

Provisions of the Federal Improvement and Reform Act of 1996 (FAIR Act of 1996)

Also referred to Freedom to Farm

Developed by:

Joe L. Outlaw

Associate Professor and Extension Economist –
Management and Policy

Overview

- As with other farm bills, 1996 farm bill was an amendment to permanent legislation (1949 farm bill)
- 7 year farm bill beginning in 1996 and ending in 2002
- Major change in commodity programs relative to previous 22 years (starting with 1973 farm bill)
 - Fixed “decoupled” payments in lieu of target price/deficiency payment program
 - Fewer production controls

Crop Provisions

- Eliminated Target Prices
 - No longer pays deficiency payment based on the target price minus the higher of the loan rate or market price times base acres
- Eliminated acreage bases
- Eliminated annual supply control programs (e.g., ARPs)

Crop Provisions (cont)

- Initiated decoupled payments
 - Also referred to as AMTA payments or production flexibility contract (PFC) payments
- Provided full planting flexibility on previous crop acreage bases
 - All program crops plus haying and grazing
 - Limits on fruits and vegetables

Crop Provisions (cont)

- Continued nonrecourse marketing assistance loans and loan deficiency payments
 - Maximum loan rate levels determined by formula
 - Minimum loan rate levels set for cotton and soybeans at \$0.50 per lb and \$4.92 per bu
 - Fixed loan rate for rice at \$6.50 per cwt

Contract Payments by Fiscal Year

(million \$)

1996	1997	1998	1999	2000	2001	2002	Total
5,570	5,385	5,800	5,603	5,130	4,130	4,008	35,626

Allocation of Payments by Crop

<u>Crop</u>	<u>Percent</u>
Corn	46.22
Grain sorghum	5.11
Barley	2.16
Oats	0.15
Wheat	26.26
Upland cotton	11.63
Rice	<u>8.47</u>
TOTAL	100.00

Payment Limitations

- Fixed payments \$40,000
- Marketing loan gains
or Loan Deficiency Payments \$75,000
 - Can use marketing certificates
- Continues 3-entity rule

Crop Insurance

- Eliminate mandatory CAT coverage
 - But producer who opts not to purchase CAT waives all future disaster assistance
- Expanded to cover seed crops
- Eligibility no longer links to conservation compliance and swampbuster for nonparticipants in farm program

Peanut Program

- Set quota rate at \$610 per ton through 2002
- Eliminated national poundage quota floor and undermarketing provisions
- Allowed quota sales outside the county but within the same state

Sugar Program

- Eliminated marketing allotments
- Loan rates for raw cane and refined beet sugar frozen at \$0.18 and \$0.229 per pound, respectively
- Nonrecourse loans are provided to processors if imports exceed 1.5 million pounds otherwise a recourse loan is provided
- A \$0.01 per pound penalty assessed on forfeited sugar

Dairy Program Provisions

- Price support reduced by \$0.15 per cwt per year beginning on January 1, 1997 declining to \$9.90 per cwt on January 1, 1999
- Terminated price support January 1, 2000 to be replaced by a recourse loan (never happened)
- Eliminated marketing assessments beginning May 1, 1996
- Continued dairy export incentive program (DEIP)
- Mandated a reduction in federal milk marketing orders from 33 to no more than 14 or less than 10 by April 4, 1999
- Authorized the Northeast Dairy Compact

Conservation Reserve Program

- Authorized through 2002 at a maximum 36.4 million acres
- New enrollment permitted at fair market rental rates
- Producers with less environmentally sensitive lands and at least 5 years in the program may terminate

Wetlands Reserve Program

- Authorized through 2002 with a maximum enrollment of 975,000 acres
- One-third of new enrollments must be in permanent easements
- One-third in 30-year easements or less
- One-third in wetland restoration agreements

Environmental Quality Incentives Program (EQIP)

- Funded at \$130 million in FY 1996 and \$200 million per year thereafter
- Funds to be split evenly between crops and livestock
 - Large livestock operations ineligible for cost sharing for animal waste management
- 5 to 10 year contracts
- Payments limited to \$10,000 per year and to \$50,000 over the duration of the contract

WTO/URAA Issues

- Historically very important
- Cut amber box subsidies by 20% from 1986-89 base
- Means \$19.1 billion cap for amber box subsidies which includes:
 - LDPs
 - Other direct payments
 - Crop insurance subsidies

Wool and Mohair

- Wool Act provided payments that began in 1954
- Wool Act was repealed in 1993
 - 3 year phase out of payments
- Was not part of 1996 Farm Bill
- Have been Ad hoc payments over the last four years (market loss assistance)