

losses under the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, 2001 (2001 Act) (Public Law 106-387). Special approved yields based on actual production are prohibited unless production reports were submitted before enactment of the 2003 Act. The statute provides that total assistance under the CDP, crop insurance program and Noninsured Crop Disaster Assistance Program (NAP), plus the value of the crop that was not lost, may not exceed 95 percent of the value of the crop had there been no loss.

The loss thresholds used with respect to the 2000 program are applicable to insured, uninsured and non-insurable 2001 or 2002 crops. For uninsured crops for which 2001 or 2002 CDP assistance is requested, applicants must purchase crop insurance coverage at a level greater than the level available under catastrophic risk protection, if available, for 2003 and 2004 crop years. Also, for 2001 or 2002 CDP benefits for a non-insurable crop for which NAP coverage was not obtained, the producer must submit required documents and pay the administrative fee for 2003 and 2004 for such crops. However, if the sales closing date for purchasing NAP or crop insurance has passed, a producer must meet the linkage requirements for the two subsequent years. Producers who do not purchase crop insurance or NAP as required will be required to refund assistance received, plus interest. Applicants must apply for benefits during the sign-up period announced by the Deputy Administrator.

False certifications by producers carry strict penalties and FSA will validate applications with random spot-checks. Like earlier programs, gross revenue and per-person payment limits apply. A "person" may receive no more than \$80,000 in Crop Disaster payments, nor receive benefits if their gross revenue exceeds \$2.5 million in the tax year preceding the year for which benefits are requested. The 1997 Census of Agriculture indicates that less than 2.4 percent of the farms in the U.S. have sales greater than \$500,000, and farms with gross incomes of \$2.5 million or more only represent a small fraction of one percent. Thus, the gross revenue limitation only limits eligibility of the nation's largest farm and ranch operations.

Corrections to Direct and Counter-cyclical Program regulations

This rule makes corrections to 7 CFR part 1412 where the need has become evident since this program was begun in October 2002. First, section 1412.401 is

revised to provide that payments may be issued to a successor to a contract only after payments issued to the predecessor are refunded to CCC, or a debt for any amount not refunded to CCC has been established. Before, in such cases, payments could be issued to the successor only after payments were refunded. Second, in section 1412.407(e), the names of two county names that were misspelled are corrected. Third, section 1412.408 is added to provide for redistribution of base acreage under certain circumstances. And finally, section 1412.703 is revised to delete an incorrect cross reference.

Cost-Benefit Analysis Summary

Crop disaster: General payments for insured and non-insurable crops will be made at 50 percent of market price, and uninsured crops will be made at 45 percent of market price. Payments for insured crops will be made at the slightly higher rate to provide an incentive to purchase crop insurance. Payments for non-insurable crops will be made at the higher rate because insurance is not available for these crops. Claims for losses under the 1999- and 2000-crop disaster programs were about \$1.7 billion and 1.9 billion, respectively, before pro-rationing. Based on similar weather conditions, crop losses under the 2001 or 2002 program are expected to be about \$2 billion. The \$80,000 payment limitation and the limitation of \$2.5 million gross income will distribute payments more toward relatively smaller farms. Nonetheless, large farms would account for a disproportionate share of crop-loss payments if there was no income limitation.

2002 Livestock Assistance Program (LAP 2002): It is estimated that over 31 million head of cattle, 3 million horses, and 2 million sheep are located within the affected states. The potential cost of the LAP 2002 before application of a national factor is estimated to be about \$750 million. Because projected claims exceed the \$250 million expected to be available for the program, each producer's payment will be prorated based on the ratio of the maximum allowed benefits to total claims. Payments will assist producers affected by disasters in meeting their financial obligations for income lost due to poor grazing conditions. It is assumed, in part as a result of the LAP, that producers affected by the disaster will remain in business. The impact of the payments on livestock prices and feed prices is expected to be small. For those producers who actually suffered the losses, the impact on their equity and

cash flow positions is significant. In the absence of this program, some producers would have been forced to liquidate their herds, increasing livestock supplies and lowering prices in the short term. Changes are likely to be small and temporary. The projected impact on consumers is negligible. Aggregate farm income in 2002 is expected to be about \$250 million higher.

Loan Rate Changes: The 2003 Act mandates that the same loan rate be set for each kind of other oilseed. This single loan rate must be \$0.0960 per pound for the 2003 crop of each type of oilseed and \$0.0930 per pound for the 2004 through 2007 crops of each type of oilseeds. Under the 2003 Act, loan rates increase for oil-type sunseed, rapeseed, canola, and flaxseed, but decrease for other-type sunseed mustard seed, and safflower compared with the differentiated loan rates. CCC outlays for 2002 Act other oilseeds is expected to increase \$20 million on average for the 2003 through 2007 crops as a result of the mandated single loan rate. Outlays for oil-type sunseed, other-type sunseed, canola, flaxseed, and rapeseed are expected to increase \$22 million on average. The outlay increases will be partially offset by lower outlays for safflower and mustard seed compared with loan rates under the 2002 Farm Act, reducing CCC outlays by \$1.9 million.

Adding Crambe and Sesame Seed to the List of Other Oilseeds: Annual crambe direct payments for the 2003 through 2007 crops are projected at \$216,000, for a total \$1.1 million over the 5-year period. Annual sesame seed direct payments are projected at \$35,000, for a total of \$175,000 for the remaining 5 years of the 2002 Act. No counter-cyclical payments are projected for crambe or sesame. Crambe is expected to generate loan program outlays of \$166,000 during the 2003 and 2004 crop years. Sesame is not projected to generate any loan program outlays.

Treatment of Popcorn: It is estimated that direct and counter cyclical payments will increase \$69 million for crop years 2002-2007 because corn payment acres will increase an estimated 239,000 acres. Outlays for the changes made by this rule are projected to be as follows.

SUMMARY OF OUTLAYS

Program	Outlays (\$ Million)
2002 Livestock Assistance Program (2002 LAP)	250
Crop Disaster Program	2,000