



**Working Partnerships to Serve Agriculture: The Tools to Succeed**

## **NASDA's 2002 Farm Policy Initiative**

# **Interim Recommendations**

July 11, 2001

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**The National Association of State Departments of Agriculture, (NASDA)** is a non-profit, non-partisan organization representing the 50 state departments of agriculture, and those of the territories of Puerto Rico, Guam, American Samoa, and the U.S. Virgin Islands.

NASDA's mission is to represent the state departments of agriculture in the development of sound public policy and programs which support and promote the American agricultural industry, while protecting consumers and the environment.

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### Introduction and Purpose

The commissioners, secretaries, and directors of the state departments of agriculture have spent the past two years analyzing the shifting dynamics in food and fiber production around the world, and developing strategic policies to enhance our competitiveness to ensure the survivability and enhance the profitability of U.S. agricultural producers.

Our purpose is to contribute to a wide-ranging and constructive debate on the upcoming farm bill – the first farm bill of this new century. As the chief agricultural officers in their states, NASDA members understand the importance of the entire food and agricultural sector -- not only to their states but to the national economy as well. We are developing a comprehensive set of proposals for Congress and the Bush Administration to consider as expiration nears for the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 and debate on a new farm bill begins. This interim document is a preliminary set of recommendations specifically concerning a financial safety net for producers and conservation policies.

### Working Partnerships To Serve Agriculture: The Tools to Succeed

Agriculture is an important force in the economic, social, and political fabric of America. Policy decisions for and about agriculture, from the Homestead Act that helped settle the West, to the development of our Land Grant college system, were essential building blocks of our society. Now, as America faces the information age and the technology revolution of the 21<sup>st</sup> century, policy makers must not forget the agricultural foundation that supports our place in the world.

Agriculture is critical to the health and prosperity of our Nation. Farming and ranching are the foundations of our \$1 trillion food and fiber business and nearly \$60 billion in annual exports. Agricultural products are a major contributor in our country's trade balance. This vast industry is essential not only to the economic health of rural America, but also to almost 16% of total economic activity in the country, and almost 18% of the country's jobs.

However, the business of producing food and fiber is undergoing unprecedented change. Economic, environmental, consumer, and technological forces beyond the control of individual farmers and ranchers drive this change. Federal and state policy makers need to be aware of these forces to make prudent policy decisions that will help position American agriculture to benefit from the opportunities this change will bring about. Never before have the stakes been so high for American agriculture. To ensure the future viability of our nation's production agriculture industry, it is clear that state and federal policy makers must work together. That is the spirit of this document.

NASDA's 2002 Farm Policy Initiative offers certain priorities for federal policy. It proposes important new roles for states, especially in the area of program and service delivery. These concepts are put forth not to "rock the boat" for the sake of parochial issues of "turf", but rather as an attempt to best serve the needs of our agricultural producers in an increasingly competitive worldwide marketplace.

## *Our Guiding Principles*

NASDA's process has been guided by six, simple principles designed to be the guideposts for a comprehensive, coordinated, agricultural policy. We urge federal policy makers to adopt similar guidelines. NASDA's six guiding principles are:

**Profitability and Viability:** A financially healthy and profitable agricultural sector is essential to the production of a safe, fresh, and affordable food supply for consumers in this country. Moreover, economically viable farming and ranching enterprises will enable producers to increase their efforts to maintain a healthy environment, protect our natural resources, and build stronger rural communities.

**Level Playing Field:** A financially healthy and competitive agricultural economy can only result from a fair marketplace – domestic and global – where efficient, productive farmers and ranchers have economic marketing and bidding power commensurate to their assets and production capabilities.

**Non-Trade Distorting:** American producers are among the most efficient in the world. Open international – and domestic - markets would not only benefit U.S. producers, but are a foundation upon which U.S. agriculture relies. Thus, NASDA's recommended policies are intended to be market-based and non-trade distorting, which means that certain safeguards may be pursued, such as access to information and reasonable but certain anti-trust enforcement.

**Flexibility in Regulation:** One size does *not* fit all. Government policies and programs should be flexible, and to the maximum extent possible, based on voluntary participation through incentive-based approaches. While regulations should be appropriately based on national goals, they should also be controlled and implemented at the state level.

**Sound Science:** The foundation of the agricultural sector has long been the development and adoption of science-based practices derived from reliable data and information. As business people, agricultural producers have looked to science for the best information possible to make decisions. Sound, peer-reviewed science policies and methodologies for assessing risk must be the standard for government regulations and international trading rules.

**Maximum Delivery Through States:** New and expanded programs should emphasize the role of states in terms of delivery. Particular emphasis should be placed on partnerships and pilot projects.

## *A Broader Policy Horizon for Agriculture*

The focus of farm policy has varied throughout history. There was the “input side” approach of the latter half of the 19<sup>th</sup> century which brought new land into production through homesteading, and then from the agricultural research system which further boosted production. By the Great

Depression, the focus of farm policy was the commodities markets themselves – production, supply, and price. The Agricultural Adjustment Act of 1933 established the first major price support and acreage reduction program and set parity as a goal for farm prices. Later in the 20<sup>th</sup> century, agricultural policy focused on providing marketing assistance, targeted credit programs for farmers, and conservation measures. The 1996 FAIR Act was borne mostly out of budgetary constraints. It made some sweeping changes to the traditional coupling of farm support to commodity production that had dominated two-thirds of the last century. However, much of the policy infrastructure remains a legacy of that seminal 1933 act.

For example, marketing loans and loan deficiency payments provide not only credit but also income support based on a per commodity price. Conservation continues under programs such as the Conservation Reserve Program (CRP), which reduces crop acreage planted on fragile farm lands, providing both environmental and economic benefits. There are many other current programs with roots in farm policies of the past. Nearly a century later, research and extension continue to be paramount to on-farm success. Loan guarantees allow producers to invest in new facilities and capture value-added income. And, marketing assistance remains but has added a global element with the Market Promotion Program (MPP), which serves as a model of how the USDA and states work cooperatively.

As American agriculture enter the 21<sup>st</sup> century, however, the traditional approach will not be enough to ensure adequate opportunities for success. The extent of global competition for U.S. producers has expanded into capital, tax burdens, labor supplies, environmental and regulatory constraints, land costs, and the relative degree of access to foreign markets. In short, agricultural policy is much broader than what has been thought of as its historical jurisdiction. Congress recognized this reality during the 1996 farm bill debate. There was much discussion of the “other side of the ledger sheet,” i.e. the types of policies beyond commodity price supports designed to protect farmers’ assets, such as tax reform and regulatory relief, and to provide new market opportunities such as trade policy reform and new uses for commodities. In one sense, all of these factors can be viewed merely as different “forms” of risk to be managed.

### *Managing Risk*

NASDA’s plan is built on the principle that the most effective agricultural policy is one that allows today’s producers to manage all the risks they face in order to maximize their opportunities for profitability. U.S. farm policy should not guarantee that every farmer will make a profit, but it should provide an adequate “safety net” with a range of tools to manage risk, in all its forms, to ensure that good producers are not put out of business due to forces beyond their control.

Risk goes beyond commodity price fluctuations. Broader economic changes, such as energy and fertilizer costs, are perhaps some of the biggest economic challenges facing producers today. The range of environmental and food safety challenges faced by farmers and ranchers today are complex, involve a higher level of scientific scrutiny and uncertainty, and are influenced by a diverse mix of stakeholders and interests. Moreover, in today’s global market producers face risks from animal health issues and plant diseases, both here and abroad. The goal of government policy at both the federal and state level must be to ensure that opportunity accompanies each new risk that faces American agriculture. Those risks are economic and environmental; and they

are local and global. They come from both the marketplace and governmental policies. This broader, more encompassing concept of risk, should be what we mean when we use the terms “risk” and “risk management.” And this broader meaning of risk management must, in turn, be the foundation of a comprehensive farm policy that is designed to both protect producers’ assets and provide new market opportunities.

### *Core Areas for Policy*

NASDA has identified five core areas of a broad, risk management/opportunity-based agricultural policy. Together they encompass the elements that a comprehensive agriculture policy for the 21<sup>st</sup> Century must include.

**Farm and Food Security:** Federal farm policy should provide an adequate safety net which ensures good producers are not put out of business due to forces beyond their control. Providing this safety net will assure consumers of a safe, affordable supply of food.

**Stewardship:** Protection of our natural resources and the safety of our food supply is a necessary element to any comprehensive farm and food policy.

**Market Integrity, Opportunity, and Expansion:** Whether in global trade or a local farmer’s market, the integrity of the marketplace in terms of transparency, price discovery, and competitiveness, is paramount. Farm policy should also focus on what tools are necessary to find new market opportunities, through trade, new uses, or even new technologies from e-commerce to biotechnology.

**Investments in Critical Needs:** These critical needs encompass the infrastructure – both physical and economic – which runs the range from locks and dams, to research, to price discovery. These are the cornerstones to a viable agriculture sector.

**Agriculture Flexibility and Partnership:** To target and streamline the delivery of services and administration of selected programs to producers, states may assume the responsibility for implementing certain federal programs. With agriculture flexibility (AG-Flex), states are encouraged to create innovative solutions to local priorities, with performance based on benchmarks. The potential is for a system that benefits federal agencies by better using the inherent local strengths and accountability of the states.

Two core areas of NASDA’s farm policy initiative are detailed below. Each element contains a general discussion, an identification of the opportunities and constraints, and specific recommendations for the tools needed to ensure agricultural sector profitability.

## FARM AND FOOD SECURITY: VIABILITY AND PROFITABILITY

The agricultural economy is in a tenuous economic position. Were it not for near record federal government assistance over the past three years, much of US agriculture would be in financial straits not seen since the Dust Bowl era. According to the Commission on 21<sup>st</sup> Century Production Agriculture, “midway through 2000” saw many crop prices “at or near historic lows.” Coupled with a strong dollar that has crippled exports – and benefitted our export competitors – US farmers and ranchers have been squeezed in an economic vise with no market relief for nearly three years in a row.

The only relief has come from temporary federal emergency market loss payments which have helped sustain our nation’s food and fiber production through this economic drought. According to the USDA, direct government payments accounted for three-fourths of net cash income for major field crops in 1999 and two-thirds in 2000. But these payments were *ad hoc* distributions; while they provided the necessary relief for an ailing agricultural economy they were more bandage than cure.

The 1996 farm bill made sweeping changes to U.S. farm policy; many were good and as such achieved their desired impact. However, broad economic trends - from the Asian economic collapse to the dot-com stock market run-up and subsequent implosion - have all had effects on farm finances and commodity prices that were certainly outside the vision of the policy makers who crafted the 1996 farm bill. It is the task of policy makers in crafting the 2002 farm bill, therefore, to devise a federal farm policy that provides an adequate “safety net” for producers. The goal: *to ensure that good and responsible producers of America’s food supply are not arbitrarily put out of business by extraneous forces beyond their control.*

With respect to the financial viability of our nation’s farms and ranches, NASDA’s recommendations address the following four goals; fostering financial stability, maintaining planting flexibility, providing a safety net that provides meaningful assistance to all producers, and encouraging good environmental stewardship.

**Financial Stability:** Producers are in need of a support mechanism that will allow them to receive a reasonable income, even when prices are inadequate to do so. This financial stability is important to consumers and taxpayers, as well as producers, and is best achieved by a counter cyclical support program.

**Planting Flexibility:** One of the features of the 1996 farm bill which is of greatest benefit to producers is the planting flexibility. The 2002 farm bill should retain that provision.

**Safety Net:** So many factors are out of the control of even the best farm managers. Thus, the 2002 farm bill should provide a way for producers of all commodities to limit their losses to no more than 90 percent of their cost of production through a cost of production insurance program.

**Environmental Stewardship:** The 2002 farm bill must consider the financial burdens of environmental compliance and therefore provide incentives and cost

sharing opportunities to responsible producers who employ environmentally sound on-farm management practices.

NASDA's Farm Income Safety Net proposal seeks to foster financial viability and maintain planting flexibility through a combination of cost of production-based commodity insurance, and counter cyclical price assistance, both of which are designed to comply with the United States' commitments under the World Trade Organization.

**Cost of Production insurance** – NASDA believes that an effective commodity insurance program, with accountability to the American taxpayer, should be the backbone of commodity support policy. Cost of production-based insurance would provide protection for up to 90% of a producer's documented costs of production. It would provide an additional risk management tool that farmers do not currently have to the existing array of crop insurance products. Cost of production insurance coverage provides the participating producer with a true "safety net" allowing him to rest assured that he will have no more than a 10 percent out-of-pocket loss in any given year. Farmers would be individually rated in terms of premium levels; beginning farmers without a production history would receive a greater premium discount.

One of the benefits of cost of production-based insurance is its relatively straightforward structure. A participating farmer would be required to document all production expenses. Then, he would determine his gross income from sales of his crop and any government assistance payments he may have received. If that total income exceeded 90% of his documented cost of production, the producer would receive no indemnity payment. If, due to market conditions, weather, disease, or other events beyond the producer's control, his total gross income is less than 90% of his cost of production, he would receive an indemnity payment for the difference between his actual receipts and 90% of his cost of production.

Although cost of production insurance was included in the Agricultural Risk Protection Act of 2000, which establishes a \$6 billion baseline for crop insurance programs, NASDA recommends that an additional \$1 billion be provided annually to expedite the development of cost of production policies for fruits and vegetables, nursery, vineyard, seed and tree crops, livestock and milk. We also recommend that additional premium subsidies should be provided to growers of these crops, recognizing the fact that no counter cyclical assistance program exists for them, yet they are experiencing the same market difficulties as growers of major field crops.

**Counter Cyclical Assistance** – NASDA supports efforts to increase baseline agricultural spending over the next ten years in order to provide a reliable and effective safety net, while keeping in mind that the U.S. must balance its support with its obligation under the WTO's "amber box" spending classification not to exceed \$19 billion. To best accomplish this balance, NASDA proposes a Counter Cyclical (CC) Payment plan for major field crops and milk.

Counter cyclical payments would replace the current system of fixed payments to producers of major field crops supplemented with annual, off-budget *ad hoc* economic disaster payments. Predictable payments would be made at times when market prices are inadequate and would be triggered if prices were below 90% of the average of the 1998 and 1999 economic cost of production. NASDA's members believe government assistance should be counter cyclical in nature to protect producer's incomes when prices are low, yet minimize market distortion and

save taxpayers' money when prices are stronger. Counter cyclical payments allow government support to be adjusted quickly, up or down, in response to market conditions. NASDA's counter cyclical program is designed to meet all U.S. commitments under the so-called "amber box" of the WTO. NASDA members remain convinced that this program is a necessary step not only for the economic stability of domestic producers, but to demonstrate to our trading partners that the U.S. is serious about using all the tools available under WTO to, at a minimum, maintain U.S. market share.

The proposed CC plan would, ...

- provide stability by supporting U.S. producers at a sustainable farm revenue;
- be available to producers of corn, wheat, sorghum, barley, oats, rice, cotton, soybeans, and milk;
- consist of both a fixed, and variable payment component;
- replace AMTA payments;
- meet all WTO Amber Box commitments.

Counter cyclical payments would be made on a 90/90 basis; they would cover 90 percent of a national average economic cost of production (as defined by USDA/ERS) and be comprised of two components: variable and fixed. Up to 90 percent of the total payment would be variable and counter cyclical to the market; the other 10 percent of the payment would be fixed and based on an updated five year history (from 1996 to 2000) of base crop acres and yield. Low market prices would trigger higher payments; profitable markets would trigger lower, or no, variable payment. The variable payment would be paid on actual production of each producer. It would be calculated as the difference between actual average market prices and 90 percent (81%), of the total average cost of production. NASDA also recommends that the restriction on planting fruits and vegetables on acreage eligible for counter cyclical assistance be maintained.

The FAIR Act maintained the federal milk marketing orders by reorganizing and consolidating them into the current 12 orders. While the federal orders are designed to respond to changes in milk production patterns and marketing and pricing systems, they have not been able to eliminate the frequent and significant drops in milk prices paid to dairy farmers.

NASDA has attempted to gain consensus on a national dairy policy. In keeping with the development of a program that would provide counter cyclical price support for dairy farmers, NASDA supports federal dairy policy which would:

- Establish a counter cyclical payment program through federal and state milk marketing orders to ensure that revenues received by dairy producers from sales of Class III and Class IV milk are no less than 90 percent of nationwide cost of production or \$11.08 per cwt, whichever is less. Payments are not to exceed \$1 billion per year. In addition to direct payments, NASDA supports the states' right to create multi-state marketing agreements in order to enhance milk prices within their regions. Such authority would not be intended to erect trade barriers. States participating in regional compacts would not be eligible for direct dairy payments;
- Extend the dairy price support purchase program at the current price of \$9.90 per cwt;
- Maintain the current CCC purchase prices for nonfat dry milk and butter at their current rates;
- Extend the Dairy Export Incentive Program (DEIP).

#### Provisions for Specialty Crops \*

- Accelerated research and development of cost of production crop insurance policies.
- Additional premium subsidies (above the 50% level) for cost of production policies.
- Eligible to participate in Agricultural Stewardship Initiative (conservation block grant) based on state-determined priorities.

*\*includes fruit, vegetable, nursery, vine, seed crops, citrus, tree crops and other crops as determined by the Secretary of Agriculture*

## Budget Score – Safety Net

**90% Variable, 10% Fixed**

	2002-07 Average				2002-07 Average	
	FAIR Act Extended	WTO Amber box	2001 Estimate	WTO Amber box	NASDA	WTO Amber box
LDP's & Countercyclical	\$2,488	\$2,488	\$3,491	\$3,491	\$8,178	\$8,178
AMTA - regular	\$4,008	\$0	\$4,130	\$0	\$0	\$0
AMTA - emergency	\$0	\$0	\$4,130	\$4,130	\$0	\$0
Fixed	\$0	\$0	\$0	\$0	\$6,385	\$0
Tobacco/Honey	\$52	\$0	\$27	\$0	\$52	\$0
Dairy	\$128	\$4,500	\$149	\$4,500	\$1,000*	\$4,500
Peanuts	\$40	\$300	\$40	\$300	\$40	\$300
Sugar	\$105	\$1,400	\$90	\$1,400	\$105	\$1,400
Other Costs	\$794	\$0	\$2,523	\$0	\$794	\$0
Crop loss assistance	\$0	\$0	\$3,200	\$3,200	\$0	\$0
<b>Safety Net Total</b>	<b>\$7,614</b>	<b>\$8,688</b>	<b>\$17,780</b>	<b>\$17,021</b>	<b>\$16,554</b>	<b>\$14,378</b>

\* Includes countercyclical payments

### Examples of How Counter Cyclical and Fixed Payments Would Be Determined

#### Guiding Principles

- Safety Net is equal to 90% of total cost of production, of which
  - 10% will be a fixed payment (base acres and yields)
  - 90% will be a counter cyclical variable (actual production)
- Based on national average economic cost of production (1998 – 1999)
- Fixed payment based on updated base acres and yields (5 year average 1996 – 2000)
- Complements cost of production insurance

Commodity	National Average Total Cost of Production (1998 – 1999)	Safety Net 90% Cost of Production	Safety Net 90% Cost of Production	
			Fixed (Base Acres and Yield) 10%	Counter cyclical Variable (Actual production) 90%
Barley/bu	\$3.52	\$3.17	\$0.32	\$2.85
Corn/bu	\$2.66	\$2.39	\$0.24	\$2.15
Cotton/lb	\$0.90	\$0.81	\$0.08	\$0.73
Oats/bu	\$2.36	\$2.12	\$0.21	\$1.91
Rice/cwt	\$11.74	\$10.57	\$1.06	\$9.51
Sorghum/bu	\$3.61	\$3.25	\$0.33	\$2.92
Soybeans/bu	\$5.99	\$5.39	\$0.54	\$4.85
Wheat/bu	\$4.22	\$3.80	\$0.38	\$3.42

Source – USDA-ERS

### Scenario #1

#### Base corn farmer who now plants sorghum

#### No Cost of Production Insurance

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)
Corn (base)	600 (base)	130 bu (base)	NA	NA
Sorghum (actual)	450 (actual)	85 bu (actual)	\$2.00	\$1.81

1. Determine fixed and variable payments for base and actual crops.

Commodity Actual and Base	National Average Total Cost of Production (1998 – 1999)	Safety Net 90% Cost of Production	Safety Net 90% Cost of Production	
			Fixed 10%	Counter cyclical (CC) Variable 90%
Corn/bu	\$2.66	\$2.39	\$0.24	NA
Sorghum/bu	\$3.61	\$3.25	NA	\$2.92

(national average total cost of production)(90%) = safety net

(safety net)(10%) = fixed

(safety net)(90%) = variable

2. Calculate Counter cyclical payment for actual crop (sorghum)

Actual Commodity	CC Variable 90%	Actual Market Price	CC Variable Payment Rate	Actual Yield	Actual Acres	CC Payment
Sorghum	\$2.92	2.00	\$.92	85 bu	450	\$35,190

$(\text{CC variable}) - (\text{market price}) = \text{CC variable payment rate}$

$(\text{CC variable rate})(\text{actual yield})(\text{actual acres}) = \text{CC payment}$

3. Calculate fixed payment for base commodity (corn)

Base Commodity	Fixed 10%	Actual Market Price	Base Yield	Base Acres	Fixed Payment
Corn	\$.24	NA	130 bu	600	\$18,720

$(\text{fixed rate})(\text{base yield})(\text{base acres}) = \text{fixed payment}$

4. Total payments

Fixed Payment	\$18,720
Counter cyclical Payment	\$35,190
<b>TOTAL PAYMENT</b>	<b>53,910</b>

$(\text{fixed payment}) + (\text{counter cyclical payment}) = \text{total payments}$

## Scenario # 2

### Base wheat farmer still planting wheat

#### No cost of production insurance

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)
Wheat (base)	1200 (base)	50 bu (base)	NA	NA
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$2.58

1. Determine fixed and variable payments for base and actual crops.

Commodity Actual and Base	National Average Total Cost of Production (1998 – 1999)	Safety Net 90% Cost of Production	Safety Net 90% Cost of Production	
			Fixed 10%	Counter cyclical (CC) Variable 90%
Wheat/bu	\$4.22	\$3.80	\$0.38	\$3.42

2. Calculate counter cyclical (CC) payment for actual crop

Actual Commodity	CC Variable 90%	Actual Market Price	CC Variable Payment Rate	Actual Yield	Actual Acres	CC Payment
Wheat	\$3.42	2.70	\$.72	45 bu	1000	\$32,400

(CC variable) – (market price) = CC variable payment rate

(CC variable rate)(actual yield)(actual acres) = CC payment

3. Calculate fixed payment for base crop

Base Commodity	Fixed 10%	Actual Market Price	Base Yield	Base Acres	Fixed Payment
Wheat	\$.38	NA	50 bu	1200	\$22,800

(fixed rate)(base yield)(base acres) = fixed payment

4. Total payments

Fixed Payment	\$22,800
Counter cyclical Payment	\$32,400
<b>TOTAL PAYMENT</b>	<b>\$55,200</b>

(fixed payment) + (counter cyclical payment) = total payments

**Scenario # 3 (Builds on #2)**

**Base wheat farmer still planting wheat**

Buys cost of production insurance at 90%  
(new variable needed - cost of production per acre)

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)	Cost of Production/acre
Wheat (base)	1200 (base)	50 bu (base)	NA	NA	NA
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$2.58	\$182

4. Determine total income from sale of commodity and government payments

Commodity	Acres	Yield	Market Price (Actual)	Sale of Commodity	Government Payment	Total Income
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$121,500	\$55,200	\$176,700

(acres)(yield)(market price) = sale of commodity

(sale of commodity) + (government payment) = total income

5. Calculate total expense

Cost of Production/Acre	Acres (actual)	Total Expenses	Insurance Coverage Level (90%)	Total Income	Indemnity
\$182	1000	\$182,000	\$163,800	\$176,700	none

(cost of production/acre)(acres) = total expenses

(total income) – (insurance coverage level) = indemnity

6. In this example, the farm receives no indemnity because his total income exceeded his insurance level coverage, but he still took a \$5,300 loss because his total expenses were more than his total income.

**Scenario # 4 (Builds on #2)**

**Base wheat farmer still planting wheat**

Buys cost of production insurance at 90%  
Expenses increase

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)	Cost of Production/acre
Wheat (base)	1200 (base)	50 bu (base)	NA	NA	NA
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$2.58	\$200

4. Determine total income from sale of commodity and government payments

Commodity	Acres	Yield	Market Price (Actual)	Sale of Commodity	Government Payment	Total Income
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$121,500	\$55,200	\$176,700

$(\text{acres})(\text{yield})(\text{market price}) = \text{sale of commodity}$

$(\text{sale of commodity}) + (\text{government payment}) = \text{total income}$

5. Calculate total expense

Cost of Production/Acre	Acres (actual)	Total Expenses	Insurance Coverage Level (90%)	Total Income	Indemnity
\$200	1000	\$200,000	\$180,000	\$176,700	\$3,300

$(\text{cost of production/acre})(\text{acres}) = \text{total expenses}$

$(\text{total income}) - (\text{insurance coverage level}) = \text{indemnity}$

6. In this example, the farmer receives an indemnity of \$3,300, but he still sustained a loss of \$20,000 (10%).

**Scenario # 5 (Builds on #2)**

**Base wheat farmer still planting wheat**

Buys cost of production insurance at 90%  
Expenses decrease

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)	Cost of Production/ acre
Wheat (base)	1200 (base)	50 bu (base)	NA	NA	NA
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$2.58	\$175

4. Determine total income from sale of commodity and government payments

Commodity	Acres	Yield	Market Price (Actual)	Sale of Commodity	Government Payment	Total Income
Wheat (actual)	1000 (actual)	45 bu (actual)	\$2.70	\$121,500	\$55,200	\$176,700

$(\text{acres})(\text{yield})(\text{market price}) = \text{sale of commodity}$

$(\text{sale of commodity}) + (\text{government payment}) = \text{total income}$

5. Calculate total expense

Cost of Production/Acre	Acres (actual)	Total Expenses	Insurance Coverage Level (90%)	Total Income	Indemnity
\$175	1000	\$175,000	\$157,500	\$176,700	none

$(\text{cost of production/acre})(\text{acres}) = \text{total expenses}$

$(\text{total income}) - (\text{insurance coverage level}) = \text{indemnity}$

6. In this example, the farmer clears \$1,700 by keeping his cost of production down.

## Scenario # 6

### Base wheat farmer still planting wheat

Experiences a yield loss from 45 bu to 20 bu  
Buys cost production insurance at 90%

Commodity	Acres	Yield	Market Price (Actual)	Loan Rate (Actual)	Cost of Production/acre
Wheat (base)	1200 (base)	50 bu (base)	NA	NA	NA
Wheat (actual)	1000 (actual)	20 bu (actual)	\$2.70	\$2.58	\$182

1. Determine fixed and variable payments for base and actual crops.

Commodity Actual and Base	National Average Total Cost of Production (1998 – 1999)	Safety Net 90% Cost of Production	Safety Net 90% Cost of Production	
			Fixed 10%	Counter cyclical (CC) Variable 90%
Wheat/bu	\$4.22	\$3.80	\$0.38	\$3.42

2. Calculate counter cyclical (CC) payment for actual crop

Actual Commodity	CC Variable 90%	Actual Market Price	CC Variable Payment Rate	Actual Yield	Actual Acres	CC Payment
Wheat	\$3.42	2.70	\$.72	20 bu	1000	\$14,400

$(\text{CC variable}) - (\text{market price}) = \text{CC variable payment rate}$

$(\text{CC variable rate})(\text{actual yield})(\text{actual acres}) = \text{CC payment}$

3. Calculate fixed payment for base crop

Base Commodity	Fixed 10%	Actual Market Price	Base Yield	Base Acres	Fixed Payment
Wheat	\$.38	NA	50 bu	1200	\$22,800

$(\text{fixed rate})(\text{base yield})(\text{base acres}) = \text{fixed payment}$

4. Total payments

Fixed Payment	\$22,800
Counter cyclical Payment	\$14,400
TOTAL PAYMENT	\$37,200

(fixed payment) + (counter cyclical payment) = total payments

5. Determine total income from sale of commodity and government payments

Commodity	Acres	Yield	Market Price (Actual)	Sale of Commodity	Government Payment	Total Income
Wheat (actual)	1000 (actual)	20 bu (actual)	\$2.70	\$54,000	\$37,200	\$91,200

(acres)(yield)(market price) = sale of commodity

(sale of commodity) + (government payment) = total income

6. Calculate total expense

Cost of Production/Acre	Acres (actual)	Total Expenses	Insurance Coverage Level (90%)	Total Income	Indemnity
\$182	1000	\$182,000	\$163,800	\$91,200	\$72,600

(cost of production/acre)(acres) = total expenses

(total income) – (insurance coverage level) = indemnity

7. In this example, the farmers' cost of production insurance combined with the fixed and counter cyclical payment provide a safety net of 90% of his cost of production. His loss is \$18,200. If he had not purchased cost of production insurance, his loss would have been \$90,800. With government payments combined with crop insurance, the producer is guaranteed ninety percent of his cost of production under most scenarios.

## STEWARDSHIP: A NEW AGENDA FOR CONSERVATION

The economic mainstay of American agriculture is based in the vast land resources of our country. In the lower 48 states, more than 60 percent of the public and private lands is in cropland, pastureland, and rangeland. This percentage jumps dramatically if you include the privately held forest land that many landowners manage. A majority of these “*working*” agricultural lands—more than 900 million acres—are in the care of farmers, ranchers and their families.

Our country and the world depend on these working lands for its much needed food and fiber. But our country is also looking to these lands for something else—a contribution to the enhancement of our environment and natural resources. NASDA wholeheartedly supports this objective. *American agriculture is dependent upon continued access to clean air and water and fertile land for its viability.*

Significant gains have been made in addressing traditional agricultural environmental concerns over the past decade. Soil erosion is down, wetlands protection has increased, and wildlife habitat has been enhanced. We credit existing conservation programs for a good deal of this progress and recommend their continuation with increased funding, along with some modifications that are outlined in this document.

Although the agriculture community has been making progress in several conservation areas, the scope and range of environmental challenges faced by farmers and ranchers has expanded, while environmental regulations have increased and changed along with the public perceptions, priorities, and science that underlie them. NASDA strongly supports and encourages the use of existing USDA-managed conservation programs. At the same time, we recognize that successfully meeting new environmental demands is a “*make or break*” challenge for producers. *Our challenge today is to maintain an economically viable and healthy working agricultural landscape producing the food and fiber on which the country depends, while improving the environmental benefits that our country seeks.*

**State of the Land:** Congress underscored the importance of the nation’s private and nonfederal land resources when it passed the Soil and Water Resources Conservation Act (RCA) in 1977, directing USDA to develop a national program to protect and conserve soil, water and related natural resources on these lands. That same year, the Soil Conservation Service (now the Natural Resources Conservation Service) conducted the first National Resources Inventory (NRI) to scientifically measure the status, condition and trends of natural resources in the United States. The NRI, and other ongoing inventories and assessments conducted over the past thirty years, show marked improvements in soil erosion control, water and air quality, and wetlands protection. However, the 2000 NRI report indicates a leveling off of improvement over the last three to five years. This is occurring just as growing populations and rising standards of living are putting more pressures on the environment and our resource base.

- Since 1985, significant advances have been made in soil erosion reduction and increasing productivity. Much of the gain in controlling soil erosion is a result of conservation compliance, the adoption of conservation tillage, and the enrollment of land in the

Conservation Reserve Program (CRP). Since 1996, however, rates of erosion reduction have leveled off. Excessive erosion still occurs on over 100 million acres of cropland. Leaching and runoff of soil and chemical components continue to be concerns.

- In 2000, 37 percent of the cropland in the United States was planted using some form of conservation tillage, meaning 30 percent of the ground was covered with residue after planting. Although this represents a significant increase from the early 1980's when conservation tillage became popular, the rate of growth in adoption has remained flat in recent years.
- According to the Environmental Protection Agency (EPA), about 40 percent of the nation's surveyed streams, lakes and estuaries are not meeting clean water goals to support fishing and swimming. Runoff from urban and agricultural lands is cited as a primary source of pollution.
- From 1992 to 1997, over two million acres of agricultural land was lost to urbanization each year.
- Grazing land—rangeland, pasture and grazed forestland—and private non-industrial forestland comprise roughly 920 million acres of land use. In 1995, animal agriculture accounted for nearly half of the total cash receipts from agricultural products. Privately owned non-industrial forestland accounts for approximately one half of the nation's total timber supply. Since 1982, grazing land has declined by 26 million acres, with most of the loss occurring in the rapidly developing West and Southwest. Grazing land resources continue to be threatened by land-use conversion, erosion, brush and weeds, invasive species, and national monument designations.

**Addressing Conservation Needs** Although much progress has been made, improvements in the status and condition of land, water, plants and wildlife have slowed. Yet, the public is increasingly looking toward the agricultural sector to address a growing agenda of environmental issues—including nonpoint source pollution and water quality, air quality, urban sprawl, and invasive species. Other emerging or ongoing challenges include climate change, carbon emissions, hypoxia, *pfisteria*, pesticide use, and biodiversity.

At the same time, federal resources for conservation have declined. One of the main constraints for conservation programs is the lack of funding and technical assistance. In the past year, entire outlays for agriculture exceeded \$32 billion, of which \$1.8 billion went for conservation. By comparison, in 1941 the federal government spent \$6.2 billion for conservation (in 1999 dollars).

Also, federal agencies are expanding and targeting their regulatory activities to agricultural operations. For example, the Environmental Protection Agency (EPA) has proposed new regulations for Concentrated Animal Feeding Operations (CAFOs) that would require Clean Water Act (CWA) permits and comprehensive nutrient management plans (CNMPs) for an estimated 300,000 farm operations by the year 2008. Other federal laws and regulations are increasingly impacting farmers and ranchers, including the Endangered Species Act (ESA), the Clean Air Act (CAA), the Coastal Zone Act Reauthorization Amendments (CZARA), and the

Food Quality Protection Act (FQPA). Current conservation policies and programs simply cannot address these situations or needs.

While the basic conservation effort needs continued and increased emphasis, all of these factors point to the need for rethinking, retooling and restructuring agricultural environmental and conservation policy. New approaches and a better “toolbox” of instruments are needed to meet these changing problems, objectives and goals. For the past two decades, USDA agricultural environmental policy has traditionally relied on only two tools—(1) economic incentives for long-term land retirement, and (2) compliance mechanisms for soil conservation on land remaining in production and to discourage conversion of wetlands to crop protection. Although USDA has provided cost-sharing and technical assistance, these programs are significantly underfunded and are smaller in terms of total expenditures and acreage affected.

The 2002 Farm Bill debate gives us the unique opportunity to design a new generation of programs and tools for agricultural conservation and environmental management. This is an *investment* which will advance the environmental goals that the public seeks—while improving the economic health *and* environmental performance of farms and ranches.

### **A New Vision for Agricultural Stewardship**

NASDA has closely reviewed the major conservation programs of the 1996 Farm Bill. From our own personal experience and from working directly with farmers and ranchers, we know how these programs are working and what improvements are needed. As stated above, we strongly support existing USDA-managed conservation programs and believe they are working well. Looking beyond these successful programs, we also examined new opportunities that could harness a new generation of environmental stewardship. Thus, NASDA calls for a bold, new initiative to address agricultural conservation, natural resource and environmental priorities through state partnerships. This new *Agricultural Stewardship Program* would be a “block grant” type initiative that would give state and local governments greater flexibility, innovative tools, and resources to implement agricultural conservation priorities. *Our initiative builds on existing delivery systems and infrastructure—it does not duplicate existing programs.* The intent is to fill in the gaps, which will only increase in the future due to changing public expectations and regulatory requirements. This new approach will provide a better “toolbox” and tools to meet these needs.

### **Working Partnerships Between Agriculture and the Environment**

We believe existing conservation programs are working well, but additional approaches will be needed to achieve further environmental improvements. States often tackle environmental problems before they reach national and federal attention. The range of environmental challenges faced by farmers and ranchers today and in the future are complex, involve a higher level of scientific scrutiny and uncertainty, and are influenced by a diverse mix of stakeholders and interests. Solutions will require the ability to work with diverse interests throughout a community, watershed, or other geographic area. Current conservation programs have limited capacity and funding to address these situations and needs.

## Agricultural Stewardship Program

NASDA's proposal asks the federal government to recognize two key facts:

- A one-size-fits-all approach toward helping agriculture meet the environmental challenges of the next decade will leave some regions and the producers of some crops or livestock out in the cold.
- Local leadership, in designing and implementing realistic programs, focused on what local stakeholders agree are the most pressing local agricultural environmental problems is required.

The state departments of agriculture stand ready to provide this leadership. We are trying to move on our own to fill the gaps in existing programs. Many of us are already moving forward to design and implement effective producer-oriented environmental programs, utilizing limited local and state resources. These initiatives have taken different forms in each region of the country, reflecting state and regional differences both in what our farmers produce and in the most pressing agricultural challenges they face. For example, New York has developed the highly successful Agricultural Environmental Management (AEM) program. It's principle focus has been to provide direct technical assistance to farmers for nutrient management planning, followed by cost-sharing for improvements carried out under plans developed with the aid of that technical assistance. The primary environmental goal has been to assure that dairy farms, which account for more than half of the state's agricultural output, can continue to operate with increasingly stringent water quality regulations. The AEM program is run in collaboration with local Soil and Water Conservation Districts and NRCS field staff, as well as staff from the state department of agriculture and the state department of environmental conservation.

Other states like Kansas have focused on pesticide management as a key environmental challenge, developing programs to support integrated pest management and establishing Pesticide Management Areas (PMAs) designed to protect surface and ground water quality. The New Jersey Urban Conservation Action Partnership concerns itself with the issues that arise when farming coexists with urban and suburban development. Southwestern states are looking at programs that have large water conservation components—an issue that only recently gained attention in the East.

Each of these state programs is designed to supplement those that already exist to help farmers carry out their stewardship function and bear the cost of what we see as substantial *public benefits*—open space conservation, resource conservation for future generations, clean air and water. Each is *voluntary, incentive-based* rather than sanction-based, designed to address *local needs* while *complementing existing programs*, and carried out in *collaboration with all the federal and state agencies already engaged* in local environmental management activities.

### **Benefits of the Agricultural Stewardship Program**

The potential benefits and rewards of NASDA's initiative are enormous because it would:

- Reach more producers, thus provide greater environmental benefits;
- Give states flexibility to address their most critical problems;
- Target resources to where most needed on a site-specific basis;
- Increase local buy-in to find workable solutions;
- Emphasize preventive measures, which are more cost-effective and offer more economic returns;
- Simplify program delivery;
- Address the expanding list of new concerns and problems (*i.e.* carbon emissions, hypoxia, *etc.*)

NASDA believes there is a strong public policy argument for federal cost sharing to help agricultural producers deal with changes in what the public expects in the way of environmental management. A good analogy would be the assistance provided by the federal government over the past three decades in upgrading municipal water treatment facilities to meet Clean Water Act (CWA) goals and requirements. Today, our waters are cleaner. Thanks to federal support for necessary local investments, this enormous progress toward a national goal was accomplished without bankrupting small cities and towns.

Today, public expectations, increased regulation, and a growing list of environmental challenges are demanding on-farm environmental enhancements that are beyond the short-term and long-term economic payback for producers. For example, many conservation practices have high capital or management input costs, but do not generate additional revenues. Agriculture is not organized in a fashion that allows increased costs of production to be passed on to consumers. As such, on-farm expenditures for conservation compete directly with servicing farm debt and other family financial needs. In addition, implementing more stringent and complex standards usually increases the need for more costly approaches and technologies. Farmers are ready to do their part in accomplishing current and future national environmental goals. However, what will be expected of a cattle feeder in North Dakota will be quite different from the challenges faced by citrus growers in Florida.

### **Reasons for Providing Financial Assistance Commitments to Producers for Stewardship**

- *The public benefits from stewardship of farmland enhancements can be significant, i.e., greater wildlife populations, improved water quality, etc.*
- *An individual farmer or rancher is generally not in control of the prices received for commodities and other products. Thus, implementation of on-farm environmental improvements and costs cannot be passed along to the consumer.*
- *Increased regulation and a growing list of environmental requirements are demanding agricultural environmental enhancements that are beyond the short-term and long-term economic payback.*
- *Implementing more stringent and more complex standards, as a result of research findings, may increase the need for more costly approaches, technologies, and/or alternatives. For example, new nutrient management standards will decrease the amount of manure that can be land applied safely on some fields, necessitating alternatives to current practices and increased manure management handling costs.*
- *Best Management Practices (BMPs) may be effective at controlling only certain contaminants, thus more sophisticated and expensive controls to address environmental problems may be needed.*

### **General Program Concepts**

- Program would be a “block grant” type initiative.
- State departments of agriculture are the lead agency to administer the program. This would give state and local governments greater flexibility, tools and resources to implement agricultural conservation priorities.
- USDA would have authority to enter into “cooperative agreements” with states.
- Program would build on existing delivery systems and infrastructure—not duplicate current programs. The intent is to fill in the gaps of existing programs.

### **Management and Program Delivery**

The Secretary of Agriculture would provide agricultural stewardship block grants annually to state departments of agriculture as a means to provide assistance and support, cost-share payments, incentive payments, technical assistance and education to agricultural producers and landowners for environmental enhancements, best management practices, and air and water quality improvements addressing resource concerns.

Under the block grant program, states would have maximum flexibility to (a) address threats to soil, air, water, and related natural resources including grazing land, wetlands, and wildlife habitat; (b) comply with state and federal environmental laws; and (c) make beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, and related natural resources.

**Application for Program Approval:** A state department of agriculture, in collaboration with other state and local agencies (such as conservation districts), tribes, partners, and organizations, could submit an Agricultural Stewardship Block Grant Program to the Secretary for approval.

*This new stewardship block grant program could be an existing or expanded program, or a new program developed by state and local agencies. For example, in New York State, the Agriculture Environmental Management (AEM) program might serve as the model for their stewardship block grant program. Idaho's OnePlan might be the model used in that state.*

The Secretary would be required to approve the program if it maintains and/or improves the nation's natural resources, meets the direct scope of enabling legislation, and the state has the capability to implement it. On approval of a stewardship program submitted by the state department of agriculture, the Secretary would allocate grants to the states for implementation of the approved program.

**Participation:** A state department of agriculture could choose to operate the block grant program, or collaborate with another local, state, tribe, or federal agency in delegating this responsibility. For example, a state could cooperate with USDA's Natural Resources Conservation Service (NRCS) to operate the program, or the State Conservation Agency.

**Coordination:** A state department of agriculture could establish a planning committee, or other advisory body (or expand the authority of any existing body) to design, develop and implement the Agricultural Stewardship Block Grant Program.

#### **Local Program Development & Consultation**

The design and implementation of the stewardship program will be locally driven and focused on what local stakeholders agree are the most pressing local agricultural environmental problems. NASDA anticipates that many states will utilize the State Technical Committees for this purpose. State Technical Committees were established by the Secretary under subtitle "G" of the Food Security Act of 1985 to provide technical assistance relating to conservation, and are active in all states. The 1996 Farm Bill expanded the role and membership of State Technical Committees. Other states may choose to use their state Soil and Water Conservation Committee, which helps conservation districts organize, develop and carry out programs.

**Delivery System:** The state departments of agriculture, or designated agency, would administer the stewardship block grants through existing delivery systems, infrastructure and processes,

including contracts, cooperative agreements, and grants with local, state and federal agencies addressing resource concerns prioritized and developed with locally-led advisory groups as described above.

*Actual technical assistance is typically delivered individually, or in combination by local, state, or federal agencies, or by private consultants. Human capital, workloads, technical assistance, and technology will vary by regions and watersheds. The stewardship block grant approach for agriculture is similar to collaborative, intergovernmental strategies used to address needs in transportation, state and private forestry, and human nutrition areas.*

**Strategic Plans:** The state department of agriculture could collaborate with the local advisory or planning committee to develop a State Strategic Plan for the enhancement and protection of land, air, water, and wildlife through resource planning. The state strategic plan should be submitted to the Secretary in a report on the implementation of projects, activities, and other measures under the block grant program. In general, the state strategic plans should contain (1) a description of goals and objectives including outcome related goals for designated program activities; (2) a description of how the goals and objectives are to be achieved including a description of the operational process, skills and technology, and the human capital, information, and other objectives required to meet the goals and objectives; (3) a description of performance indicators to be used in measuring or assessing the relevant output service levels and outcomes of the program activities; and (4) a description of the program evaluation to be used in comparing actual results with established goals and objectives.

**State Initiatives** -The Oregon Agricultural Water Quality Management Program (commonly referred to as Senate Bill 1010) administered by the Oregon Department of Agriculture (ODA), is a watershed-based approach to addressing water pollution associated with agricultural lands and activities. Under the program, ODA works with farmers and ranchers to develop plans for watersheds that have been identified as having water quality problems. ODA assembles a Local Advisory Committee consisting of stakeholders residing in the watershed. The committee develops a draft action plan. Under the plan, local operators will be asked to deal with identified problems, such as soil erosion, crop nutrient loss from fields, or degraded streamside areas. The plan provides flexibility so that landowners in each watershed are able to develop their own approaches to addressing local problems. Stewardship payments could assist producers in meeting these goals, which directly link to the Clean Water Act, Endangered Species Act, and other state and federal requirements.

**Annual Reports:** The state department of agriculture would annually submit to the Secretary and make publicly available a report that describes (1) the progress achieved, the funds expended, and monitoring results obtained by the committee where applicable; and (2) the plans and objectives of the State for future activities under the program.

**Coordination With Federal Agencies:** To the maximum extent possible, the Secretary would coordinate with other federal departments and agencies, including the Environmental Protection Agency and the Department of Interior, to acknowledge on a state-by-state basis that the block grant program is meeting the needs of public benefits of other programs, such as Clean Water Act programs, the Endangered Species Act, *etc.*

### Key Elements & Characteristics

- Program would be voluntary, incentive-based, and founded on sound science with “measurable” results;
- Financial benefits would be directly tied to stewardship and public benefits;
- Program parameters would recognize activities designed to enhance protection of land, water, air, and wildlife, without duplicating existing planning systems and infrastructure;
- Payments should be based on financial costs to the producer and environmental benefits to society;
- Contract payments to participating producers would be made on an annual basis;
- States would have maximum flexibility to set and meet priorities;
- Program would build on existing delivery systems and does not duplicate existing programs;
- All programs will protect individual producer privacy and data confidentiality, to the extent allowable by law.

**Payments:** The agricultural stewardship block grant program could be used as a means to provide compensation to producers for implementing various on-farm practices that enhance environmental goals. The type of financial assistance may be in the form of cost-share payments or incentive payments, as determined by guidelines established by the state department of agriculture and the local advisory committee.

### Payments

- Contract payments would be made on an annual basis.
- States would have discretion to set conditions or limits on payments.
- States would set priorities and target resources where needed.
- States would have flexibility to allocate dollars between payments to producers and/or technical assistance based on needs/priorities.

**Program Expenditures:** States would have flexibility to target resources where needed, including the ability to allocate dollars between payments to producers and/or technical assistance based on needs and priorities. Generally, financial assistance could be used to (1) address threats to soil, air, water, and related natural resources including grazing land, wetlands, and wildlife habitat; (2) comply with state and federal environmental laws; and (3) make beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient,

pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, and related natural resources.

**Method of Payment:** State departments of agriculture could collaborate with the local advisory or planning committee to determine payment levels and methods for individual program activities and projects including any conditions, limitations and restrictions. For example, an expenditure could be made under a binding agreement providing for payments to carry out specific activities or measures prioritized by the state department of agriculture and local advisory committee. In addition, states may use expenditures to fund portions of projects and measures to compliment other federal programs such as the Conservation Reserve Program (CRP), the Environmental Quality Incentives Program (EQIP), the Wetlands Reserve Program (WRP), the Forestry Incentives Program (FIP), the Farmland Protection Program (FPP), the Wildlife Habitat Incentives Program (WHIP).

**Data Confidentiality:** Any information or data regarding technical or financial assistance to landowners or operators under USDA’s conservation programs or the agricultural stewardship block grant program should be kept confidential. Any information or data related to an individual farm operator or landowner may be reported in an aggregated form as currently provided by USDA’s National Agricultural Statistic Service (NASS).

### **Funding for the Agricultural Stewardship Block Grant Program**

NASDA’s Natural Resource & Environment Committee’s work has primarily focused on the *design* of the stewardship block grant program. Ultimately, for conservation and environment programs to succeed, new federal spending is absolutely essential. The case for federal investment is compelling. Needs are large and unprecedented, and states cannot meet this challenge alone. The *investment* will pay substantial dividends to the environment, public health, and the economy. *For these reasons, NASDA recommends an investment of \$8 billion annually for the stewardship block grant program.* The Committee is currently examining possible allocation formulas for distributing funds to the states based on land area in agricultural production and gross receipts for agricultural commodities and products. Attached is a copy of several allocation formulas that we are considering.

#### **Federal Investments in Conservation Will Yield Substantial Returns\***

- Erosion reduction from practices adopted from 1983 soil conservation programs were estimated to produce \$340 million in offsite benefits over the life of the practices.
- Based on recreation survey data, a total of \$611 million in benefits from erosion reductions on agricultural lands since 1982.
- Reducing erosion via retirement of 40 to 45 million acres of highly erodible cropland would generate \$3.5 to \$4.5 billion in surface water quality benefits over the life of the program.

*\*Selected examples from USDA’s Economic Research Service 1999 report “Economics of Water Quality Protection from Nonpoint Sources: Theory and Practice.”*

## Improving Current Programs - Tools to Get the Job Done

Farmers and ranchers have provided environmental gains through their participation in conservation and financial incentives programs established in the 1985, 1990 and 1996 Farm Bills. These programs include the Environmental Quality Incentives Program (EQIP), Wildlife Habitat Incentives Program (WHIP), Conservation Reserve Program (CRP), Forest Incentives Program (FIP), Farmland Protection Program (FPP), and the Wetlands Reserve Program (WRP).

All of these programs have been successful in achieving conservation progress over the past 15 years. Generally, we believe they are working well. However, current conservation programs have limited capacity and funding which prevents them from achieving their full potential.

### NASDA MAKES THE FOLLOWING GENERAL RECOMMENDATIONS TO ADDRESS THESE ISSUES:

- **Allow more flexibility, innovation, and local control.** Existing programs are constrained by “one-size-fits-all” national rules driven at the federal level by a top-down approach. The majority of environmental and conservation challenges facing farmers and ranchers today are site-specific, complex, dependent on geography and weather, and involve scientific scrutiny and uncertainty. Federal agencies should focus on results and performance, not on process and micro-management. This will help states build on programs that are already working and provide better tools for farmers to get the job done in a cost-effective way.
- **Simplify programs.** Numerous conservation programs—each one with specific rules, guidelines, and regulations—complicates the work and is administratively burdensome at the field level.
- **Increase funding.** The need and importance of technical assistance to farmers is as important as ever because of increased environmental expectations, increased conservation program participation, and new regulations. Conservation planning requires a broad range of skills. For example, to properly plan, design and implement a conservation practice—such as a grassed waterway—requires detailed knowledge, skills, abilities of many disciplines including agronomy, biology, economics, engineering, hydrology, soil science, land surveying, and others. Yet, NRCS staffing has decreased more than 35% in some states since 1980.
- **Identify and articulate goals.** The conservation agenda has expanded greatly beyond the original objectives of soil conservation, wetlands protection, and wildlife habitat enhancement. The public expects the agriculture community to address a wide range of environmental and social objectives—such as climate change, carbon sequestration, water and air quality, biomass production, pest and nutrient management, hypoxia, etc. Land use and other conditions vary from state to state. Individual states may have worthy conservation goals that simply do not fit within national priorities. *For example, the current focus of conservation programs appears to have shifted to water quality concerns. While this may be appropriate, it does not address issues faced by semi-arid and arid regions of the country.* Farmers and ranchers want to do the right thing. They

need to know what is expected, why it is expected and how it can be done in the real world of a business operation.

## **NASDA OFFERS THE FOLLOWING RECOMMENDATIONS ON SPECIFIC PROGRAMS:**

### **Wildlife Habitat Incentives Program (WHIP)**

NASDA recommends that WHIP be “redirected” with a new Critical Habitat Incentive Program (CHIP). The new program would establish a higher priority and incentives for the enhancement of critical habitat among existing program criteria. NASDA further recommends a higher level of funding for WHIP with a specified proportion of resources dedicated to voluntary critical habitat enhancement.

### **Environmental Quality Incentives Program (EQIP)**

NASDA recommends that states be given more flexibility and discretion to decide eligible conservation practices. The national size restriction for EQIP livestock projects limits opportunities for producers. For example, the 1,000 animal unit threshold may seem large in Michigan, but it is small by Kansas standards. In Kansas, it is not uncommon for family farm operations to have upwards of 3,500 animal unit operations. These size operations normally do not generate necessary capital to finance conservation changes. Yet, EQIP cost-share is not available. Often, the work takes longer to accomplish or is not done at all. Second, many practices outlined in the technical guidance for EQIP livestock practices do not work well for “sundowner” farmers—those who work other jobs and are small, part-time producers. The number of part-time farming operations is increasing in many states. Based on experience, these operations do not have the capital (monetary or human) to finance and operate waste facilities that the EQIP program will fund. EQIP only covers the waste system itself. However, there are other costs associated with such systems—pens, bunks, gates—that are not covered. If producers do not have the capital to finance these upgrades, then nothing is accomplished. Instead of building a new waste system, alternative non-engineering practices—such as inexpensive wind breaks and new watering sources that will allow riparian vegetation to return—should be allowed. NASDA also specifically recommends that the EQIP contract length should allow one-year contracts and elimination of the \$50,000 payment cap.

### **Conservation Reserve Program (CRP)**

The CRP provides cost-share assistance and rental payments to farmers to retire highly erodible and environmentally sensitive cropland for 10 to 15 year contract periods. The program also provides other environmental benefits including improving water quality and enhancing wildlife habitat. The NRCS and the Farm Service Agency (FSA) require maintenance on land enrolled in the program. Burning, mechanical clipping, light disking and spraying are the most approved methods of maintenance. NASDA believes these CRP management and maintenance requirements can be improved. Grazing can also be an effective and environmentally sound method for maintenance. Research shows that short-term, high intensity grazing provides the desired maintenance results while providing sustainable wildlife habitat, plant vigor, and improving watershed management. NASDA supports grazing as a management option for CRP

maintenance provided the following conditions are met: (1) NRCS must determine that maintenance and management is required on land enrolled in CRP to maintain plant health, ground cover, and improve wildlife habitat; (2) grazing must be high intensity and short term to provide results that may be more environmentally beneficial than burning, disking, clipping, or spraying; (3) the CRP rental payment shall be reduced at a rate equal to the value of the forage or the maintenance fee; and (4) the payment, time of year, and frequency of maintenance may be determined by the local technical committee. (This policy is intended for NRCS and FSA required maintenance of CRP land only and is not to be construed or considered part of a routine grazing plan.)

<b>Budget Score – Conservation</b>						
	2002-07 Average				2002-07 Average	
	FAIR Act Extended	WTO Amber box	2001 Estimate	WTO Amber box	Updated NASDA	WTO Amber box
CRP	\$1,837	\$0	\$1,657	\$0	\$1,837	\$0
Other Conservation	\$0	\$0	\$355	\$0	\$1,500*	\$0
Stewardship Initiative	\$0	\$0	\$0	\$00	\$8,000	\$0
<b>Conservation Total</b>	<b>\$1,837</b>	<b>\$0</b>	<b>\$2,012</b>	<b>\$0</b>	<b>\$11,337</b>	<b>\$0</b>

*\*Includes EQIP(\$1 bil), WRP(\$250 mil), Farmland Protection(\$65 mil), CPGL (grazing)(\$60 mil), Forestry Incentive(\$100 mil)*

***How the Block Grant Program Could Help Producers Address Environmental and Conservation Challenges—Specific Examples of State Programs/Initiatives that are not addressed by current Farm Bill Programs***

The examples below are programs, practices or technologies that cannot currently be funded, due to program restrictions or insufficient and/or unstable sources of funding. The list is by no means complete, nor are the examples listed in any particular order. Many states are already trying to move on their own to try and fill in the gaps of existing programs. In addition, NASDA’s Agricultural Stewardship block grant program could be used to (1) help address other resource needs that are not outlined directly in these examples, such as agricultural land preservation; or (2) fund portions of projects and measures to complement other federal conservation and environmental programs.

- Block grant funds could be used to help producers comply with federal, state, and local feedlot rules. Some of these monies could fund practices not eligible for current cost-share programs, such as manure handling and application equipment.
- A state could provide funding to help producers adopt other practices not eligible for current cost-share programs, but which have been shown to reduce runoff. For example,

replacing surface tile inlets with rock inlets, or other drainage, air or other agricultural environmental quality practices.

- The New York Agriculture Environmental Management (AEM) Initiative has a threefold purpose: (1) providing quality drinking water for half the state population; (2) eliminating the need to build a multi-billion dollar water filtration plant; and (3) encouraging the agricultural community to protect the farm and forest soils of the watershed. Instead of building a water filtration plant, New York City officials are supporting agriculture as the preferred land use in the watershed that provides the city's water. Through a "whole farm" approach, farmers are receiving assistance to develop management practices that protect water quality, as well as farm business plans to sustain a profitable operation.
- Pesticide Management Areas. The Kansas Department of Agriculture (KDA) created a Pesticide Management Area (PMA) to limit the input of atrazine and other soil-applied herbicides into area surface water in the Delaware River Basin. The program consists of several components including voluntary management and conservation practices, education, monitoring, research, and evaluation. KDA and the State Conservation Commission (SCC) offered a pilot incentive program (\$5/acre) to farmers in one critical watershed to encourage adoption of Kansas State University (KSU)-recommended best management practices. Further, farmers were contacted on more than one occasion by both the SCC and a KSU extension employee dedicated to the project. Water quality monitoring has shown that conditions in the Delaware River Basin have improved significantly.
- Under the block grant program, a state could earmark a percentage of funds for monitoring and development of practices and technologies that meet the most critical conservation and environmental goals. Thus, states could develop a scientific basis for evaluating the success of the rubric of conservation programs, including long-term monitoring with increased sampling and ongoing reporting. They could find out what is actually being achieved environmentally and at what cost, and use that information to improve (or replace) programs or practices where needed. For example, a portion of these funds could be used to estimate the extent to which various practices could address major water quality challenges such as hypoxia and Total Maximum Daily Loads (TMDLs) at various rates of adoption across TMDL watersheds.
- Urban Area Conservation Needs. The New Jersey Urban Conservation Action Partnership was established to address natural resource problems/concerns in urban/urbanizing areas. In addition to helping resolve these resource management needs, this program helps demonstrate the benefit of USDA conservation programs.
- Funds could be used to encourage adoption of advanced conservation tillage practices such as strip-till and ridge-till, which have well documented watershed benefits. The Minnesota Department of Agriculture's Sustainable Ag Grant projects have found that grain yields in these systems can be comparable to mulch-till and moldboard plow systems. The state could provide willing farmers an incentive to switch to these advanced conservation tillage practices by compensating them for the watershed-wide

benefits provided. The same is true for cover crops to improve water quality in the corn/soybean rotation and in canning crops.

- **Community Self-Help.** The South Dakota “Bootstraps” Program is a self-help initiative for ranchers that addresses community needs through four key areas: natural resources, finances, family, and livestock. It provides local citizens with tools they need to control their future. The South Dakota Department of Agriculture also has a small grant program with about \$800,000 per year for implementing conservation practices designed for local projects and priorities.
- **Watershed Protection.** Cheney Reservoir supplies water to the city of Wichita, the largest city in Kansas. Principle water quality concerns revolved around algal blooms, which occurred during summer months and caused taste and odor problems. Excessive nutrients appeared to be the culprit. Further, state water quality monitoring indicated that sedimentation was reducing lake volume and also revealed low levels of herbicides. A local task force—including landowners, as well as city and county officials—was formed to implement preventive measures, watershed best management practices (BMPs), and long-term water quality monitoring. The City of Wichita provides a substantial portion of the cost-share money necessary to implement BMPs in the basin.
- Funds could be used to help underwrite insurance policies to insure against yield or crop loss due to adoption of innovative experimental or new practices that haven’t been well demonstrated in all areas or those that require intensive management that could result in economic loss if pest or weather assumptions prove wrong.
- States could use block grant funds to help interested producers conduct environmental self-audits. States could further provide direct payments (not just cost-share or loans) to promote basic “CORE4” conservation practices on cropland: nutrient management, pest management, conservation tillage, and buffers in critical drainage areas. In some states, producers have ample opportunities to retire cropland in CRP or CREP; but there are little to no equivalent opportunities to compensation for providing *multiple* conservation benefits on working lands.
- **TMDL Watershed Specialist Initiative.** Kansas efforts to improve water quality involved hiring a half-dozen watershed specialists to serve as “ambassadors” to rural and urban stakeholders. Goal of these “hands-on” specialists is the abatement of nonpoint sources of fecal coliform contamination and improved water quality through adoption of best management practices by farmers, homeowners, and other landowners. The team also developed education and awareness strategies, worked one-on-one with livestock producers to show them the value of BMPs and other techniques designed to protect and improve water quality.
- A state could offer incentives to certain types of operations not covered by current conservation programs to undertake specific practices, and target the incentive program to areas where the particular industry is economically or even sociologically significant. For example, Integrated Pest Management (IPM ) for apple orchards.

- Idaho has developed a very successful Dairy Waste Pollution Prevention Initiative through a Memorandum of Understanding with the Idaho Dairymen's Association, Idaho State Department of Agriculture (ISDA), Idaho Department of Environmental Quality, and the U.S. Environmental Protection Agency (EPA). The program was designed to protect surface and ground water through an innovative service-oriented regulatory approach with ISDA being the lead/point agency. The program relies on technical assistance from ISDA, University of Idaho, the Agriculture Research Service (ARS), and the Natural Resource Conservation Service (NRCS) to develop nutrient management plans, waste system design and construction, and odor management plans. The success of this program has set forth a precedent, which has enabled and encouraged to Idaho Beef Industry to establish a similar program.
- States could ensure greater flexibility in buffer technical design standards to meet specific local needs and attract more producers (e.g., allowing producers to make the buffer a little wider in order to square off a field or include corners of center-pivot irrigated fields).
- Block grant funds could be used for managed intensive rotational grazing systems and by targeting grazing in sensitive areas by providing incentive payments.

## Alternative Allocation Formula for NASDA Agricultural Stewardship Program

The attached two tables represent a set of alternatives for establishing an allocation of funds to the various states under NASDA's proposed Agricultural Stewardship Program. All of the distribution formula are based on National Agricultural Statistics Service survey data for gross receipts for agricultural production in each state, and estimated land area in agricultural production within each state. Formula differ in the weighting factors for each of the two variables, and the inclusion or exclusion of a base allocation, common to all states. These tables are provided for discussion purposes.

Table 1. shows, for each state, the raw data used for gross receipts and agricultural land area, and the percentage value for each statistic, relative to the 50-state total. In addition, each state's weighted combination of the two variables (percentage variables) using three combinations of weighting constants appears in the last three columns. The column marked "50/50 Factor" indicates an equal weight on both variables. The columns marked "60/40 Factor" and "70/30 Factor" indicate weighted combinations with a heavier emphasis on gross receipts of 60% and 70%, respectively.

Table 2. shows the three weighted factors from table 1, and a representation of how each \$1 billion would be allocated to the states using two allocation methods. The states are sorted based on their allocation under the 60/40 factor. The columns marked "50/50 Alloc", "60/40 Alloc", and "70/30 Alloc" show allocations based solely on the respective weighted factors. The columns under the heading "Includes 0.2% Base Alloc" shows each states equal share of 10% of each \$1 billion, and three columns showing the distribution of funds (including the base allocation) using each of the three factors on the remaining 90 percent of the funds.

Table 1. Allocation Formula Using Gross Receipts from Agricultural Production and Total Land Area in Production

State	Total State Receipts (\$1,000,000)	Percent of Total US Receipts	Total Land in Production (1,000 acres)	Percent of Total US Acres	Weighted Percentage (Rcpts/Acres)		
					50/50 Factor	60/40 Factor	70/30 Factor
Alabama	3,438.3	1.822%	9,000	0.959%	1.390%	1.477%	1.563%
Alaska	47.5	0.025%	920	0.098%	0.062%	0.054%	0.047%
Arizona	2,178.0	1.154%	26,700	2.844%	1.999%	1.830%	1.661%
Arkansas	5,259.4	2.787%	14,600	1.555%	2.171%	2.294%	2.418%
California	24,800.7	13.143%	27,800	2.961%	8.052%	9.070%	10.088%
Colorado	4,353.6	2.307%	31,600	3.366%	2.837%	2.731%	2.625%
Connecticut	482.5	0.256%	360	0.038%	0.147%	0.169%	0.190%
Deleware	718.3	0.381%	580	0.062%	0.221%	0.253%	0.285%
Florida	7,065.6	3.744%	10,300	1.097%	2.421%	2.685%	2.950%
Georgia	5,241.0	2.777%	11,100	1.182%	1.980%	2.139%	2.299%
Hawaii	533.3	0.283%	1,440	0.153%	0.218%	0.231%	0.244%
Idaho	3,347.3	1.774%	11,900	1.268%	1.521%	1.571%	1.622%
Illinois	6,757.5	3.581%	27,700	2.951%	3.266%	3.329%	3.392%
Indiana	4,373.1	2.317%	15,500	1.651%	1.984%	2.051%	2.118%
Iowa	9,716.5	5.149%	32,800	3.494%	4.322%	4.487%	4.653%
Kansas	7,616.0	4.036%	47,500	5.060%	4.548%	4.446%	4.343%
Kentucky	3,456.1	1.832%	13,600	1.449%	1.640%	1.678%	1.717%
Louisiana	1,847.6	0.979%	8,100	0.863%	0.921%	0.933%	0.944%
Maine	515.2	0.273%	1,270	0.135%	0.204%	0.218%	0.232%
Maryland	1,481.0	0.785%	2,100	0.224%	0.504%	0.560%	0.616%
Massachusetts	396.1	0.210%	570	0.061%	0.135%	0.150%	0.165%
Michigan	3,470.1	1.839%	10,400	1.108%	1.473%	1.547%	1.620%
Minnesota	7,060.8	3.742%	28,600	3.047%	3.394%	3.464%	3.533%
Mississippi	3,173.8	1.682%	11,100	1.182%	1.432%	1.482%	1.532%
Missouri	4,255.9	2.255%	30,000	3.196%	2.726%	2.631%	2.537%
Montana	1,716.2	0.909%	56,700	6.040%	3.475%	2.962%	2.449%
Nebraska	8,555.0	4.534%	46,400	4.943%	4.738%	4.697%	4.656%
Nevada	334.3	0.177%	6,800	0.724%	0.451%	0.396%	0.341%
New Hampshire	153.1	0.081%	420	0.045%	0.063%	0.067%	0.070%
New Jersey	740.3	0.392%	830	0.088%	0.240%	0.271%	0.301%
New Mexico	1,953.4	1.035%	44,000	4.687%	2.861%	2.496%	2.131%
New York	3,097.4	1.641%	7,700	0.820%	1.231%	1.313%	1.395%
North Carolina	6,687.9	3.544%	9,200	0.980%	2.262%	2.519%	2.775%
North Dakota	2,758.9	1.462%	39,400	4.197%	2.830%	2.556%	2.283%
Ohio	4,428.8	2.347%	14,900	1.587%	1.967%	2.043%	2.119%
Oklahoma	3,990.5	2.115%	34,000	3.622%	2.868%	2.718%	2.567%
Oregon	3,052.5	1.618%	17,200	1.832%	1.725%	1.703%	1.682%
Pennsylvania	4,070.3	2.157%	7,700	0.820%	1.489%	1.622%	1.756%
Rhode Island	47.6	0.025%	60	0.006%	0.016%	0.018%	0.020%
South Carolina	1,406.1	0.745%	470	0.050%	0.398%	0.467%	0.537%
South Dakota	3,539.1	1.875%	44,000	4.687%	3.281%	3.000%	2.719%
Tennessee	1,974.4	1.046%	11,700	1.246%	1.146%	1.126%	1.106%
Texas	13,051.6	6.917%	130,000	13.848%	10.382%	9.689%	8.996%
Utah	966.6	0.512%	11,600	1.236%	0.874%	0.802%	0.729%
Vermont	540.7	0.287%	1,340	0.143%	0.215%	0.229%	0.243%
Virginia	2,283.0	1.210%	8,700	0.927%	1.068%	1.097%	1.125%
Washington	4,933.3	2.614%	15,700	1.672%	2.143%	2.238%	2.332%
West Virginia	386.6	0.205%	3,600	0.383%	0.294%	0.276%	0.258%
Wisconsin	5,596.1	2.966%	16,200	1.726%	2.346%	2.470%	2.594%
Wyoming	851.7	0.451%	34,600	3.686%	2.069%	1.745%	1.422%
TOTAL	188,701	100.000%	938,760	100.000%	100.000%	100.000%	100.000%

Table 2. Allocation to Each State Under Various Scenarios Based on \$1 Billion Total Funding

State	(\$ in millions)									
	50/50 Factor	60/40 Factor	70/30 Factor	50/50 Alloc	60/40 Alloc	70/30 Alloc	Including 0.2% Base Alloc			
							Base Alloc	50/50 Alloc	60/40 Alloc	70/30 Alloc
Texas	10.382%	9.689%	8.996%	103.8	96.9	90.0	2.0	95.4	89.2	83.0
California	8.052%	9.070%	10.088%	80.5	90.7	100.9	2.0	74.5	83.6	92.8
Nebraska	4.738%	4.697%	4.656%	47.4	47.0	46.6	2.0	44.6	44.3	43.9
Iowa	4.322%	4.487%	4.653%	43.2	44.9	46.5	2.0	40.9	42.4	43.9
Kansas	4.548%	4.446%	4.343%	45.5	44.5	43.4	2.0	42.9	42.0	41.1
Minnesota	3.394%	3.464%	3.533%	33.9	34.6	35.3	2.0	32.5	33.2	33.8
Illinois	3.266%	3.329%	3.392%	32.7	33.3	33.9	2.0	31.4	32.0	32.5
South Dakota	3.281%	3.000%	2.719%	32.8	30.0	27.2	2.0	31.5	29.0	26.5
Montana	3.475%	2.962%	2.449%	34.7	29.6	24.5	2.0	33.3	28.7	24.0
Colorado	2.837%	2.731%	2.625%	28.4	27.3	26.2	2.0	27.5	26.6	25.6
Oklahoma	2.868%	2.718%	2.567%	28.7	27.2	25.7	2.0	27.8	26.5	25.1
Florida	2.421%	2.685%	2.950%	24.2	26.9	29.5	2.0	23.8	26.2	28.6
Missouri	2.726%	2.631%	2.537%	27.3	26.3	25.4	2.0	26.5	25.7	24.8
North Dakota	2.830%	2.556%	2.283%	28.3	25.6	22.8	2.0	27.5	25.0	22.5
North Carolina	2.262%	2.519%	2.775%	22.6	25.2	27.7	2.0	22.4	24.7	27.0
New Mexico	2.861%	2.496%	2.131%	28.6	25.0	21.3	2.0	27.8	24.5	21.2
Wisconsin	2.346%	2.470%	2.594%	23.5	24.7	25.9	2.0	23.1	24.2	25.3
Arkansas	2.171%	2.294%	2.418%	21.7	22.9	24.2	2.0	21.5	22.6	23.8
Washington	2.143%	2.238%	2.332%	21.4	22.4	23.3	2.0	21.3	22.1	23.0
Georgia	1.980%	2.139%	2.299%	19.8	21.4	23.0	2.0	19.8	21.3	22.7
Indiana	1.984%	2.051%	2.118%	19.8	20.5	21.2	2.0	19.9	20.5	21.1
Ohio	1.967%	2.043%	2.119%	19.7	20.4	21.2	2.0	19.7	20.4	21.1
Arizona	1.999%	1.830%	1.661%	20.0	18.3	16.6	2.0	20.0	18.5	17.0
Wyoming	2.069%	1.745%	1.422%	20.7	17.5	14.2	2.0	20.6	17.7	14.8
Oregon	1.725%	1.703%	1.682%	17.2	17.0	16.8	2.0	17.5	17.3	17.1
Kentucky	1.640%	1.678%	1.717%	16.4	16.8	17.2	2.0	16.8	17.1	17.5
Pennsylvania	1.489%	1.622%	1.756%	14.9	16.2	17.6	2.0	15.4	16.6	17.8
Idaho	1.521%	1.571%	1.622%	15.2	15.7	16.2	2.0	15.7	16.1	16.6
Michigan	1.473%	1.547%	1.620%	14.7	15.5	16.2	2.0	15.3	15.9	16.6
Mississippi	1.432%	1.482%	1.532%	14.3	14.8	15.3	2.0	14.9	15.3	15.8
Alabama	1.390%	1.477%	1.563%	13.9	14.8	15.6	2.0	14.5	15.3	16.1
New York	1.231%	1.313%	1.395%	12.3	13.1	14.0	2.0	13.1	13.8	14.6
Tennessee	1.146%	1.126%	1.106%	11.5	11.3	11.1	2.0	12.3	12.1	12.0
Virginia	1.068%	1.097%	1.125%	10.7	11.0	11.2	2.0	11.6	11.9	12.1
Louisiana	0.921%	0.933%	0.944%	9.2	9.3	9.4	2.0	10.3	10.4	10.5
Utah	0.874%	0.802%	0.729%	8.7	8.0	7.3	2.0	9.9	9.2	8.6
Maryland	0.504%	0.560%	0.616%	5.0	5.6	6.2	2.0	6.5	7.0	7.5
South Carolina	0.398%	0.467%	0.537%	4.0	4.7	5.4	2.0	5.6	6.2	6.8
Nevada	0.451%	0.396%	0.341%	4.5	4.0	3.4	2.0	6.1	5.6	5.1
West Virginia	0.294%	0.276%	0.258%	2.9	2.8	2.6	2.0	4.6	4.5	4.3
New Jersey	0.240%	0.271%	0.301%	2.4	2.7	3.0	2.0	4.2	4.4	4.7
Delaware	0.221%	0.253%	0.285%	2.2	2.5	2.8	2.0	4.0	4.3	4.6
Hawaii	0.218%	0.231%	0.244%	2.2	2.3	2.4	2.0	4.0	4.1	4.2
Vermont	0.215%	0.229%	0.243%	2.1	2.3	2.4	2.0	3.9	4.1	4.2
Maine	0.204%	0.218%	0.232%	2.0	2.2	2.3	2.0	3.8	4.0	4.1
Connecticut	0.147%	0.169%	0.190%	1.5	1.7	1.9	2.0	3.3	3.5	3.7
Massachusetts	0.135%	0.150%	0.165%	1.4	1.5	1.7	2.0	3.2	3.4	3.5
New Hampshire	0.063%	0.067%	0.070%	0.6	0.7	0.7	2.0	2.6	2.6	2.6
Alaska	0.062%	0.054%	0.047%	0.6	0.5	0.5	2.0	2.6	2.5	2.4
Rhode Island	0.016%	0.018%	0.020%	0.2	0.2	0.2	2.0	2.1	2.2	2.2
TOTAL	100.000%	100.000%	100.000%	1000.0	1000.0	1000.0	100.0	1000.0	1000.0	1000.0