

**ENVIRONMENTAL QUALITY INCENTIVES PROGRAM  
(EQIP)**

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## **I. GOING BACKWARDS: EQIP UNDER THE 2002 FARM BILL**

The Environmental Quality Incentives Program (EQIP), reauthorized in the Farm Security and Rural Investment Act of 2002, is a voluntary USDA conservation program for farmers and ranchers to treat soil, water and related natural resource problems on eligible lands. It is the second largest conservation program in the history of U.S agriculture.

The EQIP program was enacted as part of the 1996 Farm Bill and was considered a major positive reform of previous conservation cost-share programs. Under the 1996 Farm Bill, EQIP was authorized to receive \$200 million per year through fiscal year 2002, or a total of \$1.3 billion over seven years. Payments were limited to \$10,000 a year, with a cap of not more than \$50,000 over five years. Animal waste storage structures for large-scale confined animal feeding operations (CAFOs) were ineligible for EQIP funding. The program, according to experts, worked reasonably well in support of farm conservation efforts, with a special emphasis on cost-effective land management practices.

Under the 2002 Farm Bill, EQIP has established mandatory funding of \$6.1 billion over six years. This started with \$400 million in fiscal year 2002 and increases to \$1.3 billion in fiscal year 2006. This unprecedented increase in EQIP funding under the 2002 Farm Bill could have offered family farmers a great opportunity for expanding conservation practices. Instead, Congress reversed course in response to a massive lobbying campaign by corporate livestock interests and their allies. Large-scale confinement operations or CAFOs were made eligible for EQIP funding; the yearly payment limit was eliminated; and the overall payment limitation increased nine-fold to \$450,000 over the six-year life of the farm bill. Moreover, this new limit did not apply to farms with multiple partners, even when they are part of a single operation. Proponents of these changes spoke openly about converting EQIP from a conservation program to a commodity program for livestock groups.

Despite a five-fold increase in annual overall funding for EQIP provided in the 2002 Farm Bill, the total number of farms and ranches benefiting from EQIP has not increased because the payments per farm have become so much larger. The primary beneficiaries of those changes have been CAFOs and other farms and ranches investing in capital-intensive structures and equipment with public cost-share dollars. These taxpayer expenditures will in all likelihood increase production, resulting in lower prices that farmers receive for their products, rather than achieve any benefits for natural resources and the environment.

Another critical change under the 2002 Farm Bill is a provision that would exempt from the Freedom of Information Act (FOIA) all information provided to or developed by the Secretary of Agriculture regarding any natural resources program administered by the Natural Resources Conservation Service (NRCS) or the Farm Service Agency (FSA). Essentially, this will preclude the public from examining all conservation plans and prohibits the public as well as agencies outside USDA from obtaining data and other monitoring information gathered by the USDA, with limited exceptions. These fundamental changes related to CAFOs and FOIA leads one to concur with supporters of family farms that EQIP has regressed into a subsidy program for corporate livestock interests under the 2002 Farm Bill.

## II. SAVING EQIP: THE GRASSLEY AMENDMENT

In summer 2003 Senator Chuck Grassley of Iowa announced that he planned to introduce an amendment to scale back the per farm payment limitation under EQIP from \$450,000 to \$300,000, and apply the limit to all farms that are part of a single operation, regardless of the number of partners investing in the operation. The Grassley amendment, while not completely preventing payments to factory farms, would be a big step in the direction of restoring some rationality to the program. The amendment would allow more farmers to participate in EQIP by reducing the high-end payments to the largest operations and will put some brakes on the use of EQIP to subsidize expansion of large-scale confined livestock feeding operations. It is also expected to redirect funding to help family farms and improve the environmental outcomes of the EQIP program by allowing for a wider, fairer distribution of EQIP funds to a larger number of farmers.

## III. FINAL EQIP RULE AND PUBLIC PARTICIPATION

When the proposed rule to implement EQIP was issued on January 30, 2003 by Agriculture Secretary Ann Veneman, groups representing family farmers viewed the 30-day public comment period as a critical opportunity for influencing EQIP. According to EQIP Acting Program Manager, Edward Brzostek,<sup>1</sup> a total of 1,250 comments were received by NRCS during the 30-day public comment period. (NRCS received another 150 after the 30-day deadline for a total of 1,400.)

The main recommendations in the comments included:

- Stop funding environmentally risky CAFO expansion.
- Prioritize the best solutions and not the biggest problems so that the application ranking system does not discriminate against small and moderate sized family farms and ranches.
- Reverse the decision to eliminate conservation planning.
- Improve public accountability.

During the public comment period NRCS received 518 responses contending that the proposed final rule was illegal.<sup>2</sup> Respondents pointed out that the proposed final rule broke the law because it was missing an Environmental Impact Statement on the proposed use of EQIP payments to "subsidize expansion of Concentrated Animal Feeding Operations" and other technologies. Eleven organizations said that U.S. Department of Agriculture admitted that this could be at odds with the Clean Water Act. According to Ferd Hoefner, the Sustainable Agriculture Coalition's Washington representative, the responses over the CAFO rules were greater in number than those generated on any other EQIP rulemaking issue, "Yet USDA decided to ignore this outpouring of public comment in issuing its final rule." The final rule<sup>3</sup> became effective May 30, 2003.

#### IV. WHO BENEFITS: SOME PRELIMINARY DATA

Groups such as the Campaign for Family Farms and the Environment (CFFE), the National Campaign for Sustainable Agriculture (NCSA) and the National Family Farm Coalition (NFFC) anticipate a massive distribution of public dollars to factory farms through EQIP by allowing CAFOs to be eligible for EQIP money. These groups also allege that the nine-fold increase in payment limits from \$50,000 to \$450,000 is too high and will skew funding towards factory farms.

In Missouri, for example, the state allocated a total of \$19.16 million cumulatively under the 1996 Farm Bill for a total of 2,719 contracts. The average EQIP contract under the 1996 Farm Bill was \$7,046.55; the average number of contracts per year under the 1996 Farm Bill was 453. In 2001 alone, the state allocated \$3.83 million for 489 contracts.<sup>4</sup> For livestock operations, the average contract was between \$40,000 and \$80,000 (contracts involved multiple owners; limit per applicant \$50,000), according to a Missouri NRCS employee.<sup>5</sup>

For fiscal year 2002, under the 2002 Farm Bill, the state allocated \$8.2 million through 145 contracts, making the average EQIP contract worth \$56,551. There were 121 livestock contracts in 2002 with an average value of \$37,259. NRCS (MO) also provided data on fund allocation by tract. The \$8.2 million in EQIP funds was distributed among 306 tracts, making the average EQIP tract worth \$26,000 for the state.<sup>6</sup>

The following table provides a summary of this data:

<b>FARM BILL</b>	<b>Average \$ Value of Contract in MO</b>	<b>Average Number of Contracts Per Year in MO</b>
1996 Farm Bill (1997-2001)	\$7,046.55	453
2002 Farm Bill (Fiscal 2002)	\$56,551.00	145

This decrease in the number of contracts along with the increase in the total amount of money allocated, at least in the case of Missouri, indicates that the average contract under the 2002 Farm Bill will probably be significantly larger compared to the average contract under the 1996 Farm Bill.

Similarly, in North Carolina, the state distributed \$3.64 million for a total of 806 contracts in fiscal year 2001.<sup>7</sup> According to a state NRCS official, the average size of a contract was approximately \$3,500 in 2001. In fiscal 2002, NRCS obligated \$7.1 million for EQIP in North Carolina.<sup>8</sup>

In order to analyze the distribution of EQIP funds under the 2002 Farm Bill, comparable numbers are essential for all states participating in the program. Attempts to obtain data from NRCS in Washington DC have not been successful. This ties in to the final issue flagged by groups involved in the campaign to support family farms. The 2002 Farm Bill exempts from the Freedom of Information Act (FOIA) all information provided to or developed by the Secretary of Agriculture regarding any natural resources program administered by NRCS or the Farm Service

Agency that is "proprietary to the agricultural operation or land that is part of an agricultural operation of the owner, operator or producer."

Lawyers working with family farmers concur that this would essentially preclude the public -- including conservation groups and other nonprofits, as well as local, state, tribal and other (non-USDA) federal agencies from reviewing any conservation plans developed under NRCS. This could severely hamper accessibility to information about water quality, wetlands protection, wildlife habitat, conservation programs, etc. It creates a broad new exemption for agriculture conservation data from public disclosure that goes far beyond the protection for trade secrets already contained in FOIA.

As detailed below, the National Cattlemen's and Beef Association (NCBA) lobbied for "appropriate confidentiality to protect producers' EQIP records."

## V. STAKEHOLDERS AND THE POLITICS OF EQIP IN THE 2002 FARM BILL

The EQIP "application ranking system" at the state and local levels determines which producers and which conservation systems and practices get priority access to EQIP dollars. The rule (at Section 1466.20) directs states to rank proposals based on use of: cost-effective practices; magnitude of environmental benefits; treatment of multiple resource concerns; longer-term environmental enhancement; compliance with regulatory requirements; and other locally defined factors, including the extent of natural resource degradation. On the surface, these criteria sound reasonable. When they are made operational at the state and local level, however, these ranking criteria can, and often do, result in the largest agricultural operations being favored over small and moderate-sized farm, capital-intensive approaches being favored over lower cost and integrated farming systems approaches, and environmentally-flawed technologies being favored over sustainable methods.

In addition to these potential problems with ranking criteria details, the rule also directs outright damage to the application selection process. It specifically prohibits states from choosing to fund those EQIP projects that achieve environmental values at lower cost relative to other approaches. This misguided provision will all but ensure that the largest farms or the most capital-intensive approaches will win out. The 2002 Farm Bill corrected a problem that in some cases resulted in larger or wealthier farms or ranches outbidding smaller operations simply by agreeing to lower cost share rates for a given conservation practice. Rather than simply prohibiting competition based on acceptance of lower than prescribed cost share rates for a particular practice, the new proposed rule makes a completely erroneous interpretation of this positive, pro-small and medium-size farm provision in the law by declaring that cost can in no way be a consideration in evaluating contract offers and payments. This, in effect, turns the law completely on its head, once again giving the biggest contracts and most expensive practices the winning hand.

During the Senate and House hearings on the 2002 Farm Bill, the National Pork Producers Council (NPPC), which represents corporate agribusiness, made its case for EQIP funding for CAFOs. In his testimony before the Senate Committee on Agriculture, Nutrition and Forestry in July 2001, a NPPC representative stated<sup>9</sup>:

Since the start of this debate last year, the organizations representing the majority of the livestock and poultry producers in the country have consistently demonstrated the need for approximately \$1.2 billion a year over 10 years to address manure management needs. As we have stated in previous testimony on this topic, livestock and poultry producers face, or will soon face, costly environmental regulations as a result of state or federal law designed to protect water and air quality. In addition to state requirements, the regulations will come from the Clean Water Act TMDL program, the proposed CAFO permit requirements, and the Clean Air Act.

It is our view that, without question, any EQIP provision that excludes operations simply on the basis of the number of animals will end up excluding thousands of family owned operations struggling to remain as independent as possible. Many of these producers and their families have made the hard, difficult and expensive choice to expand the size of their operations to capture economies of scale and to take advantage of the most efficient technologies available. We see no justification for penalizing or excluding these operations at the very time when society is demanding a higher level of environmental performance.

We believe that a payment limitation approach, comparable to that used in row crops is a far more appropriate policy approach, except that payments should not be limited by year but by the needs of the overall EQIP contract. We believe a minimum of \$200,000 per contract is needed for this work, and even that will be too low in many cases.

The National Cattlemen's Beef Association (NCBA) provided almost identical testimony in support of additional funding for CAFOs. In addition, it emphasized, "Excluding larger livestock operations from structural assistance ensures that EQIP will never be able to attain its water quality and environmental objectives. This exclusion is entirely inconsistent with a program designed to improve agriculture's environmental performance." NCBA also said that EQIP must provide the appropriate confidentiality to protect producers' EQIP records.<sup>10</sup>

Unlike commodity groups such as NPPC and NCBA, the demands of family farmers were best encapsulated in the Wellstone Amendment, which was debated on the Senate floor at the end of 2001 and beginning of 2002.

The Wellstone Amendment proposed:

- Restricting large CAFOs from receiving EQIP funds for animal waste structures. (The amendment would allow adoption of new technology absent expansion of capacity.)
- Prohibiting double payments by preventing those with interests in more than one CAFO from receiving more than one EQIP contract.
- Requiring animal operations receiving EQIP funds to develop and manage a comprehensive environmental management plan to dispose of animal waste.

- Tripling the annual payment limitation for EQIP from \$10,000 to \$30,000 and increasing the current payment limit per five-year contract from \$50,000 to \$150,000, while retaining current law waiver authority from the annual limitation at the discretion of USDA.

The Wellstone Amendment, if enacted, would have begun to restore some integrity back into the program by setting clear guidelines for EQIP assistance to CAFOs, but a majority of his Democratic colleagues failed to support his Senate floor amendment.

When the farm bill was enacted in May 2002, groups involved in the campaign felt that although they had significant victories, EQIP was a big loss. According to the National Campaign for Sustainable Agriculture (NCSA), keeping EQIP from becoming a major subsidy for the biggest livestock operations was one of the most contentious issues in the Senate debate over the 2002 Farm Bill. They also point out that the Administration and the Republican leadership led the charge to allow EQIP to subsidize the waste management of the nation's largest livestock operations. NCSA and family farmers contend that these subsidies are corporate handouts to facilitate the further expansion of agribusiness giants such as Tyson and Smithfield. "Our position is that if big industry insists on further concentrating livestock production and producing animals in massive confinement operations, they should pick up the tab for meeting environmental standards -- not the taxpayer."

Such a position is justified when one examines the income data of agribusiness companies such as Tyson Foods and Smithfield Foods. Smithfield is the world's largest processor of hogs and pork. Currently, approximately 69% of Smithfield's hogs come from contract farms. As a result of its merger with IBP in 2001, Tyson Foods is now the world's largest processor and marketer of beef, chicken and pork products. Tyson contracts with 7,600 farms in 16 states for its chicken.<sup>11</sup> As the figures below show, both Tyson and Smithfield earned millions of dollars in profits in recent years.<sup>12</sup> Yet, as family farmer groups have rightly pointed out, these companies continue to be subsidized with taxpayer monies through programs like EQIP.

<b>Company</b>	<b>2002 net income/profit</b>	<b>2001 net income/profit</b>
Tyson Foods, Inc.	383 million	88 million
Smithfield Foods, Inc.	196.8 million	223.5 million

## VI. THE PUBLIC INPUT PROCESS AND IMPLEMENTATION OF EQIP UNDER THE 2002 FARM BILL

With the signing of the 2002 Farm Bill into law, efforts to influence EQIP shifted to the state level as EQIP is administered by NRCS under the USDA. Each state NRCS office is charged with providing regular opportunities for public input through State Technical Committees. Reports from the states by family farmers so far indicate mixed outcomes.<sup>13</sup> The following describe experiences in Missouri and Minnesota.

According to MRCC, though these events are often packed with proponents of factory farming, well-organized opposition from family farmers and their allies has led to a number of victories in the implementation of EQIP in a number of states. MRCC reports:

In Missouri, funding for livestock practices is divided into two categories: Animal Waste and Grazing Land Health. The first round of the 2002 Farm Bill EQIP contracts for livestock practices were heavily favored towards applications for Animal Waste despite the fact that more than three times as many applications were submitted for Grazing Land Health. According to MO NRCS records, as of August 1, 2002, MO NRCS received 610 applications for Grazing Land Health versus 181 for Animal Waste, and yet funding was skewed in favor of Animal Waste by more than two to one, or 39% versus 18%; while 30% of the applications for Animal Waste were funded, only 4% of the applications for Grazing Land Health received funding. There was also a great disparity in total dollars funded: \$3.2 million went to Animal Waste applicants versus \$1.4 million for grazing land health.

Originally the scoring criteria were skewed toward factory farms, because of the public pressure generated through the public participation process, MO NRCS announced in early September that they would revise new scoring criteria for EQIP applications received in 2003.

Although NRCS chose not to disqualify new or expanding CAFOs from receiving EQIP funds and refused to make a distinction between independent family farmers and contract operations, they did make it very difficult for new or expanding CAFOs to receive EQIP funds by way of the scoring process. CAFOs would only be able to obtain EQIP funds if they were just one component of a diversified crop and livestock operation.

Within the section dealing with livestock concerns, scoring for Animal Waste and Grazing Land Health were put into the same category with an equal amount of points available for each. This would decrease significantly the disparity between the two categories, and make more money available for family farmers who have cattle grazing operations.

Applications for existing livestock operations are penalized for expanding, greatly limiting the potential for CAFOs to expand using EQIP funds. New livestock operations applying solely under the animal waste guidelines (i.e. CAFOs) can receive only 1/8 the total possible points, effectively eliminating any likelihood of new CAFOs being funded.

Cost share (the percentage of the total cost of a given practice that NRCS will pay for) for practices concerning animal waste is significantly lower for operations expanding more than 50% and for new livestock operations.

The Midwest Sustainable Agriculture Working Group (MSAWG)-Sustainable Agriculture Coalition (SAC) gave the following report on EQIP implementation in 2002:

NRCS had \$475 million in EQIP funds to distribute in fiscal year 2002 and proceeded to do so without amending the EQIP regulations or providing new guidance to NRCS state conservationists. Since the enactment of the 2002 Farm Bill, NRCS state conservationists had been left to interpret the effects of legislative changes on the administration and distribution of fiscal year 2002 funds. For example, the Minnesota State Conservationist apparently decided to throw out EQIP applications completed before the enactment of the 2002 Farm Bill, and put out a call for new applications, even though all or nearly all of the completed applications would have been eligible under the new legislative provisions. Other states also took similar steps. The backlog of EQIP applications, a key rationale for the substantial increase in funding in the new farm bill, was thus being eliminated by edict. This could result in large-scale capital-intensive operations getting priority over those who had been waiting for EQIP funds under the old rule, in which animal waste structures for CAFOs were ineligible.

In Minnesota, NRCS also eliminated cost effectiveness as a factor in application evaluation, further opening the door to huge EQIP subsidies to large CAFOs. MSAWG-SAC were also concerned that sustainable livestock systems such as well-managed grazing operations would be denied EQIP funding so that CAFOs with high-maintenance technical add-ons could get funded.

A strong push was also being made by industry for loose interpretation of the law governing EQIP funds for irrigation equipment so that instead of limiting funds for justifiable retrofits of existing operations that result in a net decrease in water use, it could expand irrigated agriculture on semi-arid locales.

MRRRC also reported that Bush administration political appointees were putting pressure to ensure that the majority of the EQIP money would flow to the large factory farms.

## VII. EQIP AND THE NEW EPA RULE FOR CAFOS

In late 2002, as EPA drew closer to finalizing its rule broadening effluent controls on large livestock operations, environmentalists pressed the agency to factor large conservation subsidies under the 2002 Farm Bill into its analysis of how tightly factory farm owners can afford to control their pollution. They emphasized that any analysis lacking consideration of EQIP money would be fundamentally flawed.

At issue was what relationship, if any, EPA should establish between the \$6.1 billion Environmental Quality Incentives Program, and the CAFO regulations the agency completed late last year. In a July 23, 2002 Notice of Data Availability, EPA asked for comments on linking the CAFO rule's economic analysis to EQIP funding and stated that the agency was seeking comment on how to account for uncertainty about actual program funding levels and uncertainty about which producers would obtain these funds and in what amount. Those [EPA] rules were announced on December 16, 2002 and required all large CAFOs to apply for a permit, submit an annual report, and develop and follow a plan for handling manure and wastewater. EPA projects that the rules will incur \$304 million to \$360 million per year in industry compliance and

government administrative costs.<sup>14</sup> According to NRCS, it is estimated that \$563 million or 12.5 percent of EQIP funds will be allocated for CAFOs.<sup>15</sup>

Since the EPA's December 2002 standards for CAFOs were announced, benefits of treatment of those CAFOs are attributed to that rule, regardless of the extent to which EQIP funds may be used to assist the CAFO managers with rule compliance. The new EPA rules do not require permits for large corporations that own the animals but use contract growers to raise them. Contract growers are expected to defray the costs of implementing the new rules by using EQIP funds. Thus, taxpayers in essence are subsidizing corporations for CAFOs. In addition, opponents say that rather than providing incentives to large corporations to invest in new technologies, the EPA rules provide incentives for agribusinesses to stay vested in environmentally damaging methods such as lagoons. According to Dan Whittle of Environmental Defense, "By requiring contract farmers, but not the contractors that own the animals to obtain the permits, EPA is taking away the incentive to invest in technology from the large corporations that can best afford it."<sup>16</sup>

Although the EPA has had CAFO regulations in place for 25 years, few of the facilities falling under the CAFO definition have acquired pollution permits. Critics allege the regulations will do little to improve the environmental impacts of large feeding operations, particularly because it does not require permits of corporations. In some states, such as North Carolina, over 90 percent of farms are contract farms. Smithfield owns 270 farms directly in North Carolina, but it raises animals on about 12,000 farms through contract growers. According to Senator Tom Harkin (D-Iowa), "EPA's out-of-sight, out-of-mind-approach will let Smithfield or DeCoster off the hook if only they contract with someone else to feed their hogs or haul away the manure to other fields."<sup>17</sup>

While the new EPA rule is expected to greatly increase the number of CAFOs required to get a permit, conservation groups and family farm advocates say that the policy changes made to the program will cause environmental damage and add to the consolidation of the livestock industry. Environmentalists contend that the changes to EQIP would encourage new CAFOs and cause older ones to expand because there is a definite correlation between the concentration of the volume of manure and environmental damage.

Other than the debate over whether corporations should be getting EQIP funds both directly as well as indirectly through contract growers, critics such as the Natural Resources Defense Council allege that EPA did not provide a set of minimum standards that must be met for a (waste-management) plan to be approved. According to Ed Hopkins of the Sierra Club, "This was specifically designed to subsidize these corporations without any requirements for environmental accountability."<sup>18</sup>

## VIII. CONCLUSION

With its funding of \$6.1 billion over the next six years, EQIP is one of the most significant components of the 2002 Farm Bill. The final EQIP rule has the force of law and will continue to influence EQIP policy for many years to come. Those who are awarded EQIP funds after the

final rule will be locked in; even if/when budget fights ensue in the years to come. For now, EQIP is not the environmental quality program it was intended to be; rather it is a harmful subsidy program that will result in further expansion of corporate interests in livestock. The Grassley amendment, while not completely preventing payments to factory farms, would be a big step in the direction of restoring some rationality to the program.

## **Appendix 1**

### Background on EQIP

EQIP includes cropland, rangeland, pasture, private non-industrial forestland and other farm or ranch lands. EQIP provides technical, educational and financial assistance to eligible producers such as individuals, Indian Tribes and other entities engaged in livestock or crop production.<sup>19</sup>

EQIP was established by the 1996 Farm Bill (Federal Agriculture Improvement and Reform Act of 1996), a new program and replaced four previous programs: the Agricultural Conservation Program, Water Quality Incentives Program, Great Plains Conservation Program, and Colorado River Basin Salinity Program. EQIP is administered by the Natural Resources Conservation Service (NRCS) under the USDA and funded through the Federal Government's Commodity Credit Corporation (CCC). CCC funding does not require annual appropriations, and is thus not so vulnerable to budget cuts, though it could be impacted by budget reconciliation later in 2003 as EQIP is a mandatory program.<sup>20</sup>

Activities are carried out according to an environmental quality incentives program plan of operations developed in conjunction with the producer. Appropriate conservation practices are adapted for local conditions subject to NRCS technical standards. The local conservation district approves the plan.<sup>21</sup>

According to USDA's Economic Research Service (ERS), interest in EQIP by policymakers is linked to the increasing recognition that many agri-environmental problems can be addressed through improved performance on working farmland, rather than through land retirement. Another consideration is that financial support under EQIP is not constrained by World Trade Organization rules regarding production subsidies, since payments are not linked to production or price of a commodity.<sup>22</sup>

## Appendix 2

### Fund Allocation under the 2002 Farm Bill compared to the 1996 Farm Bill<sup>23</sup>

- Emphasizes programs that support conservation on land in production. Previously, emphasized programs that retired environmentally sensitive land from crop production.
- Purpose has been changed to maximizing environmental benefits per dollar expended. Under the 1996 Farm Bill it was to optimize environmental benefits.<sup>24</sup>
- EQIP contracts will now be a maximum of 10 years and a minimum that ends one year after the practices have been implemented. Previously, contracts were 5 to 10 years in length.
- Total cost share and incentive payments have been increased to \$450,000 per individual or entity over the life of the 2002 Farm Bill, regardless of the number of farm or contracts. Under the 1996 Farm Bill producer payments were limited to \$10,000 per year or \$50,000 for any multi-year contract.
- The maximum cost share rate remains at 75 percent, but limited resource producers<sup>25</sup> and beginning farmers and ranchers<sup>26</sup> may be eligible for up to 90 percent cost share. Previously, cost sharing was limited to 75 percent of practice cost to producers.
- Starting in fiscal 2003, no individual or entity may receive EQIP payments in any crop year in which the individual or entity's average adjusted gross income for the preceding three years exceeds \$2.5 million, unless 75 percent of the income is derived from farming, ranching or forestry interests.

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<sup>1</sup> Telephone interview, July 28, 2003.

<sup>2</sup> Cheryl Rainford, "Corn growers call EQIP rule reasonable," Agriculture Online.

<sup>3</sup> Available online at <http://a257.g.akamaitech.net/7/257/2422/24mar20010800/edocket.access.gpo.gov/2003/pdf/03-13024.pdf>

<sup>4</sup> See <http://www.nrcs.usda.gov/programs/eqip/2001summaries/MOEQIPdo.pdf>

<sup>5</sup> Telephone interview, February 4, 2003.

<sup>6</sup> Telephone interview, Feb 6, 2003 and email February 10, 2003.

<sup>7</sup> <http://www.nrcs.usda.gov/programs/eqip/2001summaries/NCEQIPdo.pdf>

<sup>8</sup> Telephone interview, February 10, 2003.

<sup>9</sup> [http://agriculture.senate.gov/Hearings/Hearings\\_2001/July\\_24\\_2001/724cas.htm](http://agriculture.senate.gov/Hearings/Hearings_2001/July_24_2001/724cas.htm)

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<sup>10</sup>[http://agriculture.senate.gov/Hearings/Hearings\\_2001/July\\_24\\_2001/724dav.htm](http://agriculture.senate.gov/Hearings/Hearings_2001/July_24_2001/724dav.htm).

<sup>11</sup> Tyson Foods, 2002 10-K, available online at [www.sec.gov](http://www.sec.gov).

<sup>12</sup> See 2003 and 2002 10-K for Smithfield Foods; and 2002 10-K and 2003 10-Q for Tyson Foods (Tyson files its 10-K in September). Both are available online at [www.sec.gov](http://www.sec.gov).

<sup>13</sup> According to NRCS, in its proposed rule for EQIP announced on January 29, 2003, information regarding EQIP implementation will be made available to the public on the NRCS website at <http://www.nrcs.usda.gov/EQIP/>.

<sup>14</sup> Environmentalists Press EPA To Link Farm Bill, Feedlot Rule, Cite incomplete

<sup>15</sup> Environmental Quality Incentives Program Final Rule, Federal Register, May 30, 2003, available online at <http://www.nrcs.usda.gov/programs/farmbill/2002/rules/eqip030530.html>

<sup>16</sup> Franz, Damon, "Clean Water: Whitman Unveils New Rules for Livestock Waste," Greenwire, December 17, 2002.

<sup>17</sup> Franz, Damon, "Clean Water: Whitman Unveils New Rules for Livestock Waste," Greenwire, December 17, 2002.

<sup>18</sup> Reiss, Cory, "Big Money Sparks Talk of Manure," Morning Star, August 26, 2002, p. 1B, 5B.

<sup>19</sup> <http://www.nrcs.usda.gov/programs/farmbill/2002/pdf/EQIPQnA.pdf>

<sup>20</sup> <http://www.attra.org/guide/eqip.htm>

<sup>21</sup> <http://www.nrcs.usda.gov/programs/farmbill/2002/pdf/EQIPFct.pdf>

<sup>22</sup> <http://www.ers.usda.gov/publications/AgOutlook/sep2001/ao284i.pdf>

<sup>23</sup> <http://www.ers.usda.gov/Features/farmbill/titles/titleIIconservation.htm>

<sup>24</sup> The 2002 Farm Bill has two new components: Conservation Innovation Grants and Ground and Surface Water Conservation. Through Conservation Innovation Grants, EQIP funds can be used to provide grants to stimulate innovative approaches to leveraging Federal investment in environmental enhancement and protection. Ground and Surface Water Conservation provides cost-share and incentive payments to producers where the assistance will result in a net savings in ground and water resources in the agricultural operation of the producer.

<sup>25</sup> The basic criteria for defining limited resource producers are under development for consistency with other USDA programs.

<sup>26</sup> A beginning farmer or rancher is an individual or entity that has operated a farm or ranch for not more than ten years.