Farm Commodity Programs: An Overview

Background

Farm commodity programs have taken various policy forms over the decades, but can be generically defined as the federal price and income support made available to producers of eligible commodities such as corn, soybeans, wheat, rice, grain sorghum, and other commodity crops. The Agricultural Act of 2014, commonly referred to as the 2014 Farm Bill, made significant changes to farm commodity programs. Farm commodity programs are administered by the United States Department of Agriculture (USDA) with most financial transactions handled through the Commodity Credit Corporation (CCC), a federally owned and operated corporation within the USDA. Pre-2014 programs are mentioned within this overview for contextual purposes, but the focus of the article is on the farm commodity programs set out in Title I of the 2014 Farm Bill (Pub. L. No. 113-79). The overview also briefly touches on some of the new crop insurance provisions contained in the 2014 Farm Bill because those provisions interrelate with the overall farm commodity programs.

Farm Bill

The term "farm bill" is used to describe the federal omnibus legislation that defines much of federal farm policy for several years at a time. Congress has enacted a "farm bill" typically every four to seven years since the Great Depression era. While the farm bill has other functions, it is the farm legislative vehicle that establishes farm commodity programs applicable to eligible producers for the years that legislation is in effect. The most recent farm bill was enacted on February 7, 2014 and it instituted important changes to farm commodity programs.

For purposes of farm commodity programs, the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 are very important because those laws are effectively suspended with the enactment of subsequent farm bills. Thus, without enactment of new farm bill legislation, the possibility exists that federal farm policy could revert to the 1938 and 1949 laws and programs.

2014 Farm Bill

The main features of Title I of the 2014 Farm Bill are (1) Agriculture Risk Coverage (ARC) payments, (2) Price Loss Coverage (PLC) payments, and (3) Marketing Assistance Loans. It is important to note that the 2014 Farm Bill expressly eliminated "direct payments", which were fixed annual payments based on a farm bill-defined formula that were decoupled from actual production. Direct payments had been in place since the 1996 Farm Bill, although they were initially referred to as Production Flexibility Contracts. The elimination of direct payments is a historically and economically significant shift in federal farm commodity programs. It is also important to note that program participants are required to make an election between ARC or PLC payments that is irrevocable for the life of the farm bill.

Notably, the 2014 Farm Bill established a separate program for cotton, the Stacked Income Protection Program (STAX).

PLC payments are very similar to the Counter-Cyclical Payments (CCPs) that existed under previous farm bills. Like CCPs, a PLC payment is triggered when the "national average farm price" for a specific commodity falls below the "reference price" established in the 2014 Farm Bill. In its simplest terms, PLC can be thought of as a price protection program.

ARC is designed to focus more on decreases in crop revenue, as opposed to commodity-specific price protection offered under PLC. Stated very generally, ARC payments are triggered when annual crop revenue for each eligible commodity falls below 86% of its historical or "benchmark" level. Subject to specific program conditions, program participants can select either ARC protection at the individual farm level or at the county level. Regardless of whether individual or county-level protection is selected, ARC envisions that the producer absorbs the first 14% of crop revenue declines and that the federal government absorbs the next 10% of crop revenue declines. Additional revenue losses can be covered by the purchase of federal crop insurance and the long-standing Marketing Assistance Loans Program (MAL).

MALs are short-term nonrecourse loans to producers who use covered commodities as collateral. MAL payments are sometimes made through Loan Deficiency Payments (LDPs), which are described below. MALs are designed to provide producers with cash at harvest and allow them to market the commodities throughout the year. Because the loans are nonrecourse, producers may forfeit the collateral in full satisfaction of the loan. Thus, when market prices drop below loan rates, MALs become an income support tool. The covered commodities under the MAL program are the same commodities as the DP and CCP commodities and also wool, mohair, honey, peas, lentils, and chickpeas.

Due to government expenses associated with the storage and disposal of forfeited commodities, repayment provisions are designed to discourage forfeiture. When market prices are below loan rates, producers may repay the loans at local market rates determined by the USDA and retain title to the commodity for future marketing. The lower repayment rate provides farmers with a marketing loan gain and the ability to sell the commodity without creating a large government-owned surplus.

LDPs are a part of the MAL program and provide the same benefit to producers as marketing loan gains. Producers that agree not to acquire marketing loans are eligible for the LDP. The LDP is calculated as the difference between the loan rate and the alternative repayment rate.

Payment & Eligibility Limitations/Actively Engaged

Limitations on the amount of farm commodity program payments an eligible program participant can receive are important, and often, controversial, considerations in farm bill debates. The 2014 Farm Bill is no exception.

Similar to previous farm bills, the 2014 Farm Bill limits the amount of commodity program payments that an eligible "person" can receive. The 2014 Farm Bill establishes a $125,000 per person limit on the total of commodity program payments (i.e., PLC, ARC, and MAL/LDP payments) for nearly all commodity crops. Peanuts, however, have a separate $125,000 limit. The $125,000 limit can be doubled for spouses.

The 2014 Farm Bill requires that a person must be “actively engaged” in the affected farming operation in order to be eligible to receive commodity program payments. To be considered “actively engaged”, a person must contribute the requisite amount of capital, equipment, or land to the operation as well as on, the person must also contribute the requisite amount personal labor or active personal management.

Federal crop insurance

Title XI of the 2014 Farm Bill expanded the role of federal crop insurance as a risk management tool for the agricultural sector. Importantly, the farm commodity programs – especially ARC – are established in a broader policy context that connects the availability of federal crop insurance to the potential receipt of farm commodity payments in the event of a certain level of commodity price or revenue declines. The 2014 Farm Bill created a new crop insurance program, Supplemental Crop Option (SCO) that is available to program participants who elect PLC rather than ARC. SCO assists program participants with the cost of the deductible on an underlying crop insurance policy. For more information about federal crop insurance, please visit our Crop Insurance/Disaster Assistance Reading Room here.

Environmental Compliance

Commodity program payment recipients must also comply with conservation and wetland protection obligations. “Sodbuster” and “Swampbuster” are the two principal environmental protection requirements. These programs remove some incentives for the conversion of highly erodible land and wetlands into crop land. If producers convert the protected land into crop land, they become ineligible for farm commodity program payments. For more information, see the Conservation Programs Reading Room.

Conservation Programs – An Overview

Introduction

Conservation programs are voluntary federal programs designed to encourage agricultural producers and landowners to undertake conservation practices on agricultural lands. The USDA Natural Resources Conservation Service and Farm Service Agency administer the programs, but other agencies such as the Forest Service may assist in the implementation of some programs. The role of conservation programs has increased over the decades, with most changes made through Farm Bill legislation. The most recent Farm Bill, the Agricultural Act of 2014, made significant changes to the suite of federal conservation programs that existed under the Food, Conservation, and Energy of 2008, commonly referred to as the 2008 Farm Bill.

History

Similar to other federal agricultural programs, the origins of modern conservation programs are found in legislation enacted during the Great Depression era. As one scholar has noted, "[s]ince the 1930's, the stated government policy has been to encourage agricultural conservation programs." Dr. Neil E. Harl, AGRICULTURAL LAW, Volume 12, § 108.02[1] (hereinafter Harl).

In 1935, Congress enacted the Soil Conservation Act in order "[t]o provide for the protection of land resources against soil erosion, and for other purposes." Act of April 27, 1935, Ch. 85, 49 Stat. 163. The act authorized the Conservation Options Program, a voluntary soil conservation program administered by the Soil Conservation Service, predecessor to the NRCS, that provided technical assistance to producers in planning soil management programs.

In 1936, the Soil Conservation Act was amended by the Soil Conservation and Domestic Allotment Act, which has been described as the "cornerstone" of the federal policy to encourage agricultural conservation programs. *See* Harl at § 108.02[1]. That act authorized the Agricultural Conservation Program, a voluntary program that provided agricultural producers with financial assistance for undertaking approved soil conservation practices.

Another major development in the conservation programs arena occurred in 1956 with the creation of the Great Plains Conservation Program (GPCP). The GPCP was a long-term voluntary program designed to encourage producers to develop conservation practices in the Great Plains region. The GPCP conservation practices addressed wind and water erosion and how to best utilize soil and water resources, in addition to undertaking "anti-pollution practices, measures to enhance fish, wildlife, and recreation resources, and practices to promote economic land use." Harl, at § 108.04[2] (citation omitted).

The number and types of federal conservation programs have greatly expanded. Under the 2008 Farm Bill, approximately two dozen conservation programs were available to eligible agricultural producers. The 2014 Farm Bill made important changes to federal conservation programs. These changes included repealing or amending several programs, consolidating others into existing programs, and creating new programs.

Despite their technical differences, the programs' common denominator is that they address natural resource and environmental concerns associated with various aspects of agricultural production.

Types of Programs

Conservation programs can generally be categorized as land retirement programs, working lands programs, or land easement programs. Land retirement programs require certain agricultural lands to be taken out of agricultural production and placed into a conservation-oriented use that is commensurate with the program in which the land is enrolled. Working land programs also require that certain conservation-oriented practices be carried out on agricultural lands. These programs differ, however, in that the affected land remains under agricultural production. The 2014 Farm Bill ushered in the Agricultural Conservation Easement Program, which can be categorized as a land easement program. Easement programs place long-term or permanent land use restrictions on agricultural lands.

Major Programs

As noted, the NRCS and FSA have primary responsibility for administering the suite of federal conservation programs. The most prominent programs are the Conservation Reserve Program, the Environmental Quality Incentives Program, the Conservation Stewardship Program, and the Agricultural Conservation Easement Program.

The Conservation Reserve Program (CRP) is a land retirement program designed to remove millions of acres of environmentally sensitive and highly erodible land from agricultural production. The predominate focus of CRP is to dramatically reduce the amount of soil erosion derived from agricultural production. Under CRP, producers typically enter into contracts for 10 to 15 years. The Farm Service Agency administers CRP with assistance from the NRCS.

The Environmental Quality Incentives Program (EQIP) is a working lands program that provides cost-share payments to producers and landowners to plan and install structural, vegetative, and land management practices such as filter strips and manure-management facilities. The Conservation Stewardship Program (CSP) is a voluntary working lands program that provides financial incentives and technical assistance to agricultural producers who promote conservation and improvement of soil, water, air, energy, plant and animal life, and other resource concerns on private and Tribal agricultural lands.

Prior to enactment of the 2014 Farm Bill, the primary easement programs were the Wetlands Reserve Program, the Grasslands Reserve Program, and the Farmland Protection Program. The 2014 Farm Bill repealed these programs but established the new Agricultural Conservation Easement Program (ACEP). The easement programs involved government purchases of easements that prohibit certain uses of the land in exchange for financial payments. Features of the repealed easement programs are embedded into ACEP through easements applicable to agricultural lands as well as wetlands.

For a summary and evolution of the Conservation Titles in the 1985-2002 Farm Bills, visit our U.S. Farm Bills page here.

United States Senate Committee on
AGRICULTURE
NUTRITION
& FORESTRY

U.S. Senator Debbie Stabenow, Chairwoman

Agricultural Act of 2014

In the United States, some 16 million jobs depend on the strength and continued success of American agriculture. Our farmers grow the safest and most abundant supply of food, fiber and energy in the world. Innovations in agriculture allow families to put healthy, nutritious food on their tables at a lower cost than in most other countries. The Agricultural Act reforms, eliminates and streamlines numerous programs, saving taxpayers $24 billion. It does this while strengthening the tools available to producers to help manage risks and conserve natural resources.

Title I: Commodities

Farmers face unique risks unlike those in other professions. Weather and market conditions outside a producer's control can have a devastating effect on producers, especially family farms. This bill ends direct payments, strengthens crop insurance, and encourages innovative risk management approaches that only provide assistance to producers when their farms are threatened by risks outside their control.

Eliminates Direct Payments
Direct Payments, Counter-Cyclical Payments (CCPs), the Average Crop Revenue Election (ACRE) Program, and the Supplemental Revenue Assistance Payments (SURE) Program are repealed at the end of the 2013 crop year, creating $18.4 billion in savings for deficit reduction.

Ends Farm Payments to Millionaires
Any person or entity with an adjusted gross income (AGI) of more than $900,000 will be ineligible for payments from farm subsidy programs, which are now capped at $125,000 per person including marketing loans for the first time ever. The bill requires the Department of Agriculture to close the "management loophole" by updating its definition of management and allows, for the first time, USDA to put limits on the number of managers on a farm.

Responsible Risk Management
Farmers will have access to risk management tools that complement crop insurance and protect against both price and yield losses. Farmers may choose to participate in either the Agricultural Risk Coverage (ARC) program or the Price Loss Coverage (PLC) program. ARC covers losses at either the individual farm level or at the county-level. PLC provides payments when the price of a crop drops below a reference price. Both programs will make payments using historic base acres, decoupled from production, thereby minimizing the program's influence on farmers' decisions on what and where to plant. In order to be eligible for either program, all farmers must agree to comply with conservation and wetlands requirements.

Marketing Loans
The Marketing Loan Program is continued to help provide farmers operating capital for their farms with a loan rate adjustment for upland cotton that is designed to bring the program into better compliance with World Trade Organization (WTO) requirements in response to Brazil's WTO lawsuit.

Sugar
The Sugar Program is continued without changes through 2018.

Stronger Dairy Programs
Recognizing that dairy is a unique commodity, two new programs replace existing dairy programs. The Dairy Margin Insurance program is an insurance program that protects producer margins equal to the difference between the all-milk price and a national feed cost. For small and medium-sized farms, lower premium margin protection is offered on the first 4 million pounds of milk marketed (the annual production of approximately 200 cows). The Dairy Product Purchasing Program gives the USDA flexibility to purchase dairy products when margins fall below $4.00, and those products will be donated to organizations like food banks, soup kitchens, and homeless shelters. The new purchase program provides a backstop to ensure margins do not fall below the catastrophic $4.00 level, like they did in 2009. These programs replace the Dairy Product Price Support Program (DPPSP) and the Milk Income Loss Contract Program (MILC).

Livestock & Supplemental Disaster Program
The bill extends supplemental disaster assistance for producers whose livestock has been affected by high mortality rates caused by severe weather, disease, or other acts of nature. This assistance is provided retroactively to October 1, 2011, and the program is made permanent. Additionally, it will provide assistance to livestock producers who have experienced grazing losses due to drought. It also continues assistance for natural disasters that destroy grazing land, honey bees, farm fish, orchard trees, and nursery trees.

Title II: Conservation

The Agriculture Act of 2014 represents the most significant investment in land, water and wildlife conservation in years. The bill helps farmers and ranchers conserve vital natural resources such as healthy soil, clean water, and wildlife habitat. The 2014 Farm Bill continues important conservation investments while streamlining and improving programs to make them more effective and reducing overall spending.

Overall the Farm Bill's Conservation Title saves $6 billion in mandatory spending by streamlining programs and reducing program duplication. The bill consolidates 23 programs into 13 while still maintaining, and in some cases strengthening, the tools needed to sufficiently conserve land and water resources. These reforms were achieved by placing emphasis on improvements that enhance program effectiveness such as combining four programs to create a new Regional Conservation Partnership Program and consolidating the various easements programs into one consolidated initiative. While the Farm Bill reduces the number of programs, it preserves the ability to deliver the core conservation purposes and objectives of all existing programs.

Working Lands

Environmental Quality Incentives Program (EQIP)
The 2014 Farm Bill continues the Environmental Quality Incentives Program (EQIP), providing farmers and ranchers with important cost-share assistance on working lands for conservation activities that help farmers meet or avoid the need for natural resource regulation.

Conservation Stewardship Program (CSP)
The 2014 Farm Bill continues the Conservation Stewardship Program (CSP) program which encourages higher levels of conservation and the adoption of new and emerging conservation technologies on farms, ranches, and forests. The Farm Bill made changes to the program to ease use and implementation.

Conservation Innovation Grants (CIG)
Conservation Innovation Grants are provided on a competitive basis to encourage the development of new or improved conservation practices. CIG is geared towards projects that offer new approaches to providing producers environmental and production benefits. A new reporting requirement is added to increase program transparency.

Voluntary Public Access and Habitat Incentive Program
Private landowners are able to realize a value-added benefit by creating wildlife habitats and opening their land up to hunting, fishing, and other kinds of public outdoor recreation. This program is continued with funding at $40 million.

Conservation Reserve Program

Refocuses the Conservation Reserve Program
The Conservation Reserve Program (CRP) helps conserve soil, water and wildlife resources by placing highly erodible and environmentally sensitive land in conserving uses through voluntary contracts with farmers, ranchers and landowners. The Farm Bill provides for a "step down" of the acreage cap over the five-year life of this legislation as follows:

- Fiscal year 2014, no more than 27.5 million acres
- Fiscal year 2015, no more than 26 million acres
- Fiscal year 2016, no more than 25 million acres
- Fiscal year 2017, no more than 24 million acres
- Fiscal year 2018, no more than 24 million acres.

The Farm Bill also allows for a new option for the enrollment of up to 2 million acres of grasslands in the CRP. This gives farmers and ranchers another tool to protect grassland from conversion.

Regional Partnerships

Regional Conservation Partnership Program
This new approach to conservation has been called "the future of conservation" by former NRCS Chief Dave White, and will leverage a significant amount of taxpayer dollars while placing emphasis on locally led conservation. The 2014 Farm Bill:

- Establishes a new partnership program which consolidates four programs into one that will support projects that improve soil quality, water quality and quantity, or wildlife habitat in a specific area or region.
- Increases transparency and accountability by selecting projects through a competitive, merit-based process and leveraging partner resources to achieve project goals.
- Institutes a Critical Conservation Area component through which the Agriculture Secretary shall designate areas with particularly significant water quality and quantity issues and natural resource regulatory pressures.

Easements

Simplified Easements Program
The Farm Bill streamlines three conservation easement authorities into a single program, the Agricultural Conservation Easement Program. The overall program contains two parts: Agricultural Land Easements and Wetland Reserve Easements.

- Agricultural Land Easements are used to protect agricultural land from development and keep them devoted to agricultural uses, including keeping grazing lands and important grasslands in grazing and related uses.

- Wetland Reserve Easements are used to restore, protect, and enhance wetlands, which are important for water quality, quantity and wildlife habitat in many areas.

- Provides sufficient funding and authority through 10-year baseline for all types of easements.

Conservation Compliance
The conservation compliance provision included in the Farm Bill reflects the growing role crop insurance plays in helping America's farmers manage risk. Conservation compliance links basic conservation requirements to crop insurance premium subsidy.. These conservation requirements also apply to agricultural producers participating in the commodity support programs in Title I and all conservation programs.

Sodsaver
The Sodsaver provision increases individual accountability by reducing farm program benefits to farmers producing on newly broken lands. Sodsaver does not prohibit farmers from breaking out new land; it ensures they do so at their own risk, and not at the expense of taxpayers.

Conservation of Private Grazing Land
The program is reauthorized to improve private grazing land by offering technical assistance and educational activities to landowners looking to better manage their land.

Grassroots Source Water Protection Program
State rural water associations are encouraged to use technical assistance in order to promote conservation activities that protect the quality of our nation's drinking water through this program.

Small Watershed Rehabilitation Program
Many of the flood control structures (mainly dams) in our country are reaching their maximum life expectancy. This program provides for projects to improve their longevity.

Payments in Lieu of Taxes (PILT)
The Farm Bill reauthorizes the PILT program for one year. This program provides Federal payments to local governments that help offset losses in property taxes due to non-taxable Federal lands within their boundaries. PILT payments help local governments carry out services such as firefighting and police protection and construction of public schools and roads.

Title III: Trade

The United States maintains a significant trade surplus in agriculture, which is one of the few sectors where we export more than we import. The Agriculture Act of 2014 continues that leadership with a focus on opening new markets and fighting trade barriers. It also recognizes the importance of America's leadership in times of food emergencies and reforms key policies to reduce waste in the system and provide flexibility to respond to changing food aid needs. Through the modest, common sense reforms through the Farm Bill, our international food aid programs will be able to reach additional 500,000 hungry people around the world.

Agricultural Trade Promotion

Export Credit Guarantee Program (GSM-102)
This program provides export credit guarantees to help ensure the availability of credit to finance the exports of U.S. agricultural products to countries where financing might not be available. To address concerns related to the Brazil WTO case, current levels of export credit guarantees are maintained at $5.5 billion. This works to ensure compliance with the dispute settlement with Brazil, while maintaining United States export competitiveness for agriculture.

Market Access Program
This program provides matching funds to promote U.S. agricultural products in overseas markets.

Foreign Market Development Program
This program provides matching funds to nonprofit commodity or trade associations to aid in the long-term expansion of export markets for U.S. agricultural products.

Emerging Markets and Facility Guarantee Loan Program
This program provides funding for technical assistance to promote U.S. agricultural products to emerging markets and supports loan guarantees to establish or improve agriculture-related facilities in emerging markets.

Technical Assistance for Specialty Crops
This program provides financial assistance to producers and exporters of specialty crops in addressing barriers to trade for their products in overseas markets. The bill revises the "Purpose" section of the program slightly to ensure that technical barriers to trade (e.g., burdensome regulatory requirements) can be addressed under the program.

Global Crop Diversity Trust
The Trust provides for storage and maintenance of seed from food crops from all over the world in a facility in the Arctic Circle in northern Norway. The bill authorizes funds through 2017 to fund the Global Crop Diversity Trust. U.S. contributions may not exceed one fourth of the total of funds contributed to the Trust from all sources.

International Food Aid Programs

Speeds Emergency Food Aid Response
The bill increases the amount of Food for Peace funds available to support strategic prepositioning, which brings food aid commodities to at-risk regions before food emergencies strike.

Farmer to Farmer
This program, which is within Title II, sends American citizens with valuable agricultural skills to areas in developing countries that need technical assistance.

McGovern-Dole
This program facilitates distribution of food commodities through schools in developing countries through partner organizations to improve food security, reduce hunger, and improve literacy. The program has projects in over 40 countries and feeds about 5 million children in need every year.

Local and Regional Food Aid Procurement
Expanding on the success of a pilot program from the 2008 Farm Bill, Local and Regional Food Aid Procurement allows organizations to purchase food through local and regional markets. This promotes stability by supporting local producers and economies. By linking local and regional purchasing with the McGovern-Dole International Food for Education and Child Nutrition Program in the application process, this bill also encourages project graduation for schools participating in McGovern-Dole.

Food Aid Quality
The bill puts into action the recommendations of a study authorized by the 2008 Farm Bill to research U.S. Food Aid quality. The Administrator is given increased flexibility to improve the nutritional profile of food aid for target populations, such as children under five and mothers.

Bill Emerson Humanitarian Trust
The Trust holds extra resources so that the U.S. can respond quickly to food crises when domestic supplies are short.

Title IV: Nutrition

The Agricultural Act of 2014 strengthens the integrity and accountability of federal nutrition programs, while preserving access to critical food assistance for families The bill also establishes and expands programs that provide healthy foods to low-income children, seniors and families.

Supplemental Nutrition Assistance Program

Cracks Down on Trafficking
The Department of Agriculture will receive additional funds to prevent trafficking of food assistance benefits and to strengthen retailer program integrity.

Prevents Lottery Winners from Receiving Food Assistance
Anyone with substantial lottery or gambling winnings will lose benefits immediately after receiving winnings. Winners will be prevented from receiving new benefits if they do not meet the financial requirements of SNAP.

Prevents College Students from Misusing Benefits
Limits SNAP eligibility for college students based on Perkins program criteria. This focuses eligibility on those participating in technical and vocational education programs, primarily 2 year colleges, trade studies, remedial course work, basic adult literacy, or English as a second language.

Improves the Quality of Participating Retail Stores
Requires participating retailers to stock a greater quantity and variety of staple foods, including perishable items likefruits and vegetables. This will ensure retailers offer a more robust supply of staple foods, while still protecting food access for participants.

Closes Gap in Standards for Utility Allowance
Benefits allocations are determined using both income and expenses. The Standard Utility Allowance is used by many states to estimate average utility costs in order to make benefits determinations. This provision will stop states from issuing extremely low LIHEAP benefits to qualify households to receive Standard Utility Allowances for the sole purpose of increasing their SNAP benefits. This provision will not affect any households that can demonstrate a utility cost.

Preserves SNAP Nutrition Education
This program supports projects that improve the likelihood that individuals eligible to receive SNAP will choose physically active lifestyles and make healthy food choices within a limited budget, consistent with the current Dietary Guidelines for Americans. The bill adds physical activity as an eligible use of the program, and maintains current funding levels.

Expands Work and Training Opportunities

The overwhelming majority of SNAP recipients who can work do so. However, many people receiving food assistance benefits are working poor, or underemployed individuals looking for stable, full-time work. The Farm Bill provides up to ten states with an opportunity to test new work and training activities that eliminate many of the barriers to employment such as lack of childcare or transportation. The bill also continues the current SNAP Employment and Training program and strengthens oversight and accountability to improve outcomes.

Additional Nutrition Programs

Gives Seniors Access to Healthy Fruits and Vegetables
The bill maintains funding authorizations at current levels for the Commodity Supplemental Food Program (CSFP). Transitions CSFP to a program for senior citizen populations while allowing the small percentage of women and children currently enrolled in CSFP to continue to receive services through the program until they have exceeded the age of eligibility. Women, infants and children will all be served by the Women, Infants, and Children (WIC) program, which is more suited to meet their needs.

Increases Assistance for Food Banks
Local food banks are struggling to provide enough food to needy families in their area. The Emergency Food Assistance Program (TEFAP) helps supplement the diets of low-income individuals by providing emergency food and nutrition assistance, largely through food banks. The bill also provides additional funding to help meet the immediate high neeed at food banks.

Department of Defense Fresh Program
The bill maintains current funding for the Department of Defense Fresh Program, which distributes fresh fruits and vegetables to schools and service institutions. It also continues to allow the Agriculture Marketing Service to conduct pilots to allow states to source locally.

Senior Farmers Market Nutrition Program
Maintains current funding levels for the Senior Farmers Market Nutrition Program, which provides low-income seniors with coupons that can be exchanged for eligible foods (fruits, vegetables, honey, and fresh-cut herbs) at farmers' markets, roadside stands, and community supported agriculture programs.

Increases Access to Tribal, Kosher and Halal Foods
The bill increases access to local, tribal, Kosher and Halal foods in food assistance programs including The Emergency Food Assistance Program, Food Distribution on an Indian Reservation and the National School Lunch Program.

Pulse Products Pilot
The bill establishes a pulse products program that encourages sampling of a variety of pulse product foods for use in school meal programs. Requires an evaluation to determine whether pulse consumption increased and which products were most acceptable to schoolchildren.

Healthy Food Financing Initiative
In both urban and rural low-income communities, many people lack reasonable access to nutritious and affordable food. The bill authorizes the Healthy Food Financing Initiative to

administer loans and grants to improve access to healthy foods in these "food deserts," improving the health of families and creating and preserving jobs.

Technology Modernization
The bill directs the Food and Nutrition Services to conduct demonstration projects to test new technologies like smart phones and online payments for retailers to improve access through the Supplemental Nutrition Assistance Program.

Promotes Better Health for School Children
The bill maintains current funding levels for the Fresh Fruit and Vegetables Program, which provides free fresh fruits and vegetables to elementary school children throughout the school day in school districts with a high proportion of low-income students. The bill also directs USDA to conduct pilots in a limited number of schools to evaluate the outcomes associated with providing canned, frozen and dried fruits and vegetables as snacks.

Community Food Projects
The bill provides for grants to eligible nonprofit organizations to improve community access to food through the development of innovative projects such as school garden programs and urban greenhouse initiatives. The bill also nearly doubles mandatory funding for these activities.

Food Insecurity Nutrition Incentive Grants
The bill provides grants to incentivize the purchase of fruits and vegetables by SNAP participants. Eligible entities conducting programs like "Double Up Food Bucks" will be able to access federal matching funds to expand efforts into additional communities.

Promotes Food and Agriculture Through Service and Learning
The bill establishes a service program in which members work in K-12 schools to engage children in experiential learning about agriculture, gardening, nutrition, cooking and where food comes from, as well as to facilitate a connection between schools and area agricultural producers.

Increases Coordination at USDA to Improve Healthy Purchases
The bill establishes an interagency taskforce for the purpose of providing coordination and direction for commodity programs that supply food to key nutrition programs like the Emergency Food Assistance Program and National School Lunch Program.

Title V: Credit

Access to credit is vital to successful farms and ranches. This access is particularly important for farmers just starting their operations. The average American farmer is over 60 years old, and without new farmers willing and able to get into farming, the long-term economic success of American agriculture is at risk. This Farm Bill will increase access to credit, ensure that the USDA Farm Loan Programs reflect modern agriculture, and continue the work of the 2008 Farm Bill to assist beginning farmers and family farms.

Support for Beginning Farmers
The credit title maintains higher loan funds reserved for direct farm ownership loans and also maintains the strengthened down payment loan program. It continues to reserve a portion of the

guaranteed farm ownership loan funds and direct operating loan funds for beginning farmers and ranchers. The Beginning Farmer and Rancher Individual Development Accounts Pilot Program authorizes matching-funds for savings accounts specifically to be used for farming-related expenses for beginning farmers and ranchers.

Helps Next Generation of Farmers and Ranchers Buy Land
The bill reauthorizes the Contract Land Sales Program, which guarantees loans to retiring farmers who sell their land to beginning or socially disadvantaged farmers. It also continues the Down Payment Loan Program, which allows young farmers without much money to make starting investments/down payments a farm or ranch. The borrower makes a cash down payment of at least 5% of the total cost, the government provides a low interest loan for 45% of the payment, and the rest of the loan must be covered by a private lender.

Increases Access to Capital
The bill makes significant strides in increasing access to capital by expanding eligibility, removing term limits on guaranteed lending and strengthening microloan programs that serve beginning farmers.

Pilot Program Authority
For the first time, the USDA will have the ability to create innovative pilot programs in the Farm Loan Programs exclusively targeted to regions, agriculture sectors, and populations like beginning farmers.

Expands Reach of Agriculture
This bill recognizes that interest in farming goes beyond the traditional definition of rural America and expands eligibility for youth loans to urban areas, encouraging a new generation of farmers. The bill directs USDA to do outreach to local/regional food producers and train its loan officers to better understand the need and business models of local/regional food producers and help producers and lenders more accurately value local/regional foods.

Microloans
The bill authorizes the Secretary to make small-dollar operating loans to eligible borrowers, permits the USDA to work with intermediary lenders to make these loans, and exempts these loans from term limits.

Helps Farmers Get Started with Conservation
The Conservation Loan and Loan Guarantee Program provides loans to borrowers to build conservation structures or establish conservation practices.

State-Mediation Program
This program recognizes the importance of state mediation programs in resolving agriculture and USDA-related disputes. This program has been incorporated in the Farm Bill by extending the 2010 reauthorization of the USDA's State Agricultural Mediation Program until 2018.

Title VI: Rural Development

Rural communities reflect the indomitable spirit of America and have always been a symbol of our national values. Today, rural communities face serious economic threats and an erosion of a way of life that stretches back many generations. The Agricultural Act of 2014 helps rebuild those communities and invest in the future, especially broadband and business development, to help rural communities thrive in the 21st century economy.

Rural Business Development Programs

Continues Support for Rural Business Development

The Rural Business Development Grants program will award competitive grants to public agencies and non-profit community development organizations for business development, planning, technical assistance, or job training in rural areas.

Supports Rural Cooperative Development

The Rural Cooperative Development Grants program provides competitive grants to non-profit organizations that work to establish rural business cooperatives.

Encourages Rural Entrepreneurship

The bill provides $15 million for the Rural Microentrepreneur Assistance Program. This program awards grants to microenterprise development organizations to provide training, business planning assistance, market development assistance, and other services to rural businesses. This program also awards funding for the establishment of microloan programs designed to support entrepreneurs in rural areas.

Supports Rural Food Processing

The Value-Added Agricultural Market Development Program is designed to encourage independent producers of agricultural commodities to process their raw products into marketable goods, thereby increasing farm income. Grants may be used for planning activities, for working capital for marketing value-added agricultural products, and for farm-based renewable energy. The bill provides $63 million for the program and reserves a portion of the funding for projects benefiting beginning farmers and ranchers.

Continues Business Loan Support

The Business and Industry Direct and Guaranteed Loan Program supports business, industry, and employment in rural communities by bolstering the existing private credit structure. The bill reserves funds made available through the program for projects that include the processing, distribution, storage, and marketing of locally produced agricultural food products.

Infrastructure Improvement Programs

Access to Broadband Services in Rural Areas

Through USDA's Broadband Program, the Department provides funds for the construction, improvement, and acquisition of facilities and equipment needed to provide broadband service in rural communities. The program will target funds to rural communities that currently do not have broadband service.

Distance Learning and Telemedicine

This program provides competitive grant and loan funding that supports equipment and infrastructure improvements that enhance telecommunications capabilities at educational and medical facilities.

Water, Waste Disposal and Wastewater Facility Grants and Loans

This program provides grants, loans and loan guarantees to public agencies for projects that support the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The bill provides $150 million to improve rural water infrastructure.

Rural Water and Wastewater Circuit Rider Program

This program provides competitive grants to non-profit organizations that give technical assistance to rural public water systems. This technical assistance helps the water systems to comply with state and federal environmental regulations. The program is authorized to receive $20 million annually.

Rural Energy Savings Program

The bill authorizes a new loan program, administered by the Department of Agriculture, which will issue zero-interest loans to any electric cooperative or coordinated group of electric cooperatives for the purpose of lending the funds to their customers to make energy saving retrofit and structural improvements.

Community Development Programs

Strategic Economic and Community Development

The bill authorizes the Secretary to give priority to applications submitted for funds through Rural Development programs that support regional approaches to community and economic development. These applications should reflect the participation of multiple stakeholders in the service area of the proposal. The applications should also have clear objectives and an explanation of performance measures that will be used to determine progress in meeting those objectives.

Technical Assistance for Community Facilities Projects

The bill authorizes the Secretary to make up to 5 percent of funds provided through the Community Facilities Loan and Grant Program available to applicants for technical assistance. Many rural communities do not have full-time staff to assist in the preparation of funding applications. This provision will help smaller communities in the development of their applications to the Community Facilities program, which supports projects related to economic development, public safety, and health care delivery.

Appropriate Technology Transfer for Rural Areas

This program awards competitive grant funding to national non-profit organizations that provide agricultural producers information pertaining to the reduction of input costs, conservation of energy resources, and expansion of markets through the use of sustainable farming practices.

Title VII: Research

Decades of research have allowed American producers to consistently outperform producers in other countries by being more efficient, more innovative, and more productive with limited resources. The Agricultural Act of 2014 continues that leadership by continuing critical research initiatives and creates a new nonprofit research foundation to bring public and private dollars together to support cutting-edge research.

Foundation for Food and Agriculture Research
The bill creates a new non-profit foundation, the Foundation for Food and Agriculture Research, to leverage private funding, matched with federal dollars, to support agricultural research. This innovative approach will foster continued innovation in agricultural research. The bill provides $200 million for the new foundation.

Continues Critical Agricultural Research
The Agriculture and Food Research Initiative (AFRI) program provides competitive grants for basic and applied research. The bill reauthorizes this critical program.

University Research
The bill reauthorizes agricultural research activities at 1862, 1890 and 1994 land-grant institutions.

Extension Service
The bill reauthorizes funds for extension service activities.

National Agricultural Research, Extension, Education and Economics (NAREEE) Advisory Board
The bill reauthorizes the NAREEE advisory board, which provides consultation to USDA, industry and Congress on agricultural research priorities. The NAREEE advisory board is directed to consult with industry groups on agricultural research, extension, education, and economics, and to make recommendations to the Secretary based on that consultation.

Policy Research Centers
This program provides for competitive grants and cooperative agreements with policy research centers to conduct research and education programs concerning the effect of policies on the farm and agricultural sectors; the environment; drought mitigation; rural families and economies; and consumers, food and nutrition.

Capacity Building Grants for Non-Land Grant Colleges of Agriculture (NLGCA) Institutions
This program provides competitive grants to assist NLGCA institutions in maintaining and expanding the capacity to conduct education, research, and outreach activities related to agriculture, renewable resources, and other similar disciplines.

Beginning Farmer and Rancher Development Program
The bill continues the Beginning Farmer program, which develops and offers education, training, outreach and mentoring programs to ensure the success of the next generation of farmers. The bill expands eligibility to include military veterans who wish to begin a career in agriculture. The bill provides $100 million in mandatory funding for this program.

Addresses Critical Shortages of Veterinarians
The bill would help address the shortage of veterinarians in rural agricultural areas by supporting veterinary education and rural recruitment.

Increased Transparency for Budget Submissions
In order to increase transparency and reduce duplication across agencies, the bill requires the Department of Agriculture to provide more detailed information regarding expected research expenditures when submitting its annual budget request to Congress.

Title VIII: Forestry

The health of America's forests is critical to the future of our economy, our environment, and our way of life. Forests provide clean drinking water, critical wildlife habitats, and recreational opportunities for our families. While the conservation title gives many tools to foresters to manage their land, additional efforts to preserve and improve our nation's forests are included here.

Improves the Health of America's Forests
The bill reauthorizes the Healthy Forest Reserve Program (HFRP), a voluntary program that enhances forest ecosystems to promote the recovery of threatened and endangered species, improve biodiversity, and enhance carbon sequestration.

Supports Private Lands Forestry
The bill supports programs, like the Forest Legacy Program and Forest Stewardship Program, which ensure that private non-industrial forest owners have the tools and support they need to properly manage their land.

International Forestry
The trade of illegal forests products is threatening our domestic markets, where honest dealers are trying to sell their wood products. This program encourages the trade of legally harvested timber. It also supports domestic production by working to prevent invasive species from entering the country.

Addresses Insect and Disease Infestations
Many of our national forest acres are threatened by insect infestation and disease. To address these risks to forest health, the Bill requires the Secretary of Agriculture to designate treatment areas for forestlands that have been especially hard-hit. The Bill also allows the Secretary, where appropriate, to treat acres to improve stand health and resilience.

Stewardship Contracting
The Farm Bill creates permanent authority for Stewardship End-Result Contracting which is a successful tool that supports forest restoration work in areas without strong wood markets while providing value for local communities.

Good Neighbor Authority
The Farm Bill reauthorizes Good Neighbor Authority and makes it available, for the first time, Nationwide. This allows the Forest Service to delegate to State Foresters the implementation of certain forestry projects. This will allow States to partner with the Forest Service to improve watershed conditions, increase timber management, and protect communities from wildfire on our federal forests.

Title IX: Energy

With new opportunities in bio-based manufacturing, advanced biofuels, and renewable energy, the Agricultural Act of 2014 continues programs that are helping to create jobs while simultaneously reducing our nation's dependence on foreign oil.

Rural Energy for America Program
The popular Rural Energy for America (REAP) program has helped nearly 4,000 farmers, ranchers and rural business owners lower their energy bills by installing renewable and energy efficient systems. The bill will provide a streamlined application process for farmers and rural businesses applying for small and medium sized projects. The bill authorizes $500 million in mandatory funding for REAP.

Promotes Advanced Bioenergy Production
The Biomass Crop Assistance Program (BCAP) provides support for farmers and ranchers who wish to plant energy crops to produce and use biomass crops for conversion to advanced biofuels or bioenergy. Agricultural producers in BCAP project areas may contract with the Department of Agriculture to receive biomass crop establishment payments up to 50 percent of costs, plus annual payments in amounts determined by the Secretary in subsequent years to help to compensate for lost opportunity costs until crops are established. The program will receive $125 million in mandatory funding.

Supports the Growing Bio-Based Economy
The bill will reauthorize and modify USDA's BioPreferred Program and the Federal Government Procurement Preference Program. Many of the modifications are adopted from the "Make it Here, Grow it Here" initiative which includes reporting of biobased purchases by the federal agencies and auditing and enforcement of the biobased label. The program will receive $15 million in mandatory funding.

Biorefinery Assistance Program
This program provides loan guarantees for renewable energy projects. Eligibility for the program has been expanded to include biobased manufacturing and renewable chemicals, which uses agricultural products to make value-added products. The program will receive $200 million in mandatory funding under the bill.

Bioenergy Program for Advanced Biofuels
This program provides production payments for advanced bioenergy sources such as methane digesters, advanced biofuels and biopower. The program will receive $75 million in mandatory funding under the bill.

Biomass Research and Development Initiative (BRDI)
The bill will reauthorize funding for research on biomass feedstock development for bioenergy and biobased products. The bill provides $12 million in mandatory funding for BRDI.

Community Wood Energy Program
This program provides competitive, cost-share grants for communities to supply public buildings with energy from sustainably-harvested wood from the local area.

Title X: Specialty Crops & Horticulture

The Agricultural Act of 2014 recognizes the diversity of American agriculture and the importance of specialty crops and organics, including fruits, vegetables, nuts, horticulture, and nursery crops. Sales of specialty crops total nearly $65 billion per year, making them a critical part of the U.S. economy and an important job creator.

Supports Farmers Markets and Local Foods
The Farmers Market and Local Food Promotion Program continues successful efforts from the Farmers Market Promotion Program by providing competitive grants to improve and expand farmers markets, roadside stands, community-supported agriculture programs, and other direct producer-to-consumer market opportunities. The program authority is expanded to also provide assistance in developing local food system infrastructure and central regional food development centers like food hubs and terminal markets that help producers with training, aggregating, distributing and other market activities. This funding more than quadruples funding levels for these initiatives.

Local Food Data and Evaluation
The bill expands collection of data related to local and regional food systems and directs the Department of Agriculture to evaluate the success of and recommend improvements to current programs designed to strengthen access to local foods.

Continues Specialty Crop Research
Provides $800 million in mandatory funding over 10 years for the Specialty Crop Research Initiative, ensuring funding will be available for key research projects for fruits, vegetables and other specialty crops. This funding also ensures funding will be available for this program in the next farm bill. The bill also includes mandatory funding to conduct emergency citrus research to stop the spread of citrus greening.

Specialty Crop Block Grants
The bill adjusts the grant allocation formula from solely the value of specialty crop production in a state to the average of both the value of specialty crop production and acres of specialty crops planted in a state. This change ensures that states receive credit for both high value crops as well as the number of acres devoted to specialty crop production in a state. The bill also allows funding for multistate projects related to pest and disease, food safety, and commodity-specific projects.

Continues Data Collection on Organics
The bill improves coordination between the Agriculture Marketing Service and the Risk Management Agency to ensure risk management tools are sufficient.

National Organic Program
The National Organic Program is reauthorized. One time mandatory funding is provided for technology upgrades to improve program performance. Additionally, the bill gives NOP increased enforcement over the organic seal.

Organic Research Initiative
Funding for the Organic Research and Extension Initiative is provided at $100 million over 5 years.

Organic Certification Cost Share
The bill provides mandatory funding to help organic producers and hndlers to transition to organic practices by partially offsetting the cost of organic certification.

Fights Pests and Diseases

The bill consolidates the National Clean Plant Network and the Pest and Disease Management and Disaster Prevention Program. These programs focus on early detection and surveillance of invasive pests, interventions to prevent crop damage and supplies clean pathogen free plant material for producers.

Title XI: Crop Insurance

Responding to the concerns of farmers across America, the Agricultural Act of 2014 strengthens and improves coverage for all commodities and underserved crops like fruit and vegetables without making budget cuts to the crop insurance title.

Creates the Supplemental Coverage Option

The Supplemental Coverage Option allows producers to purchase additional coverage on a county basis . This insurance program establishes coverage levels beginning when losses exceed 14 percent and has a premium subsidy of 65 percent.

Expands Crop Insurance for Fruit and Vegetable Producers

Crop insurance coverage is expanded for underserved crops and regions, including fruit and vegetable producers. The bill provides additional assistance for underserved producers to partner with private developers of crop insurance to create improved insurance products. The bill also allows the Risk Management Agency (RMA) to conduct research and development on new or improved crop insurance products. It also creates a new partnership to expand access of index- based weather insurance products for fruit and vegetable growers who don't have sufficient price or yield data for traditional insurance.

Provides Revenue Crop Insurance for Cotton and Peanut Producers

The bill creates a stand-alone revenue protection coverage program for cotton growers. It also creates a separate peanut revenue insurance with an effective price for peanut growers.

Improves Crop Insurance for Beginning Farmers and Ranchers

Beginning farmers and ranchers are given a 10 percentage point discount for all crop insurance premiums. The bill also provides beginning farmers and ranchers with an improved production history when they have previous farming experience or when they face natural disasters.

Title XII: Miscellaneous

The Agricultural Act of 2014 covers a broad range of areas. A number of programs, including those that assist socially disadvantaged farmers, those that assist livestock producers, and those that focus on workforce development, do not fit into other titles and are included here.

Outreach for Socially Disadvantaged Farmers

The bill continues grants to organizations that work with minority farmers to help them acquire, own, operate, and retain farms and ranches and equally participate in all USDA programs. We provided $50 million in mandatory funding for this program.

Continues Advocacy and Outreach Efforts
The bill reauthorizes the Office of Advocacy and Outreach, which was created by the 2008 Farm Bill to increase the viability and profitability of small farms and ranches, beginning farmers or ranchers, and socially disadvantaged farmers or ranchers.

Grants to Improve Agricultural Labor Supply, Stability, Safety, and Training
The bill reauthorizes the Agricultural Career and Employment Grants Program. Funds may be used to assist agricultural employers and farmworkers to develop skills, the provision of agricultural labor market information, transportation and short-term housing.

Military Veterans Agricultural Liaison
The bill creates a military veterans agricultural liaison to help military veterans navigate and utilize USDA programs to become involved in agriculture.

Office of Tribal Relations
The bill directs USDA to maintain an Office of Tribal Relations within the Office of the Secretary.

Ensures Health of American Livestock
The bill authorizes the National Animal Health Laboratory Network (NAHLN). In addition, it reauthorizes the Trichinae Certification Program and the National Aquatic Health Plan.

Sheep Production and Marketing Grant Program
The bill establishes a competitive grant program to enhance production and marketing of the sheep industry.

Pilot Program to Eradicate Feral Swine
Over half the states have problems with feral swine, which can transmit dangerous diseases to humans and livestock. The bill creates a pilot project that directs the Natural Resources Conservation Service and the Animal and Plant Health Inspection Service to work together on eradication methods that can be used throughout the country.

House -Senate Conference Committee

Agricultural Act of 2014

Highlights:

➡Saves taxpayers $23 billion in mandatory federal spending.

➡Includes the most significant reduction to farm policy spending in history by improving agricultural programs.

➡Makes the first reforms to SNAP (food stamps program) since the welfare reforms of 1996 while maintaining critical food assistance to families in need.

➡Repeals or consolidates nearly 100 programs administered by USDA, including Direct Payments to farmers.

➡Reduces regulatory barriers for job creators while making critical investments in land stewardship, rural electric, water, and other infrastructure needs that grow job capacity.

➡Provides certainty to America's farmers, ranchers, and consumers by adopting a five-year farm bill.

Reforms farm policy

- Repeals Direct Payments and limits producers to risk management tools that offer protection when they suffer significant losses.
- Limits on payments are reduced, eligibility rules are tightened, and means tests are streamlined to make farm programs more accountable.
- Strengthens crop insurance, a successful public/private partnership that ensures farmers invest in their own risk management.
- Provides historic reforms to dairy policy by repealing outdated and ineffective dairy programs. Offers producers a new, voluntary, margin protection program without imposing government-mandated supply controls.
- Reauthorizes and strengthens livestock disaster assistance.
- Supports small businesses and beginning farmers and ranchers with training and access to capital.

Reforms Food Stamps

- Closes the "heat-and-eat" loophole that artificially increases benefit levels when states provide nominal LIHEAP assistance.
- Establishes a 10-state pilot to empower states to engage able-bodied adults in mandatory work programs.
- Prohibits USDA from engaging in SNAP recruitment activities, and advertising SNAP on TV, radio, billboards & through foreign governments.
- Ensures illegal immigrants, lottery winners, traditional college students, and the deceased do not receive benefits.
- Ensures SNAP recipients are not receiving benefits in multiple states.
- Prevents abuses such as water dumping to exchange bottles for cash.
- Demands outcomes from existing employment and training programs.
- Prohibits states from manipulating SNAP benefit levels by eliminating medical marijuana as an allowable medical expense.
- Allows states to pursue retailer fraud through a pilot investigation program and crack down on trafficking through data mining, terminal ID, and other measures.
- Increases assistance for food banks.

Additional Reforms & regulatory relief

- Consolidates 23 duplicative and overlapping conservation programs into 13.
- Provides one year of full funding for the Payment In Lieu of Taxes (PILT) program, which provides funding for vital services in communities containing federal lands.
- Provides certainty to forest products industry by clarifying that forest roads should not be treated as a point source under the Clean Water Act.
- Creates a permanent subcommittee within the EPA Science Advisory Board to conduct peer review of EPA actions that would negatively impact agriculture.
- Eliminates duplicative reporting requirements for seed importers; requires improved economic analysis of FDA regulations.
- Fully funds specialty crop industry priorities such as Specialty Crop Block Grants.

Provided by the House Agriculture Committee Chairman Frank D. Lucas

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USDA Implements 2014 Farm Bill Provision to Limit Payments to Non-Farmers

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USDA Implements 2014 Farm Bill Provision to Limit Payments to Non-Farmers

Department Proposes Changes to "Actively Engaged" Rule

WASHINGTON, March 24, 2015 – The U.S. Department of Agriculture (USDA) today announced a proposed rule to limit farm payments to non-farmers, consistent with requirements Congress mandated in the 2014 Farm Bill. The proposed rule limits farm payments to individuals who may be designated as farm managers but are not actively engaged in farm management. In the Farm Bill, Congress gave USDA the authority to address this loophole for joint ventures and general partnerships, while exempting family farm operations from being impacted by the new rule USDA ultimately implements.

"We want to make sure that farm program payments are going to the farmers and farm families that they are intended to help. So we've taken the steps to do that, to the extent that the Farm Bill allows," said Agriculture

Secretary Tom Vilsack. "The Farm Bill gave USDA the authority to limit farm program payments to individuals who are not actively engaged in the management of the farming operation on non-family farms. This helps close a loophole that has been taken advantage of by some larger joint ventures and general partnerships."

The current definition of "actively engaged" for managers, established in 1987, is broad, allowing individuals with little to no contributions to critical farm management decisions to receive safety-net payments if they are classified as farm managers, and for some operations there were an unlimited number of managers that could receive payments.

The proposed rule seeks to close this loophole to the extent possible within the guidelines required by the 2014 Farm Bill. Under the proposed rule, non-family joint ventures and general partnerships must document that their managers are making significant contributions to the farming operation, defined as 500 hours of substantial management work per year, or 25 percent of the critical management time necessary for the success of the farming operation. Many operations will be limited to only one manager who can receive a safety-net payment. Operators that can demonstrate they are large and complex could be allowed payments for up to three managers only if they can show all three are actively and substantially engaged in farm operations. The changes specified in the rule would apply to payment eligibility for 2016 and subsequent crop years for Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Programs, loan deficiency payments and marketing loan gains realized via the Marketing Assistance Loan program.

As mandated by Congress, family farms will not be impacted. There will also be no change to existing rules for contributions to land, capital, equipment, or labor. Only non-family farm general partnerships or joint ventures comprised of more than one member will be impacted by this proposed rule.

Stakeholders interested in commenting on the proposed definition and changes are encouraged to provide written comments at www.regulations.gov by May 26, 2015. The proposed rule is available at http://go.usa.gov/3C6Kk.

Today's proposal was made possible by the 2014 Farm Bill, which builds on historic economic gains in rural America over the past six years, while achieving meaningful reform and billions of dollars in savings for the taxpayer. Since enactment, USDA has made significant progress to implement each provision of this critical legislation, including providing disaster relief to farmers and ranchers; strengthening risk management tools; expanding access to rural credit; funding critical research; establishing innovative public-private conservation partnerships; developing new markets for rural-made products; and investing in infrastructure, housing and community facilities to help improve quality of life in rural America. For more information, visit www.usda.gov/farmbill. To learn more about Farm Service Agency, visit www.fsa.usda.gov.

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DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation

7 CFR Part 1400

RIN 0560–AI31

Payment Limitation and Payment Eligibility; Actively Engaged in Farming

AGENCY: Commodity Credit Corporation, USDA.

ACTION: Proposed rule.

SUMMARY: The Farm Service Agency (FSA) is proposing to revise regulations on behalf of the Commodity Credit Corporation (CCC) to specify the requirements for a person to be considered actively engaged in farming for the purpose of payment eligibility for certain FSA and CCC programs. Specifically, this rulemaking proposes to revise and clarify the requirements for a significant contribution of active personal management to a farming operation. These changes are required by the Agricultural Act of 2014 (the 2014 Farm Bill). The provisions of this rule would not apply to persons or entities comprised solely of family members. The rule would not change the existing regulations as they relate to contributions of land, capital, equipment, or labor, or the existing regulations related to landowners with a risk in the crop or to spouses.

DATES: *Comment Date:* Comments must be received by May 26, 2015.

ADDRESSES: We invite you to submit comments on this rule. In your comment, please include the Regulation Identifier Number (RIN) and the volume, date, and page number of this issue of the **Federal Register**. You may submit comments by any of the following methods:

- *Federal eRulemaking Portal:* Go to *http://www.regulations.gov.* Follow the online instructions for submitting comments.
- *Mail, hand delivery, or courier:* James Baxa, Production, Emergencies, and Compliance Division, FSA, U.S. Department of Agriculture (USDA), Stop 0501, 1400 Independence Ave. SW., Washington, DC 20250–0501.

Comments will be available online at *www.regulations.gov.* Comments may also be inspected at the mail address listed above between 8:00 a.m. and 4:30 p.m., Monday through Friday, except holidays. A copy of this proposed rule is available through the FSA homepage at *http://www.fsa.usda.gov/.*

FOR FURTHER INFORMATION CONTACT: James Baxa; Telephone: (202) 720–7641. Persons with disabilities who require alternative means for communication (Braille, large print, audio tape, etc.) should contact the USDA Target Center at (202) 720–2600 (voice and TDD).

SUPPLEMENTARY INFORMATION:

Overview

Several CCC programs managed by FSA, specifically the Market Loan Gains (MLG) and Loan Deficiency Payments (LDP) associated with the Marketing Assistance Loan (MAL), Program the Agriculture Risk Coverage (ARC) Program, and the Price Loss Coverage (PLC) Program, require that a person be "actively engaged in farming" as a condition of eligibility for payments. As specified in 7 CFR part 1400, a person must contribute: (1) Land, capital, or equipment; and (2) personal labor, active personal management, or a combination of personal labor and active personal management to be considered "actively engaged in farming" for the purposes of payment eligibility. Section 1604 of the 2014 Farm Bill (Pub. L. 113–79) requires the Secretary of Agriculture to define in regulations what constitutes a "significant contribution of active personal management" for the purpose of payment eligibility. Therefore, this rule proposes to amend 7 CFR part 1400 to define that term and to revise the requirements for active personal management contributions. The 2014 Farm Bill also requires the Secretary to consider establishing limits on the number of persons per farming operation who may be considered actively engaged in farming based on a significant contribution of active personal management. This rule proposes to amend 7 CFR part 1400 to set a limit of one person per farming operation who may qualify based on a contribution of active personal management and not on a contribution of personal labor, with exceptions for up to three persons for large and complex farming operations if additional requirements are met. The new requirements and definitions would be specified in a new subpart G to 7 CFR part 1400.

Exceptions for Entities Comprised Solely of Family Members

As required by the 2014 Farm Bill, the provisions of this proposed rule would not apply to farming operations comprised of persons or entities comprised solely of family members. The definition of "family member" is not changing with this rule. As specified in 7 CFR 1400.3, a family member is "a person to whom another member in the farming operation is related as a lineal ancestor, lineal descendant, sibling, spouse, or otherwise by marriage." FSA handbooks further clarify that eligible family members include: Great grandparent, grandparent, parent, child, including legally adopted children and stepchildren, grandchild, great grandchild, or a spouse or sibling of family members.

In 7 CFR 1400.208, there are existing provisions for family members to be considered actively engaged in farming by making a significant contribution of active personal labor, or active personal management, or a combination thereof, to a farming operation comprised of a majority of family members, without making a contribution of land, equipment, or capital. The new subpart G would not change these provisions.

Existing Provisions and Exceptions for Actively Engaged Requirements That Would Not Change

As specified in the current regulations, there are exceptions to the requirement that a person be actively engaged in farming by contributing labor or management to be eligible for payments. These exceptions for certain landowners and for spouses would not be changed with this rule. Specifically, landowners who share a risk in the crop (profit or loss based on value of crop and not fixed rent amount) are considered to be actively engaged just by contributing land and being at risk; they do not have to contribute management or labor. If one spouse is considered to be actively engaged by contributing management or labor, the other spouse may be considered to be actively engaged without making a separate, additional contribution of management or labor.

The proposed rule would clarify how persons and legal entities comprised of nonfamily members may be eligible for payments, based on a contribution of active personal management made by persons with a direct or indirect interest in the farming operation. Payments made to persons or legal entities are attributed to persons as specified in 7 CFR 1400.105, and the methods for attribution would not change with this rule.

Additional Requirements for Certain Nonfamily General Partnerships and Joint Ventures

The proposed definition and standard for evaluating what constitutes a significant contribution of active personal management would apply to all nonfamily farming operations seeking to have more than one person qualify as actively engaged in farming by providing a significant contribution of active personal management and not personal labor ("farm manager"). Therefore, the proposed rule would only apply to farming operations structured as a general partnership or joint venture comprised of persons, corporations, limited liability companies (LLCs), estates, trusts, or other similar entities seeking more than one farm manager. Similarly, the existing requirement that farming operations supply information to FSA county committees (COC) on each member's contribution or expected contribution related to actively engaged determinations would be unchanged and would continue to apply to all entities. However, farming operations that would be subject to this proposed rule would be required to provide a management log.

For most farming operations that are entities, such as corporations and LLCs, adding an additional member to the entity does nothing to change the number of payment limits available and it simply increases the number of members that share a single $125,000 payment limit. But for general partnerships and joint ventures, adding another member to the operation can provide an additional $125,000 payment limit if the new member meets the other eligibility requirements, including being actively engaged in farming. This potential for a farming operation being able to qualify for multiple payment limits provides an opportunity to add members and to have those members claim actively engaged status, especially for farming operations close to or in excess of the payment limit.

For this reason, several additional requirements are being proposed for nonfamily farming operations seeking to qualify more than one farm manager. Specifically, in addition to providing information to FSA regarding the elements related to an actively engaged determination, there would be a restriction on the number of members of a farming operation that can be qualified as a farm manager and there would be an additional recordkeeping requirement for such farming operations.

Number of Farm Managers That May Qualify as Actively Engaged

This rule would restrict the number of farm managers to one person, with exceptions. Nonfamily member farming operations only seeking one farm manager would not be subject to the proposed rule. Such operations would continue to be subject to the existing regulations in subparts A and C of 7 CFR part 1400 governing actively engaged in farming.

Any farming operation seeking two or three farm managers would be required to meet the requirements of subpart G for all farm managers in the farming operation including the maintenance of the records or logs discussed below for all the managers in the farming operation. The farming operation may qualify for up to one additional farm manager as a large operation, and up to one additional farm manager as a complex operation. To qualify for three farm managers, the operation would have to meet the standards specified in this rule for both size and complexity. In other words, a very large farm operation that is not complex (for example, one growing a single crop) could only qualify for two managers, not three. Under no circumstances would a farming operation be allowed to qualify more than three farm managers.

The default standard for what constitutes a large farming operation would be an operation with crops on more than 2,500 acres (planted or prevented planted) or honey or wool with more than 10,000 hives or 3,500 ewes, respectively. The acreage standard is based on an analysis of responses to the Agricultural Resource Management Survey that indicate that on average farms producing eligible commodities that required more than one full time manager equivalent (2,040 hours of management) had 2,527 acres. The size standards for honey and wool did not have comparable survey information available. The honey standard of number of hives is based on the beekeepers participating in 2011 through 2012 Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish that met or exceeded the payment limit. These large operations averaged 10,323 hives. The sheep standard was based on industry analysis that showed that operations with 1,500 through 2,000 ewes could be full time. The 3,500 standard is approximately double that threshold. Given the limited information available especially for the honey and wool size standards, we are specifically seeking comment on this issue in this proposed rule. State FSA committees (STCs) would have authority to modify these standards for their state based on the STC's determination of the relative size of farming operations in the state by up to 15 percent (that is plus or minus 375 acres, 1,500 hives or 525 ewes). In other words, the standard in a particular state may range from 2,125 acres to 2,875 acres; 8,500 to 11,500 hives; or 2,975 to 4,025 ewes. Relief from the State level standard would only be granted on a case by case basis by DAFP.

If a farming operation seeks a farm manager based on the complexity of the operation under the proposed rule, the farming operation would make a request that addresses the factors established in the proposed rule which would take into account the diversity of the operation including the number of agricultural commodities produced; the types of agricultural crops produced such as field, vegetable, or orchard crops; the geographical area in which an operation farms and produces agricultural commodities; alternative marketing channels (that is, fresh, wholesale, farmers market, or organic); and other aspects about the farming operation such as the production of livestock, types of livestock, and the various livestock products produced and marketed annually. All farming operations seeking to qualify one additional manager based on complexity which are approved by the STC would also have eligibility reviewed by the Deputy Administrator for Farm Programs (DAFP), to ensure consistency and fairness on a national level.

Records on the Performance of Management Activities

Under the proposed rule, if a farming operation is seeking to qualify more than one farm manager, then all persons that provide management of the operation would be required to maintain contemporaneous records or activity logs of their management activities, including management activities that would not qualify as active personal management under the proposed rule. Specifically, activity logs would include information about the hours of management provided. While the recordkeeping requirements under the proposed rule would be similar to the current provisions at 7 CFR 1400.203 and 1400.204 in which contributions must be identifiable and documentable, and separate and distinct from the contributions of other members, these additional records or logs would also include the location of where the management activity was performed and the time expended or duration of the management activity performed. These records and logs would be required to be available if requested by the appropriate FSA reviewing authority. If a person failed to meet this requirement, the represented contribution of active personal management would be disregarded and the person's eligibility for payments would be re-determined.

Section 1604 of the Farm Bill requires USDA to ensure that any additional paperwork that would be required by the proposed rule be limited only to persons in farming operations who would be subject to the proposed rule. As described above, the additional recording and recordkeeping requirements of this rule would only apply to persons in farming operations seeking to qualify more than one farm manager.

New Definition of Significant Contribution of Active Personal Management

The existing definition of a "significant contribution" in 7 CFR 1400.3 specifies that for active personal management, a significant contribution includes "activities that are critical to the profitability of the farming operation," but that definition does not specify what specific types of activities are included, whether these activities need to be direct actions and not passive activities, and to what level or degree such activities must be performed to achieve a level of significance.

This proposed rule would apply a new definition of "significant contribution of active personal management" only to non-family farming operations that are seeking to qualify more than one farm manager. Similar to the existing requirements in 7 CFR 1400.3 for a substantial amount of personal labor, the new definition for a significant contribution of active personal management would require an annual contribution of 500 hours of management, or at least 25 percent of the total management required for that operation. The proposed rule would also add a new, more specific definition for "active personal management" that includes a list of critical management activities that may be used to qualify as a significant contribution.

The 2014 Farm Bill requires us to specify a definition in regulations; the specific definition proposed reflects a discretionary analysis of various alternatives. Various proposals and concepts were considered in the development of this proposed rule, including a minimum level of interest a person must hold in a farming operation before the person could qualify as actively engaged with only an active personal management contribution, a weighted ranking of critical activities performed, or a higher hourly threshold. The hourly requirement standard proposed here is intended to address the 2014 Farm Bill requirement for clear and objective standards.

The new definition would change what constitutes "active personal management" only for farm managers in nonfamily farming operations seeking to qualify two or three farm managers. The proposed requirements for such farm managers would clarify that eligible management activities are critical actions performed under one or more of the following categories:

- Capital, land, and safety-net programs: Arrange financing, manage capital, acquire equipment, negotiate land acquisition and leases, and manage insurance or USDA program participation;
- Labor: Hire and manage labor; and
- Agronomics and Marketing: Decide which crop(s) to plant, purchase inputs, manage crops (that is, whatever it takes to keep the growing crops living and healthy—soil fertility and fertilization, weed control, insect control, irrigation if applicable), price crops, and market crops or futures.

The management activities described would emphasize actions taken by the person directly for the benefit and success of the farming operation. Under the proposed rule, passive management activities such as attendance of board meetings or conference calls, or watching commodity markets or input markets (without making trades) would not be considered as contributing to significant management. The proposed rule only would consider critical actions as specified in the new definition of "active personal management" as contributing to significant management.

The new definition and requirements in the proposed rule would take into account the size and complexity of farming operations across all parts of the country. The proposed rule takes into consideration all of the actions of the farming operation associated with the financing; crop selection and planting decisions; land acquisitions and retention of the land assets for an extended period of time; risk management and crop insurance decisions; purchases of inputs and services; utilization of the most efficient field practices; and prudent marketing decisions. Furthermore, in developing the proposed rule, FSA took into account advancements in farming, communication, and marketing technologies that producers must avail themselves of to remain competitive and economically viable operations in today's farming world.

Under the proposed rule, eligible management activities would include the activities required for the farming operation as a whole, not just activities for the programs to which the "actively engaged in farming" requirement applies. For example, if a farming operation is participating in ARC or PLC and using grain eligible for those programs to feed dairy cattle, activities to manage the dairy side of the operation would be considered as eligible management activities to qualify as a farm manager. Similarly, if a farming operation receives MLG or LDPs on some crops, but not on others, all the management activities for all the crops would be considered for eligibility purposes.

The proposed rule would clarify that the significant contribution of a person's active management may be used only to enable one person or entity in a farming operation to meet the requirements of being actively engaged in farming. For example, if members of a joint operation are entities, one person's contribution could only qualify one of the entities (and not any other entity to which the person belongs), as actively engaged in farming.

Comments Requested

While this rule identifies an option that would allow a maximum of three managers to qualify the farming operation for farm payments for large or complex farming operations, we remain open to analysis and views of other options of merit that have been considered throughout the development of both this rule and the 2014 Farm Bill. We encourage comments to address whether the proposed change for the number of managers is appropriate and whether our definitions of large and complex farming operations are reasonable (as discussed above). Although the 2014 Farm Bill explicitly excludes the provisions of this proposed rule from applying to farming operations comprised solely of family members, we request comments on whether farming entities owned by family members should be subject to the same limits as other farming operations.

We also encourage comments to address whether there should be a strict limit of one manager, or if another option should be implemented to reduce the risk that individuals who have little involvement in a farming operation use the active personal management provision to qualify the farming operation for farm program payments. The proposed changes would not mandate how farms are structured; that is up to the farming operation.

FSA is requesting comments from the public on the methods that should be used to determine whether a person is actively engaged in farming for the purpose of payment eligibility and the number of managers per farming operation that may be eligible. Specifically, comments on the following topics may be helpful:

1. Should other methods be used to determine which activities constitute a significant contribution of active personal management? Should other

activities be considered as active personal management?

2. Should different standards be applied for the amount of management required for eligibility, such as a different number of hours, a percentage financial interest in the entity, or other criteria?

3. Should there be a different limit to the number of farm managers in a farming operation that qualify as actively engaged? If yes, how should that limit be determined?

4. Are there certain management activities or practices that are unique to particular farming methods, crops, or regions that should be taken into consideration?

The following suggestions may be helpful for preparing your comments:

- Explain your views as clearly as possible.
- Describe any assumptions that you used.
- Provide any technical information and data on which you based your views.
- Provide specific examples to illustrate your points.
- Offer specific alternatives to the current regulations or policies and indicate the source of necessary data, the estimated cost of obtaining the data, and how the data can be verified.
- Submit your comments to be received by FSA by the comment period deadline.

Executive Orders 12866 and 13563

Executive Order 12866, "Regulatory Planning and Review," and Executive Order 13563, "Improving Regulation and Regulatory Review," direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility.

The Office of Management and Budget (OMB) designated this proposed rule as significant under Executive Order 12866, "Regulatory Planning and Review," and therefore, OMB has reviewed this rule. The costs and benefits of this proposed rule are summarized below. The full cost benefit analysis is available on regulations.gov.

Clarity of the Regulation

Executive Order 12866, as supplemented by Executive Order 13563, requires each agency to write all rules in plain language. In addition to your substantive comments on this proposed rule, we invite your comments on how to make the rule easier to understand. For example:

- Are the requirements in the rule clearly stated? Are the scope and intent of the rule clear?
- Does the rule contain technical language or jargon that is not clear?
- Is the material logically organized?
- Would changing the grouping or order of sections or adding headings make the rule easier to understand?
- Could we improve clarity by adding tables, lists, or diagrams?
- Would more, but shorter, sections be better? Are there specific sections that are too long or confusing?
- What else could we do to make the rule easier to understand?

Summary of Economic Impacts

About 1,400 joint operations could lose eligibility for around $50 million in total crop year 2016 to 2018 benefits from the Price Loss Coverage (PLC), Agriculture Risk Coverage (ARC), and Marketing Assistance Loan (MAL) programs (ranging from $38 million for the 2016 crop year down to approximately $4 million for the 2018 crop year). This is the expected cost to producers of this rule. This rule does not change the payment limit per person, which is a joint $125,000 for the applicable programs. As specified in the current regulations, the payment limits apply to general partnerships and joint operations based on the number of eligible partners in the operation; each partner may qualify for a separate payment limit of $125,000. In other words, each person in the partnership or joint operation who loses eligibility will lose eligibility for up to $125,000 in payments.

Other types of entities (such as corporations and limited liability companies) that share a single payment limit of $125,000, regardless of their number of owners, would not have their payments reduced by this rule. Each owner must contribute management or labor to the operation to qualify the operation to receive the member's share of the single payment limit.

No entities comprised solely of family members will be impacted by this rule.

If commodity prices are sufficiently high that few producers are eligible for any benefits, the costs of this rule to producers (and savings to USDA) will be less, even zero. In other words, if very few producers are earning farm program payments due to high commodity prices, limiting eligibility on the basis of management contributions will not have much impact. Government costs for implementing this rule are expected to be minimal.

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601–612), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), generally requires an agency to prepare a regulatory analysis of any rule whenever an agency is required by APA or any other law to publish a proposed rule, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. This proposed rule would not have a significant impact on a substantial number of small entities. The farming operations of small entities generally do not have to have multiple members that contribute only active personal management to meet the requirements of actively engaged in farming.

Environmental Review

The environmental impacts of this proposed rule have been considered in a manner consistent with the provisions of the National Environmental Policy Act (NEPA, 42 U.S.C. 4321–4347), the regulations of the Council on Environmental Quality (40 CFR parts 1500–1508), and the FSA regulations for compliance with NEPA (7 CFR part 799). The Agricultural Act of 2014 (the 2014 Farm Bill) requires that USDA publish a regulation to specifically define a "significant contribution of active personal management" for the purposes of determining payment eligibility. This proposed regulation would clarify the activities that qualify as active personal management and the recordkeeping requirements to document eligible management activities. This is a mandatory administrative clarification. As such, FSA has determined that this proposed rule does not constitute a major Federal action that would significantly affect the quality of the human environment, individually or cumulatively. Therefore, FSA will not prepare an environmental assessment or environmental impact statement for this regulatory action.

Executive Order 12372

Executive Order 12372, "Intergovernmental Review of Federal Programs," requires consultation with State and local officials that would be directly affected by proposed Federal financial assistance. The objectives of the Executive Order are to foster an intergovernmental partnership and a strengthened Federalism, by relying on State and local processes for State and local government coordination and review of proposed Federal financial assistance and direct Federal development. For reasons specified in the final rule related notice regarding 7 CFR part 3015, subpart V (48 FR 29115, June 24, 1983), the programs and activities in this rule are excluded from the scope of Executive Order 12372.

Executive Order 12988

This proposed rule has been reviewed under Executive Order 12988, "Civil Justice Reform." This proposed rule would not preempt State or local laws, regulations, or policies unless they represent an irreconcilable conflict with this rule. This proposed rule would not have retroactive effect. Before any judicial actions may be brought regarding the provisions of this rule, the administrative appeal provisions of 7 CFR parts 11 and 780 are to be exhausted.

Executive Order 13132

This proposed rule has been reviewed under Executive Order 13132, "Federalism." The policies contained in this proposed rule would not have any substantial direct effect on States, on the relationship between the Federal government and the States, or on the distribution of power and responsibilities among the various levels of government, except as required by law. Nor would this rule impose substantial direct compliance costs on State and local governments. Therefore consultation with the States is not required.

Executive Order 13175

This proposed rule has been reviewed in accordance with the requirements of Executive Order 13175, "Consultation and Coordination with Indian Tribal Governments." Executive Order 13175 requires Federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

FSA has assessed the impact of this proposed rule on Indian tribes and determined that this rule would not, to our knowledge, have tribal implications that require tribal consultation under Executive Order 13175. If a Tribe requests consultation, FSA will work with the USDA Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions, and modifications identified in this rule are not expressly mandated by the 2014 Farm Bill.

Unfunded Mandates

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA, Pub. L. 104–4) requires Federal agencies to assess the effects of their regulatory actions on State, local, and Tribal governments or the private sector. Agencies generally must prepare a written statement, including cost benefits analysis, for proposed and final rules with Federal mandates that may result in expenditures of $100 million or more in any 1 year for State, local or Tribal governments, in the aggregate, or to the private sector. UMRA generally requires agencies to consider alternatives and adopt the more cost effective or least burdensome alternative that achieves the objectives of the rule. This proposed rule contains no Federal mandates, as defined in Title II of UMRA, for State, local and Tribal governments or the private sector. Therefore, this proposed rule is not subject to the requirements of sections 202 and 205 of UMRA.

Federal Assistance Programs

The title and number of the Federal Domestic Assistance Programs in the Catalog of Federal Domestic Assistance to which this rules applies are: 10.051 Commodity Loans and Loan Deficiency Payments; 10.112 Price Loss Coverage; and 10.113 Agriculture Risk Coverage.

Paperwork Reduction Act

The regulations in this proposed rule are exempt from requirements of the Paperwork Reduction Act (44 U.S.C. Chapter 35), as specified in Section 1601(c)(2)(B) of the 2014 Farm Bill, which provides that these regulations be promulgated and administered without regard to the Paperwork Reduction Act. Section 1604 of the Farm Bill requires us to ensure that any additional paperwork required by this rule be limited only to persons who are subject to this rule. The additional recording and recordkeeping requirements of this proposed rule would only apply to persons who are claiming eligibility for payments based on a significant contribution of active personal management to the farming operation.

E-Government Act Compliance

FSA is committed to complying with the E-Government Act, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

List of Subjects in 7 CFR Part 1400

Agriculture, Loan programs-agriculture, Conservation, Price support programs.

For the reasons discussed above, CCC proposes to amend 7 CFR part 1400 as follows:

PART 1400—PAYMENT LIMITATION AND PAYMENT ELIGIBILITY

■ 1. The authority citation for part 1400 continues to read as follows:

Authority: 7 U.S.C. 1308, 1308–1, 1308–2, 1308–3, 1308–3a, 1308–4, and 1308–5.

§ 1400.1 [Amended]

■ 2. In § 1400.1(a)(8), remove the words "C and D" and add the words "C, D, and G" in their place.

■ 3. Add subpart G to read as follows:

Subpart G—Additional Payment Eligibility Provisions for Joint Operations and Legal Entities Comprised of Non-Family Members or Partners, Stockholders, or Persons With an Ownership Interest in the Farming Operation

Subpart G—Additional Payment Eligibility Provisions for Joint Operations and Legal Entities Comprised of Non-Family Members or Partners, Stockholders, or Persons With an Ownership Interest in the Farming Operation

§ 1400.600 Applicability.

(a) This subpart is applicable to all of the programs as specified in § 1400.1 and any other programs as specified in individual program regulations.

(b) The requirements of this subpart will apply to farming operations for FSA program payment eligibility and limitation purposes as specified in subparts B and C of this part.

(c) The requirements of this subpart do not apply to farming operations specified in paragraph (b) of this section if either:

(1) All persons who are partners, stockholders, or persons with an ownership interest in the farming operation or of any entity that is a member of the farming operation are family members as defined in § 1400.3; or

(2) The farming operation is seeking to qualify only one person as making a significant contribution of active personal management for the purposes

of qualifying only one person or entity as actively engaged in farming.

§ 1400.601 Definitions.

(a) The terms defined in § 1400.3 are applicable to this subpart and all documents issued in accordance with this part, except as otherwise provided in this section.

(b) The following definitions are also applicable to this subpart:

Active personal management means personally providing and participating in management activities considered critical to the profitability of the farming operation and performed under one or more of the following categories:

(1) Capital, which includes:

(i) Arranging financing and managing capital;

(ii) Acquiring equipment;

(iii) Acquiring land and negotiating leases;

(iv) Managing insurance; and

(v) Managing participation in USDA programs;

(2) Labor, which includes hiring and managing of hired labor; and

(3) Agronomics and marketing, which includes:

(i) Selecting crops and making planting decisions;

(ii) Acquiring and purchasing crop inputs;

(iii) Managing crops (that is, whatever it takes to keep the growing crops living and healthy—soil fertility and fertilization, weed control, insect control, irrigation if applicable) and making harvest decisions; and

(iv) Pricing and marketing of crop production.

Significant contribution of active personal management means active personal management activities performed by a person, with a direct or indirect ownership interest in the farming operation, on a regular, continuous, and substantial basis to the farming operation, and meets at least one of the following to be considered significant:

(1) Performs at least 25 percent of the total management hours required for the farming operation on an annual basis; or

(2) Performs at least 500 hours of management annually for the farming operation.

§ 1400.602 Restrictions on active personal management contributions.

(a) If a farming operation includes any nonfamily members as specified under the provisions of § 1400.201(b)(2) and (3) and the farming operation is seeking to qualify more than one person as providing a significant contribution of active personal management then:

(1) Each such person must maintain contemporaneous records or logs as specified in § 1400.603; and

(2) Subject to paragraph (b) of this section, if the farming operation seeks not more than one additional person to qualify as providing a significant contribution of active personal management because the operation is large, then the operation may qualify for one such additional person if the farming operation:

(i) Produces and markets crops on 2,500 acres or more of cropland; or

(ii) For farming operations that produce honey with more than 10,000 hives; or

(iii) For farming operations that produce wool with more than 3,500 ewes; and

(3) If the farming operation seeks not more than one additional person to qualify as providing a significant contribution of active personal management because the operation is complex, then the operation may qualify for one such additional person if the farming operation is determined by the FSA state committee as complex after considering the factors described in paragraphs (a)(3)(i) and (ii) of this section. Any determination that a farming operation is complex by an FSA state committee must be reviewed and the determination must be concurred by DAFP to be applied. To demonstrate complexity, the farming operation will be required to provide information to the FSA state committee on the following:

(i) Number and type of livestock, crops, or other agricultural products produced and marketing channels used; and

(ii) Geographical area covered.

(b) FSA state committees may adjust the limitations described in paragraph (a)(2) of this section up or down by not more than 15 percent if the FSA state committee determines that the relative size of farming operations in the state requires a modification of either or both of these limitations. If the FSA state committee seeks to make a larger adjustment, then DAFP will review and may approve such request.

(c) If a farming operation seeks to qualify a total of three persons as providing a significant contribution of active personal management, then the farming operation must demonstrate both size and complexity as specified in paragraph (a) of this section.

(d) In no case may more than three persons in the same farming operation qualify as providing a significant contribution of active personal management, as defined by this subpart.

(e) A person's contribution of active personal management to a farming operation specified in § 1400.601(b) will only qualify one member of that farming operation as actively engaged in farming as defined in this part. Other individual persons in the same farming operation are not precluded from making management contributions, except that such contributions will not be recognized to meet the requirements of being a significant contribution of active personal management.

§ 1400.603 Recordkeeping requirements.

(a) Any farming operation requesting that more than one person qualify as making a significant contribution of active personal management must maintain contemporaneous records or activity logs for all persons that make any contribution of any management to a farming operation under this subpart that must include, but are not limited to, the following:

(1) Location where the management activity was performed; and

(2) Time expended and duration of the management activity performed.

(b) To qualify as providing a significant contribution of active personal management each person covered by this subpart must:

(1) Maintain these records and supporting business documentation; and

(2) If requested, timely make these records available for review by the appropriate FSA reviewing authority.

(c) If a person fails to meet the requirement of paragraphs (a) and (b) of this section, then both of the following will apply:

(1) The person's contribution of active personal management as represented to the farming operation for payment eligibility purposes will be disregarded; and

(2) The person's payment eligibility will be re-determined for the applicable program year.

Dated: March 20, 2015.

Val Dolcini,

Executive Vice President, Commodity Credit Corporation, and Administrator, Farm Service Agency.

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