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

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**Working Document**

**on**

**PRODUCTION**

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**NASDA Mid-Year Meeting**  
**March 3-6, 2000**

U.S. Agriculture Profile	Opportunities	Constraints	Tools to Succeed (Policies/Options)
<b>PRODUCTION</b>			
<p><i>AMTA vs. Supply Management</i></p> <p><b>Committee(s) Assigned:</b></p> <p><i>Rural Development &amp; Financial Security Committee</i></p> <p><b>Issues:</b></p> <p><i>AMTA payments</i> <i>Production</i> <i>Market Distortions</i></p>		<p>AMTA payments</p> <p>Declining/distorting production</p> <p>Inequitable</p> <p>Market distortion</p>	<ul style="list-style-type: none"> <li>• <i>Adjust Loan Rates</i></li> <li>• <i>Recourse vs Non-recourse loans</i></li> <li>• <i>LDP indexing</i></li> <li>• <i>Identity Preserved Grain (IPG), and storage facility</i></li> <li>• <i>Replacement of capital equipment. Tax exempt bonds on a state basis.</i></li> <li>• <i>Qualify banks directly for guaranteed farm equipment loans</i></li> <li>• <i>Aggie bonds</i></li> </ul>
<p><b>Production</b></p> <p><b>Committee(s) Assigned:</b></p> <p><i>Rural Development &amp; Financial Security Committee</i></p> <p><i>(Marketing &amp; International Trade Committee)</i></p> <p><b>Issues:</b></p> <p><i>U.S. Trade</i> <i>World Trade Organization</i> <i>Biotechnology</i> <i>Urban Sprawl</i></p>	<p>WTO “Green Box” programs</p> <p>New Uses</p> <p>Biotech can reduce costs</p> <p>Niche Markets</p> <p>Nutriceuticals</p> <p>Precision Farming can reduce costs</p> <p>Increasing world population rising worldwide living standards more \$\$ available for food</p>	<p>U.S. demand flat</p> <p>WTO “Amber Box” issues</p> <p>State-level restrictions on farm size and structure</p> <p>Sprawl</p> <p>Competition –Argentina/ Brazil</p>	<ul style="list-style-type: none"> <li>• U.S. Trade Representative’s Office</li> <li>• Research and Development</li> <li>• Affordable access to GPS for farmers</li> </ul>

<i>Foreign Competition</i>			
<p><b>Tax Policy</b></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Congressional/ Administrative Assistance (FARRM, Cap. Gains, Estate Tax) Fuel Tax</i></p>	<p>Transfer of assets helps the viability of family farms.</p>	<p>Congressional Action or Inaction.</p>	<ul style="list-style-type: none"> <li>• Exempt convs. easements from cap. gains tax</li> <li>• FAARM accounts</li> <li>• Income averaging</li> <li>• Inheritance taxes (12.7)</li> <li>• Health care cost deductibility</li> <li>• Capital gains (12.7)</li> <li>• Estate tax (12.7)</li> </ul> <p><b>12.7 TAX PROVISIONS AFFECTING AGRICULTURE</b></p> <p><b>Business Tax Provisions</b>—The Internal Revenue Service (IRS) has informed farmer cooperatives that are organized under both: Subchapter T, Sections 1381-88 and Section 521 of the IRS (code) that when a commodity is processed through an animal, IRS will NOT deem the proceeds from the marketing aspects of the processing or manufacturing functions to be patronage sourced income.</p> <p>The Internal Revenue Code should be amended to re-establish the marketing aspects of both Subchapter T and Section 521 cooperatives as it relates to a farmer’s product through an animal.</p> <p><b>Capital Gains and Estate--</b> Tax relief serves to lessen financial constraints on family-owned and family-operated operations, including farms, ranches and agribusiness enterprises. Taxes paid on capital gains prove to be disincentives for agricultural producers. Estate taxes have contributed to the gradual extinction of the "family business." As enterprises are passed on, beneficiaries are forced to sell large portions of land, machinery or other assets to simply pay the taxes. The results are that many operations are forced to liquidate some assets or are forced out of business altogether.</p> <p>NASDA supports tax incentives which help to strengthen the agricultural industry.</p>
<p><b>Access to Capital</b></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p>	<p>USDA small farm assistance programs.</p>	<p>Difficulties in obtaining loans. Inadequate capital for agricultural use.</p>	<ul style="list-style-type: none"> <li>• USDA Direct Assistance</li> <li>• Guaranteed Farm Loan Program</li> </ul>

<p><i>Lack of access to capital Guaranteed Loans</i></p>			
<p><b>Ag. Credit</b>  <i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Agriculture Credit Unwillingness to provide loans to farms FSA Technical Assistance</i></p>		<p>Lack of financial authority and institutional commitment by rural lenders to invest in rural enterprises. Government imposed regulations and paperwork.</p>	<ul style="list-style-type: none"> <li>• Agricultural credit (12.2)</li> <li>• Agricultural mediation programs (12.3)</li> <li>• Feasibility studies</li> <li>• Technical Assistance</li> <li>• Farm Service Agency (12.4)</li> <li>• Rural Lending (13.3)</li> </ul> <p><b>12.2 AGRICULTURAL CREDIT</b></p> <p>As the leading lenders to the agriculture sector, the Farm Credit System and commercial banks compete aggressively to provide the capital necessary to fuel agriculture’s production, processing, and marketing costs. This competition results in lowering borrowing costs and providing better service for farmers, ranchers, cooperatives, and some agribusinesses. In addition, Farm Credit’s presence in the market ensures the availability of credit through the inevitable good and bad cycles of agriculture. Cooperation must exist among agricultural lenders to ensure that the needs of agriculture are met as we approach the 21st Century.</p> <p>NASDA opposes any efforts to restructure the Farm Credit System to the extent that farmers would be replaced on boards of directors with commercial bankers. As a cooperative owned and controlled by its customer-members, any governance structure changes to Farm Credit institutions should require stockholder approval.</p> <p><b>12.3 AGRICULTURAL MEDIATION PROGRAMS</b></p> <p>The Advisory and Corporate Operations Staff (ACOS), through the Farm Service Agency (FSA), administers the USDA’s Certified Agricultural Mediation Programs. Recognizing the efficiency and effectiveness of the Certified Agricultural Mediation Programs, Congress enacted Section 292 of the Federal Crop Insurance Reform and the Department of Agriculture Reorganization Act of 1994 which authorized the expansion of these programs to include, in addition to agricultural credit, the following areas: wetlands, rural water loan programs, grazing on national forest system lands, pesticides, compliance with farm programs including conservation programs, and other issues the Secretary deems appropriate.</p> <p>NASDA believes that funding of State Certified Agricultural Mediation Programs is more important now than ever. NASDA supports the expansion of state mediation programs and urges that risk</p>

			<p>management/crop insurance, civil rights, rural housing and other rural development issues be added to the programs currently authorized under the mediation expansion. Expansion of mediation programs should include other federal agencies which play a role in land and resource management, such as the Department of Interior, Army Corps of Engineers, and the Forest Service.</p> <p>NASDA supports the expeditious issuance of regulations requiring USDA agencies to offer mediation in cases where adverse decisions are made, and to attend and participate in a mediation if requested by producers. NASDA believes that auditors, including the Office of Inspector General, be limited to using confidential mediation information only for the purpose of verifying the appropriate expenditures of funds used for mediation and/or evaluating the effectiveness of the program. Confidential mediation information received through such audits/evaluations should not be used for any other purpose unless consented to by all mediation participants.</p> <p><b>12.4 FARM SERVICE AGENCY</b>  <b><i>FSA Loan Eligibility</i></b> — NASDA believes that FSA borrowers who previously filed for bankruptcy, or received debt forgiveness or write downs should remain eligible for direct and guaranteed operating loans, provided they are current on their loans under their original or revised plan of operation. FSA has determined that they will offset government payments to any borrower who is 30 or more days delinquent on loan payments. The payments are offset regardless of assignments of the payments to other lenders, or whether the borrower has applied for FSA loan servicing. This rule results in FSA payment being made through offset of government payment ahead of commercial lenders who had prior loans. NASDA urges FSA to reverse this rule and to recognize prior assignments of government payments, and release the proceeds as agreed to in the plan of operation. FSA should not offset payments until FSA loan servicing actions have been concluded.</p> <p><b><i>FSA Emergency Loans</i></b> — Emergency loans are provided to help cover production and physical losses in counties declared as disaster areas by the President or the Secretary of Agriculture. NASDA urges the creation of a new emergency loan program, similar to assistance provided to small businesses, that provides measurable assistance to agricultural producers in disaster situations. We recommend that appropriate loan amount caps be provided in the new program and that the program broaden its eligibility requirements to assist producers who may not currently be eligible for Farm Service Agency (FSA) emergency loans. Further, NASDA recommends that the amount of actual loss demonstrated by the farmer be covered and that the program’s review process for both producer qualifications and agency screening/loan determinations be simplified.</p> <p><b>13.3 RURAL LENDING</b>  Lack of financial authority and institutional commitment by rural lenders to invest in rural enterprises are</p>
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			<p>major obstacles to the growth and development of rural America. Government imposed regulations and paper work have made efficient lending and borrower servicing inadequate and too often untimely.</p> <p>The Farm Credit System (FCS) has a long history of working with agricultural borrowers and one of its strengths is an understanding of agricultural enterprises. The FCS should be provided with the authority to finance value added enterprises that may be on-farm or off-farm investments.</p> <p>Supervisors need to be freed from excessive paperwork requirements to provide adequate common sense supervision and specialized assistance to borrowers based on their needs. Furthermore, improved customer service and flexibility is important to helping customers develop viable long-term production plans and to utilizing creativity in working with borrowers during periods of fluctuating income due to natural causes.</p> <p>Loan guarantees are only permitted once a facility is completely constructed or when specific stages are completed. This is counter productive because in many instances loan guarantees are needed to obtain adequate financing at the beginning stages of a project. NASDA supports providing guarantees on commercially viable rural projects in the early stages of the project's development.</p>
<p><b><i>Management Skills</i></b></p> <p><i>(Natural Resources &amp; Environment Committee)</i></p> <p><i>(Marketing &amp; International Trade Committee)</i></p> <p><i>(Food Regulation &amp; Nutrition Committee)</i></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><i>(Pesticide Regulation</i></p>			<p>Leadership and Management Development</p>

<p><i>Committee)</i></p> <p><i>(Animal &amp; Plant Industries Committee)</i></p> <p><b>Issues:</b></p> <p><i>Training Resources and Programs for Successful Farming.</i></p>			
<p><b>Information/ Education/ Technical Assistance</b></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Research Land Grant System Dissemination of Information</i></p>	<p>Knowledge about products and market demands</p>	<p>Knowledge about products and market demands</p>	<ul style="list-style-type: none"> <li>• Publicly Funded Research (14.5)</li> <li>• Land Grant System (14.3)</li> </ul>
<p><b>Small/ Large</b></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Do we need to save the small farm? Consolidation Competition</i></p>		<p>One size fits all farm policy</p>	<ul style="list-style-type: none"> <li>• Do we need a distinct “small farms” policy that addresses the unique characteristics and needs of small farms?</li> </ul>

<p><b>Dairy Policy</b> (Rural Development &amp; Financial Security Committee)</p> <p>Issues:</p> <p>Milk Marketing Orders Dairy Compacts Price Fluctuations Production Price</p>	<p>Stability and profitability to the dairy industry</p>	<p>WTO “amber box” program</p> <p>Controversial domestic policy.</p> <p>Milk price fluctuations</p>	<ul style="list-style-type: none"> <li>Should all dairy issues – pricing, marketing orders, export promotion, producer security – be addressed in one section? (11.2)</li> <li>Regional marketing agreements (11.3)</li> </ul> <p><b>11.2 FEDERAL MILK MARKETING ORDERS</b> Federal milk marketing orders provide stability to the dairy industry by administering terms of trade, accurate accounting, and giving milk producers reasonable assurance that they will receive proper payment for the milk they market. NASDA believes that while changes may be appropriate, they should be undertaken only after careful consideration of their long-term impact. Continuation and reform of the federal milk marketing order system should be considered with continued interest in the benefit of producers, processors, and consumers, as well as meeting the objective of maintaining an orderly supply of milk.</p> <p><b>Milk Pricing</b> — Milk price fluctuations cause considerable concern and hardship within the dairy industry. Appropriate measures of market supply and demand may be more reliable indicators for products and may be able to provide more stability in milk pricing. A mechanism should be developed with the aim of separating the Basic Formula Price (BFP) from the formula pricing of milk. NASDA believes that consideration and possible adoption of an alternative pricing mechanism should continue throughout the pursuit of market order consolidation and reform. An alternative pricing mechanism should eliminate milk price volatility and promote stability. Consideration should also be given to creating a market development mechanism as a risk management tool and to promote dairy exports. Further, NASDA should be a forum for discussing dairy policy issues among the states with an aim toward developing a consensus within the dairy industry.</p> <p><b>11.3 REGIONAL MARKETING AGREEMENTS</b> The Northeast Interstate Dairy Compact Commission was established and has the authority to raise the price paid to dairy farmers by milk processors to levels above the federal minimum level. <u>Any</u> producer selling milk into a pool which markets in the Compact region, is eligible for an increase in price for fluid milk resulting from actions taken by the Compact commission.</p> <p>NASDA believes that states should have the flexibility to create multi-state marketing agreements in order to enhance farm prices within their borders. Such authority would not be intended to permit states to erect trade barriers.</p>
<p><b>Beginning Farmers</b> (Rural Development &amp;</p>	<p>niche markets</p>	<p>Farming does not have high enough economic incentives for those thinking of beginning to</p>	<ul style="list-style-type: none"> <li>First time farmers (12.8)</li> <li>Lower farm insurance premiums</li> <li>Targeted risk management programs</li> </ul>

<p><i>Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Average age for farmers increasing.</i></p> <p><i>Low incentives to begin farming</i></p> <p><i>Lack of government assistance to aid beginning/first time farmers.</i></p>		<p>farm and a high risk in today's agricultural economic climate.</p>	<ul style="list-style-type: none"> <li>• Tailored training and education programs.</li> <li>• Free CAT coverage to limited resource farmers</li> <li>• Greater premium subsidy</li> </ul> <p><b>12.8 FARM INCOME AND PRODUCTION STABILITY</b></p> <p><b><i>First-time Farmers</i></b> — As the average age of the American farmer rises, Congress must find ways to attract younger farmers into the business. Without a generation to pass the farm onto, the United States leaves itself vulnerable. Possible incentives are lower farm revenue insurance premiums, targeted risk management programs, and tailored training and education programs. Free CAT coverage is offered to limited resource farmers and a greater premium subsidy should be provided for the beginning farmers. The federal government should provide incentives for increased participation by younger generations.</p>
<p><b>Labor Supply</b></p> <p><i>(Rural Development &amp; Financial Security Committee)</i></p> <p><b>Issues:</b></p> <p><i>Lack of low skilled labor</i></p> <p><i>Immigration Policy</i></p> <p><i>Social Security Agency</i></p> <p><i>Temporary Worker Programs</i></p>	<p>Organized Labor's move to unionize farm labor</p>	<p>Resistance to further legal and illegal immigration from the public.</p> <p>Congressional resistance to further immigration.</p> <p>Raised Social Security Administration concerns over incorrect SS#'s</p> <p>Negative reaction from countries where temporary workers emigrate.</p> <p>Organized Labor's move to unionize farm labor.</p>	<ul style="list-style-type: none"> <li>• Labor Laws</li> <li>• New temporary guestworker program</li> <li>• Funds to meet current guestworker program requirements i.e. housing and transportation.</li> <li>• Agricultural Labor (10.2)</li> </ul> <p><b>10.1 INTRODUCTION</b></p> <p>Labor management problems, transportation inadequacies, and the increasing concentration among suppliers can have adverse effects on the agriculture industry. NASDA believes in maintaining fairness and equity within the agriculture community through the development of a strong agriculture infrastructure.</p> <p><b>10.2 AGRICULTURAL LABOR</b></p> <p><b><i>Labor Laws</i></b> — Labor laws and other issues are becoming major management problems. A permanent liaison with the Department of Labor should be established within the U.S. Department of Agriculture. This liaison would review rules and regulations that would have the potential to cause additional hardship on producers. The liaison would work with agriculture groups to address issues of concern.</p> <p><b><i>Temporary Agricultural Workers</i></b> —</p> <p>While the federal H-2A program was intended to supply temporary and seasonal alien workers for agriculture, while at the same time protecting the rights of domestic workers, it has proved to be inadequate to meet the labor needs in a timely fashion.</p> <p>Action on this issue is important for several reasons. First, agricultural production in the United States is</p>

			<p>dependent on an available, qualified and legal temporary work force. Second, no current system is in place that allows an employer suitable options to secure employees when faced with a certain shortage of workers to meet crop production schedules.</p> <p>Finally, the current proliferation of aliens holding counterfeit ID cards or misrepresenting their availability for lawful employment jeopardizes the completion of a successful harvesting season.</p>
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