Bill Summary

The Rural Economic Farm and Ranch Sustainability and Hunger Act

Senator Richard Lugar and Congressman Marlin Stutzman

The Rural Economic Farm and Ranch Sustainability and Hunger (REFRESH) Act of 2011 will save an estimated $40 billion in taxpayer money over the next ten years. The REFRESH Act creates real reforms to U.S. farm and food support programs that will serve more farmers more fairly, while being responsive to regional and national crises that endanger the continuing success of America's farmers, and that will improve accuracy and efficiency in federal nutrition programs, while protecting America's hungry.

Title I – Producer Safety Net

*The Producer Safety Net title of the REFRESH Act is expected to save taxpayers **$16 billion** over the next 10 years, accounting for 40% of the REFRESH Act savings and a **25% reduction** in overall commodity program spending.*

A producer safety net should provide farmers with a genuine safety net that enables them to produce more food for consumption at home and for export. America's farmers are the envy of the world; they do not need government to tell them what to do or to pay them to do what they do best. Rather, farmers need access to affordable insurance options to manage weather and commodity market risk.

The REFRESH Act ends unnecessary and expensive subsidy payments. It expands insurance options to allow crop diversification – from corn to cotton to cucumbers. It also ends government controls on sugar, which cost Americans $4 billion each year in higher food costs, and makes major strides toward reforming antiquated milk pricing and marketing controls.

Subtitle A – Revenue-Based Safety Net

Expiration of traditional commodity support programs.
The bill ends direct payments, counter-cyclical payments, average crop revenue election payments, and marketing assistance loans/loan deficiency payments with the 2012 crop year.

Establish a shallow-loss revenue protection program.
This section creates an aggregate risk and revenue management (ARRM) program for producers of covered commodities that would supplement crop insurance to protect against losses between 90% and 75% of the expected crop revenue. Under this section, revenue protection payments would be made to covered commodity producers on 85% of their planted acres if their revenue for the crop (crop reporting district yield multiplied by crop insurance harvest price) dropped

below 90% of the guaranteed revenue for the crop (5-year Olympic average crop reporting district yield multiplied by 5-year Olympic average crop insurance harvest price).

Provide supplemental insurance.
This section permits farmers to purchase partially-subsidized, buy-up supplemental coverage to insure their gross revenue. This section would allow non-covered commodity farmers to purchase supplemental insurance coverage to insure shallow losses that are not covered by other revenue and crop insurance products currently available.

Limitations on coverage.
This section requires compliance with certain conservation measures, like sodbuster, swampbuster, and native grassland protection, to participate in the ARRM program.

Subtitle B – Federal Crop Insurance Program

Expand whole farm revenue insurance tools.
This section would expand whole farm revenue insurance tools that will help most non-commodity producers by providing a fully-subsidized whole farm insurance option to all farmers, and by expanding and reforming the Adjusted Gross Revenue (AGR) Insurance program to cover all states. In particular, farmers who choose whole farm revenue insurance for their farm would be guaranteed 80% of their average gross revenue.

Provide flexibility to establish additional insurance tools.
This section would provide the U.S. Department of Agriculture's Risk Management Agency (RMA) with additional flexibility to draft new insurance policies by returning RMA's research and development authority.

Encourage crop insurance education assistance.
This section allows funding for land grant colleges, universities, and cooperative extension services to educate producers about new and expanded crop insurance tools.

Subtitle C – Sugar Program Repeal

Repeal the mandatory loan program to sugar processors.
This section repeals the current law, which mandates a "loan" program with sugar prices set by Congress that serves to establish a minimum price support for domestic sugar, regardless of world prices. If market prices fall below this effective price support level, then a processor can forfeit (turn over the physical sugar pledged as loan collateral) when the loan comes due, leaving the federal government owning sugar stocks less valuable than the loan price they are paying.

Prohibit further price supports.
This section prohibits future price supports, such as a voluntary loan program, and prevents funds of the Commodity Credit Corporation from being used for price support purposes.

Eliminate federal mandates and quota controls.
This section eliminates the current system of "marketing allotments" through which USDA determines projected demand, guarantees domestic suppliers 85% of that demand, and then imposes a limit on each sugar processor for the amount of sugar it is permitted to sell each year, with hefty fines to insure compliance. It also repeals the authority of the Secretary of Agriculture to establish quotas for imports.

Repeal price support provisions.
This section repeals several mechanisms that could be used to further inflate domestic sugar prices, including Commodity Credit Corporation loan authority to sugar processors for storage facilities.

Eliminate sugar tariffs and over-quota tariff rates.
This section eliminates current "tariff-rate quotas" on imports that set limits on how much sugar can be shipped to the United States every year from 40 countries. Imports above this level are currently subject to an extremely high tariff that is prohibitive in normal market conditions. Under this section, complete free trade in sugar would be allowed except for countries under other sanction-type restrictions such as Cuba and North Korea.

Subtitle D – Dairy Program Reform

Expiration of traditional milk support programs.
The bill allows the current dairy price support programs (the dairy price support program (DPPSP) and the milk income loss contract (MILC)) to expire.

Create a *voluntary* margin protection program.
This section creates a *voluntary* margin protection program that would operate as a form of insurance. The federal government would provide basic coverage, a fully-subsidized level of protection for producers on 80% of their production history when the margin falls below $4.00/cwt. The program also includes supplemental coverage, partial premium subsidization available to producers seeking additional and affordable protection at higher margin levels on up to 90% of their production history.

Limitations on coverage.
This section requires that, to participate in the voluntary margin protection program, producers must also participate in a market stabilization program to address market imbalances. The program is designed to send faster market signals to alert producers when market imbalances occur that negatively impact producer margins, prompt producers to adjust milk production as a deterrent against the continuation of low margins, reduce the likelihood of producers seeking help from Congress and/or government agencies, and prevent extreme margin and price volatility.

Reform milk marketing orders.
This section requires USDA to eliminate end product pricing formulas for determining the Class III (milk used to make cheese) price and a competitive milk pricing system to be determined through formal hearings and maintains all other provisions as they currently exist including

maintaining the "higher of" for establishing the fluid use (Class I) minimum base price, maintains current Class I differentials, and maintains the number and basic structure and provisions of federal orders.

Study on elimination of milk marketing orders.
This section instructs the Secretary to conduct a study on the elimination of milk marketing orders. The Secretary must, within one year, provide to Congress a study on the potential market and price impacts of the complete elimination of the federal milk marketing order system.

Title II – Conservation

*The Conservation title of the REFRESH Act is expected to save taxpayers **$11 billion** over the next 10 years, accounting for 28% of the REFRESH Act savings and an **18% reduction** in overall conservation program spending.*

As life-long farmers, Dick Lugar and Marlin Stutzman know that good stewardship is a farmer's duty and is vital to maintaining quality, productive lands. Current conservation programs provide important assistance for improving agricultural practices, protecting wildlife habitat, and reducing pressure on vulnerable land. However, reform is needed to ensure that the programs are fiscally sustainable, even as they strive to be environmentally sustainable.

The REFRESH Act emphasizes shifting conservation support towards productive use and working lands programs. REFRESH reorients conservation programs to maximize value by encouraging productive use of land even as we protect hunting ground, rangeland, and conservation value. The REFRESH Act reduces the Conservation Reserve Program, freeing land for productive uses and freeing conservation dollars for better use in long-term conservation programs. The bill also consolidates the sprawling conservation programs to reduce paperwork and cut bureaucratic overlap.

Subtitle A – Conservation Reserve Program

Reduce the acreage cap on CRP.
This section lowers the maximum enrollment in the Conservation Reserve Program from the current 32 million acres to a new cap of 24 million acres. The new acreage cap is phased in over three years, with a cap of 30 million acres in fiscal year (FY) 2012, of 26 million acres in FY 2013, and of 24 million acres in FY 2014 and beyond.

Reform and update the CRP.
This section mandates that the Secretary give farmers the option for a no-penalty early opt out to remove 8 million acres from CRP. The Secretary is also instructed to allow grazing and haying on 5 million acres. In both cases, conservation or wildlife plans will be required to protect conservation values while also enabling greater productive use of land. This section also emphasizes long-term value by encouraging enrollment in the newly consolidated easement benefits program (Subtitle B), rather than repeatedly re-enrolling acres in the CRP rental program, and promotes reducing Federal cost sharing.

Subtitle B – Easement Benefits Program

Consolidation of easement programs.
This section reforms and consolidates programs aimed at long-term conservation and wildlife habitat goals. Through consolidation into an easement benefits program, this section improves efficiency by combining the goals (and eliminating the current separate structures) of the Wetlands Reserve Program, the Grasslands Reserve Program, the Farm and Rand Lands Protection Program, and the Healthy Forest Reserve Program.

Improvements to easement benefits program.
This section directs the Secretary to encourage continued productive usage of land, such as for hunting and grazing, to reduce program cost. It also contains options for partnering with organizations to cost-share efforts to protect farm and ranch lands vulnerable to development. The consolidated program will be made permanent to allow efficient planning and will be administered in close coordination with State technical committees that can provide expertise and assist in setting specific local priorities. The Easement Benefits program contains mandatory funding of $1 billion per year.

Subtitle C – Working Land Program

Consolidation of working land programs.
This section eliminates redundancies and better leverages taxpayer investment by consolidating current programs aimed at improving land management into a single working land program. Through consolidation, this section improves efficiency by combining the goals (and eliminating the current redundant structures) of the Environmental Quality Incentives Program, the Conservation Stewardship Program, the Agricultural Water Enhancement Program, and the Wildlife Habitat Incentive Program.

Improvements to working land program.
As high commodity prices draw more land into intensive cropping, federal partnerships with willing farmers and ranchers to share information on conservation practices and enable land improvements is even more important for the long-term good of soil quality, clean water, and abundant wildlife. The Working Lands program contains mandatory funding of $2.25 billion per year.

Subtitle D – Administration and Other Conservation Programs

Reauthorization of targeted programs.
This section reauthorizes several small programs targeted as specific areas of conservation concern and opportunity, including Private Grazing Land, Grassroots Source Water Protection, Great Lakes Basin, Chesapeake Bay Watershed, and Voluntary Public Access and Habitat Incentive. No mandatory funding is provided.

Cooperative Conservation Partnership Initiative.
This section expands partnerships with groups of farmers, ranchers, and other stakeholders to address local and regional environmental priorities. CCPI operates through other programs and

will use up to 15% of funds appropriated for their purposes. This expansion will engage more stakeholders to leverage more conservation activity with no additional expenditure.

Reducing paperwork for farmers and ranchers.
This section directs the Secretary to create a simplified form for initial requests by producers for assistance. This section also directs the Secretary to evaluate how all conservation application materials can be streamlined to make it easier for producers to apply to one or more programs.

Title III – Nutrition

*The Nutrition title of the REFRESH Act is expected to save taxpayers nearly **$14 billion** over the next 10 years, accounting for 35% of the REFRESH Act savings and a **2% reduction** in overall nutrition program spending.*

Food and nutrition programs account for more than 75% of the agriculture and nutrition spending baseline. These programs are critical in providing roughly 43 million low-income Americans with food. While some proposals have cut substantial amounts of funding from the Supplemental Nutrition Assistance Programs (SNAP, formerly the Food Stamp Program), by focusing on closing eligibility loopholes, eliminating government overlap, and improving the efficiency of the SNAP, real savings can be realized, without devastating the program relied upon by tens of millions of Americans.

Limit categorical eligibility for the SNAP.
This section would eliminate broad-based categorical eligibility for Supplemental Nutrition Assistance Program (SNAP) benefits. Categorical eligibility for SNAP would be limited to those receiving cash benefits from another qualifying program. This would ensure that those individuals eligible for the SNAP receive benefits through an equitable determination of eligibility, while eliminating categorical eligibility for those who would otherwise not be eligible to receive SNAP benefits.

Eliminate funding for employment and training program.
This section would eliminate the U.S. Department of Agriculture's Food and Nutrition Service employment and training program, which reimburses states for such programs. According to the Government Accountability Office, there are currently 47 federal government programs that provide employment and training. This section helps to reduce some of that government overlap and duplication.

Eliminate funding for state SNAP bonus payments.
This section would eliminate bonus payments made to States that demonstrate "high or most improved performance" in implementing the SNAP.

Improve the enforcement of SNAP.
This section would improve the quality control and enforcement for the SNAP. The section removes the new investment option for those states sanctioned for improper payments for three consecutive years, which emphasizes the importance of State accountability.

<u>Title IV – Energy from Rural America</u>

The Energy from Rural America title of the REFRESH Act will create jobs and reduce foreign oil dependence with an investment of $835 million over the next 10 years.

Rural America offers a tremendous opportunity to reduce America's dependence on foreign oil, while also creating jobs. Even as farming and ranching will continue to be the backbone of the rural economy, investment in energy research and demonstration offers a bright opportunity for America's rural families, towns, and small businesses.

The REFRESH Act focuses on programs that demonstrate the technological and economic opportunity for energy innovations. It orients programs away from grants and focuses priority on loan programs. In doing so, it eliminates or consolidates the Farm Bill energy title to just 6 core initiatives, half of the previous Farm Bill.

Promote and use biobased products.
This section bolsters consumer choice by identifying biobased products and improves the transparency in government procurement of biobased products, thereby encouraging new market opportunities for rural America. The section also authorizes grants to promote awareness of technical standards and benefits of biobased products and biofuels to facilitate commercialization, but such activities are prohibited from marketing brand name products.

Promote biorefinery demonstration.
This section reduces the grant authority for biorefineries, while leveraging private investment at a ratio of 4:1 by extending the current loan guarantee authority to help demonstrate new technologies, processes, and techniques for production of advanced biofuels and co-products. The section includes new criteria to encourage cost competitiveness for awarding loan guarantees.

Reform and extend REAP.
This section improves the Rural Energy for America Program to encourage the use of on-farm energy feedstocks and energy efficiency by supporting demonstrations of economically viable energy opportunities for rural America. More private sector investment will be leveraged by shifting priority away from grants and toward loans. This section also incorporates the previous Self-Sufficiency Initiative, and allows some funds to be accessed by rural communities and schools.

Repeal the Feedstock Flexibility Program.
This section immediately repeals the Feedstock Flexibility Program, which makes the American taxpayer responsible for purchasing sugar at higher-than-market prices, thus creating an incentive for the U.S. Department of Agriculture to artificially increase sugar prices for all Americans.

Reform and extend BCAP as a demonstration program.
This section reforms the Biomass Crop Assistance Program (BCAP) to focus on demonstrating opportunities for farmers to diversify their income through rearing bioenergy crops and

improving techniques and equipment for collecting biomass from the land for delivery to advanced biofuel production. Funds will leverage more private investment by reducing the federal cost share, cutting matching payments in half, and capping funds per project. Maximum program expenditures are capped, and the Secretary is instructed to encourage cost competitiveness.

Encourage rural energy savings.
This section reduces energy costs for rural families and businesses by facilitating low-interest loans to rural consumers for energy efficiency retrofits. The program will be administered through the U.S. Department of Agriculture's Rural Utilities Service to leverage existing experience with non-profit rural electric cooperatives to create a financially self-sustaining program. Participating consumers repay the loan through energy savings on their utility bills within 10 years or less. Each dollar in federal outlay is expected to leverage 5 more dollars in private investment.

Title V – Technical Improvements to Research

The Technical Improvements to Research title of the REFRESH Act will bolster research programs, allowing states to better leverage federal and private dollars.

Research and development in agriculture are vital. As the world's population continues to grow, advancing food security with research is an opportunity to build agricultural exports. The United States is the indisputable world leader in agricultural production and technology, and we should focus efforts on increasing production capabilities, creating economic opportunities for rural America, and broadening agricultural knowledge.

Provide flexibility to states for research and extension activities.
This section allows waivers for the 1890 land-grant universities from non-federal matching requirements. This section also provides states with the flexibility to attract private funding in lieu of matching funds requirement for other research and extension activities. Therefore, for every dollar the federal government requires states to match, the state is given the option of securing two dollars from private sources.

Reform the Biomass Research and Development Initiative.
This section makes technical corrections to the Biomass Research and Development Initiative, which encourages research, development, and demonstration of advanced biofuels feedstocks, technologies, and processes. The initiative is shifted to the research title, from the energy title, to improve efficiencies.