Taxes

The agreement extends for one year, through FY 2014, the payment in lieu of taxes (PILT) program. The program provides payments to counties that have substantial amounts of federal land which reduces the county's tax base. Funding for PILT in 2013 was $450 million. CBO estimates this authorization would result in $410 million in PILT payments for FY 2014.

Country of Origin Labeling

The agreement does not take any action with regard to country of origin labeling (COOL) regulations. Meat processors claim that the regulations are unwieldy and want them repealed, and Canada and Mexico have challenged the regulations under the World Trade Organization rules. Groups representing meat processors and livestock producers had been pushing to have the regulations repealed under the agreement.

Repeal Livestock and Poultry Rules

The agreement does not take any action with regard to proposed Agriculture Department regulations on livestock and poultry marketing practices that clarify what conduct violates the Packers and Stockyard Act of 1921 (P&S Act). Those regulations were required by the 2008 farm bill, but are opposed by industry.

Miscellaneous Provisions

The agreement includes a number of other provisions, including:

- **Regulatory review** — Requires the Agriculture Department to review and comment on all EPA guidance and regulations for significant impacts on agricultural entities.

- **Feral Swine Eradication Program** — Establishes a pilot program to study the damage caused by feral swine and to develop methods to eradicate or control them and restore the damage they have caused.

- **Noninsured Crops** — Allows for the purchase of additional noninsured crop assistance program (NAP) coverage for crops that do not have coverage under the Federal Crop Insurance Act, as well as sweet sorghum and biomass sorghum.

- **Animal fighting** — Prohibits attending animal fighting events or causing minors under the age of 16 to attend such events.

The agreement does not include a provision that would prohibit state or local governments from imposing standards on the production of agricultural products in other states. This provision was added to the House bill on the floor in response to a California law setting standards on cage size for egg-producing hens.