



# FACT SHEET

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## USDA'S 2007 FARM BILL PROPOSALS *Fact Sheet: A Commitment to Rural America*

The Administration's 2007 farm bill proposals represent a reform-minded and fiscally responsible approach to supporting America's farmers and ranchers. While the current law has served its purpose, the time has come to move forward with a farm program that is market-oriented and considers more than commodity prices alone when determining the appropriate level of government support. The proposals continue this Administration's commitment to increase conservation programs that protect our natural resources and focus support on renewable energy that will help to lead us to the President's goal of reducing annual gasoline use by 20 percent in ten years.

### **The Administration's Proposals Reform Commodity Payment Programs By:**

- **Converting The Current Price-Based Countercyclical Program To A Revenue-Based Program That Is Responsive To Actual Conditions And Provides A Strong Safety Net.** Under a price-based program, farmers who experience crop loss are often under-compensated while those with high production tend to be over-compensated. This new revenue program will factor in U.S. crop yield when determining crop payments to better target support.
- **Reforming And Modernizing The Marketing Assistance Loan Program For Program Commodities.** The current law provides loan rates or price floors for corn, wheat, cotton, rice, soybeans, and other major crops. These price floors are set in law at high levels which have encouraged production and resulted in lower market prices. The proposals set loan rates for each commodity at 85 percent of the 5-year Olympic average (average of last five years excluding the high and low year). This change minimizes market distortions and encourages farmers to plant crops based on market prices instead of the level of subsidy payment.
- **Tightening Payment Limits And Working To Close Payment Loopholes.** Under current law, farmers use the three-entity rule to establish corporations and other entities, which allow the amount of payments received to exceed statutory limits. These proposals eliminate the three-entity rule and tie payments to an individual. This plan also sets the subsidy payment limit for individuals at a total of \$360,000.

To receive commodity payments, producers must also meet a limit on Adjusted Gross Income (AGI), which includes wages and other income minus farm expenses and depreciation. This plan reduces the AGI limit of \$2.5 million to a new limit of \$200,000. If a producer has an annual adjusted gross income of \$200,000 or more, that individual would no longer be eligible for commodity payments. Internal Revenue Service (IRS) data for 2004 indicate that 97.7 percent of all American tax filers have an AGI under \$200,000.

**(Funding Outlined Below Reflects Ten Year Totals)**

**The Administration's Proposals Include An Additional \$7.8 Billion To Protect Our Natural Resources Through Conservation Programs By:**

- **Increasing The Acreage Limit On The Wetlands Reserve Program From 2.3 to 3.5 million acres.** With this increase to the acreage cap, a total of 250,000 acres will be made available for enrollment annually.
- **Consolidating Cost-Share Programs Into The Environmental Quality Incentives Program And Creating A Regional Water Enhancement Program With An Additional \$4.2 Billion In Funding.** This newly designed EQIP program will increase the simplicity and accessibility of conservation programs and provide program flexibility that increases environmental benefits. The new water program will focus on cooperative approaches to enhancing water quality on a regional scale. This program will fill a void in the Federal government's conservation delivery system by facilitating a cost-share program to coordinate large-scale water conservation projects.
- **Continuing The Conservation Reserve Program At The Current Acreage Limit And Focusing Program Benefits On Lands That Provide The Greatest Environmental Benefit.** This plan also gives priority to whole-field enrollment for lands utilized for biomass production for energy.

**The Administration's Farm Bill Proposals Include More Than \$1.6 Billion In New Renewable Energy Funding And Targets Programs To Cellulosic Ethanol Projects. These Proposals Advance Renewable Energy And Build Upon Farm Bill Energy Programs By:**

- **Providing \$500 Million For A Bioenergy and Biobased Product Research Initiative.** Advances in technology play an important role in the future of renewable energy. Our scientists, farmers and entrepreneurs must coordinate efforts to continue improvements in crop yields and work to reduce the cost of producing alternative fuels.
- **Providing \$500 Million For Renewable Energy Systems And Efficiency Improvements Grants Program.** This program supports small alternative energy and energy efficiency projects that directly help farmers, ranchers and rural small businesses.
- **Providing \$210 Million To Support An Estimated \$2.1 Billion In Loan Guarantees For Cellulosic Ethanol Projects In Rural Areas.** This program will advance the development of cellulosic ethanol production.

**The Administration's Farm Bill Proposals Continue This Administration's Commitment To Rural America By Building Upon U.S. Department Of Agriculture Rural Development Programs.** The plan includes \$1.6 billion in guaranteed loans to complete

the rehabilitation of more than 1,200 current Rural Critical Access Hospitals. It also includes \$500 million to reduce the backlog of rural infrastructure projects such as water and waste disposal loans and grants.

**The Proposals Target Nearly \$5 Billion To Significantly Increase Support Of Fruit and Vegetable Producers Through Targeted Programs and by:**

- **Providing \$1 Billion For Research Programs Targeted To Specialty Crops.** This initiative will include fundamental work in plant breeding, genetics and genomics to improve crop characteristics such as product appearance, environmental responses and tolerances, nutrient management and pest management.
- **Providing \$3.2 Billion to Improve Nutrition Assistance Programs By Purchasing More Fruits And Vegetables.** This funding will support efforts by schools and other participants to offer meals based on the most recent Dietary Guidelines for Americans by increasing the availability of fruits and vegetables to students participating in the National School Lunch and Breakfast Programs and to participants in other nutrition assistance programs.

**The Administration's Farm Bill Proposals Increase Trade Programs By Nearly \$400 Million To Continue The Creation, Expansion and Maintenance Of Agricultural Exports By:**

- **Increasing the Market Access Program by \$250 Million.** This initiative allows partnerships between the U.S. Department of Agriculture and non-profit domestic agricultural trade associations to share the costs of overseas marketing and promotional activities such as consumer promotions and market research.

**The 2007 farm bill proposals spend approximately \$10 billion less than the cost of the 2002 farm bill over the past five years (excluding ad-hoc disaster aid) and uphold the President's plan to eliminate the deficit in five years. These proposals authorize approximately \$5 billion more than the projected spending if the 2002 farm bill were extended.**