The Farm Bill: Reviewing 2014 and Looking to 2018

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The National Association of State Departments of Agriculture

http://www.nasda.org/
2014 Farm Bill Overview

• Spending reduced by $16.5 billion
• Bill expires in September 2018; then a new, 5-year bill or an extension will need to pass
  ▫ Increased funding is unlikely; spending in one area will require cuts in others
  ▫ The last Farm Bill originally expired in 2012, gridlock over nutrition and spending extended debate into 2014
  ▫ Bill will be lead by Senate & House Ag Committees
2014 Farm Bill Spending

Projected outlays under the 2014 Farm Act, 2014-2018

Nutrition 80%
Commodities 5%
Crop insurance 8%
Conservation 6%
Other 1%

Total outlays = $489 billion

Source: USDA ERS data from CBO, Cost estimates for the Agricultural Act of 2014, Jan 2014
Farm Bill Spending

• What is the *baseline*?
  ▫ Funding available for the next Farm Bill will depend on CBO estimates in 2018, the year most Farm Bill programs expire
  ▫ The CBO will assume the expiring programs will continue for the next 10 years and forecast spending
  ▫ This 10-year forecast is the *baseline* available for the Farm Bill

• Any additional spending on existing programs or new programs will need to be offset
Farm Bill Spending

• In 2014, the Farm Bill was expected to cost $965 billion over ten years in 14
  ▫ In 2016, it is expected to cost $931 billion
  ▫ Most of these savings have come from a decrease in nutrition spending
• Farm bill will be written when producers have been and are suffering from low prices
Urban-Rural Coalition

• The 2014 Farm Bill passed the House of Representatives 251-166
• The Senate passed the bill 68-32
• Traditionally, a coalition of urban and rural votes has been necessary to pass the Farm Bill
  ▫ This is achieved by placing the nutrition and farm program spending in the same bill
• Many agriculture groups are already working to maintain a strong food-agriculture alliance for the 2018 bill
2014 Farm Bill Voting Overview

Figure 1. Number of Farms per Congressional District

Source: Farm Doc Daily, September 2016
Major Issues for 2018

• It’s unclear how the new administration will approach the bill. Changes in personnel may impact how the bill is considered and what is included.

• Cost:
  ▫ The 2014 Farm Bill cost $956 billion, a $352 million increase over the 2008 Farm Bill.
  ▫ CBO estimates show commodity payments will cost $42 B through 2023, a 56% increase over 2014.
Major Issues for 2018

• **Safety Net:** Questions of how and if commodities like dairy and cotton will be addressed, as well as the fate of the PLC program
  ▫ Crop insurance funding will likely be a major flash point

• **Nutrition:** Ag groups and members of Congress are already lining up on whether or not they believe nutrition programs should be split off the Farm Bill
  ▫ This 2013 debate will be revived
The Farm Bill has twelve titles which outline spending in specific areas:

- Title I: Commodities
- Title II: Conservation
- Title III: Trade
- Title IV: Nutrition
- Title V: Credit
- Title VI: Rural Development
- Title VII: Research
- Title VIII: Forestry
- Title IX: Energy
- Title X: Horticulture
- Title XI: Crop Insurance
- Title XII: Miscellaneous
Title I: Commodities
Commodities: 2014 Farm Bill

• Eliminated direct payments, the counter-cyclical program and the Average Crop Revenue Election (ACRE) program

• Established the *Agricultural Risk Coverage (ARC)* and *Price Loss Coverage (PLC)*

• Producers *had* to choose either ARC or PLC
• Revenue-based program
• Payment on 85% of base acres
• ARC-County: Benchmark revenue is equal to the average county yield for the most recent five years; per commodity
• ARC-Individual: Enrolls all covered crops on the farm
**PLC**

- Price-based program
- Payment on 85% of base acres
- Payments are proportional to:
  - Base acres
  - Historical yield
  - Difference between the reference price and the annual farm price
Commodities: 2014 Farm Bill

• Payment Limits:
  ▫ Aggregate limit at $125,000 per individual and $250,000 per married couple.
  ▫ No “hard caps” on individual programs (caps on PLC and ARC) and no restriction on crop insurance indemnity payments.
Sugar & Cotton: 2014 Farm Bill

- **Sugar:**
  - Sugar program was unchanged from 2008 Farm Bill

- **Cotton:**
  - To comply with WTO requirements, cotton is no longer considered a “program commodity”
  - Covered instead by a new product, the *Stacked Income Protection Plan (STAX)*
  - In 2016, STAX changes allowed coverage for cottonseed in 2016 through an optional endorsement
  - After price downturns, cotton coverage will be a major source of debate for the 2018 Farm Bill
Dairy: 2014 Farm Bill

- *Dairy Producer Margin Protection Program (MPP)* created to provide indemnity payments when actual dairy margins are below margin coverage
- Margin is based on the all-milk price minus the average feed
- Supply management provisions were not included
Dairy

MPP Margin and Coverage Levels, 2004-2016

Source: National Milk Producers Federation
Commodities: 2014 Farm Bill

- **Livestock and Supplemental Disaster Assistance:**
  - Livestock Indemnity Program (LIP), Livestock Forage Program (LFP), Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish (ELAP), and the Tree Assistance Program (TAP) were all permanently authorized
Title II: Conservation
Conservation: 2014 Farm Bill

- Spending reduced $3.97 billion below baseline*

- Easement programs consolidated in new *Agriculture Conservation Easement Program (ACEP)*

- The new *Regional Conservation Partnership Program (RCPP)* consolidates existing regional programs into a new competitive grant program for improving soil quality, water quality or wildlife habitat in specific areas/regions.

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.*
Conservation: 2014 Farm Bill

- **CRP**: Cap gradually reduced to 24 million acres
- **EQIP**: Funded at $1.35 bil in FY14, $1.6 bil in FY15, $1.65 bil in FY16-17, and $1.75 bil in FY18
  - Payment limitation increases to $450,000 a year.
- **CSP**: Enrollment is capped at 10 mil. new acres/year
- Includes conservation compliance provisions
Conservation

- Programs continue to trend toward working lands
- Farm groups will push to keep programs voluntary, incentive-based, working lands programs
2014 Farm Bill Title III: Trade

• Spending increased $139 million over baseline
• Market Access Program (MAP) reauthorized at $200 million/year
• Foreign Market Development Program (FMD) reauthorized at current levels

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.*
2014 Farm Bill Title IV: Nutrition

• Spending reduced $8.0 billion below baseline*
• Major debates around the 2012/2014 Farm Bill included splitting the nutrition title from the rest of the bill
• Title funds:
  ▫ SNAP, Fraud Reduction Pilot Projects, Improving Access for Homebound Seniors/Disabled Persons, Use Benefits of CSAs and much more
• Chairman Conaway has left splitting the bill open as an option for 2018, but many ag groups have expressed concern over this approach

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.
2014 Farm Bill
Title VI: Rural Development

• Spending increased $228 million*

• Value-Added Agricultural Market Development Program Grants: reauthorized with $63 million in mandatory funding.
  ▫ Authorized priority to small/medium sized farms and ranches, beginning farmers/ranchers, socially disadvantaged farmers and ranchers, and veterans.

• Business and Industry Direct and Guaranteed Loan Program reauthorized

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.
2014 Farm Bill Title VII: Research

• Spending increased $1.14 billion over baseline*
• Provides support for veterinarians in rural agricultural areas, including veterinary education and rural recruitment
• $125 million for Citrus Greening research ($25m/yr)

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.
2014 Farm Bill Title VIII: Forestry

• Spending increased $10 million*
• Reauthorizes the Healthy Forest Reserve Program
• Includes the Forest Legacy Program and Forest Stewardship Program
• Includes language enhancing the Forest Inventory Analysis program

*Change in outlays over 10 years relative to CBO’s January 28, 2014 score.
2014 Farm Bill Title IX: Energy

- Spending increased $879 million*
- Mandatory Spending included for:
  - Rural Energy for America (REAP)
  - Biomass Crop Assistance Program (BCAP)
  - BioPreferred Program
  - Biorefinary Assistance Program
  - Biomass Research and Development Initiative (BRDI)

*Change in outlays over 10 years relative to CBO's January 28, 2014 score.
Title X: Horticulture
2014 Farm Bill
Specialty Crop Block Grants

- $270 million funding increase
- Funding increases to $85m over 5 years
  - $72.5m in first 4 years, $85m in final year
- Grant allocation formula considers acreage based off most recent Census of Agriculture
- Established funding for multistate projects
Horticulture: *Invasive Species Programs*

- The 2014 Bill consolidated the National Clean Plant Network and the Pest and Disease Management and Disaster Prevention Program
- Increased funding for the programs from $50 million to $62.5m in FY14-17; to $75m in FY18 and beyond
- Required that $5 mil be for the Clean Plant Network each year
Other 2014 Farm Bill Title X Programs:

• *Specialty Crop Research Initiative*: Funds the program at $50m in FY14-15; $55m in FY16-17, and $65m in FY18

• *Farmers Market and Local Food Promotion Program*: Funded at $30m per year mandatory funds; authorizes additional $10m/year of appropriated funds

• *National Organic Program*: Program reauthorized, $15 million/year mandatory funding.
  ▫ National Organic Certification Cost Share Program is reauthorized with $11.5m/year
2014 Farm Bill Title XI: Crop Insurance

- Spending increased $5.72 billion*
- Created new Supplemental Coverage Option
- Adjusted Gross Income (AGI) limits not included
- Conservation compliance required for Crop Insurance participants

*Change in outlays over 10 years relative to CBO’s January 28 2014 score.
2014 Farm Bill Title XI: Crop Insurance

- Crop insurance is the second largest part of the Farm Bill by dollar value
- Cost of the crop insurance program has increased from $3.3 billion in 2000-2004 to $8.6 billion in 2010-2014
- Funding for crop insurance will continue to be a major flashpoint
Title XI: Crop Insurance

Figure 1. Federal Crop Insurance Program Cost, 5-Year Olympic Moving Average, U.S., 2000-2014 Fiscal Years

- Fiscal Year: 2004 - $3.3
- Fiscal Year: 2005 - $3.3
- Fiscal Year: 2006 - $3.4
- Fiscal Year: 2007 - $3.4
- Fiscal Year: 2008 - $3.5
- Fiscal Year: 2009 - $4.4
- Fiscal Year: 2010 - $4.4
- Fiscal Year: 2011 - $5.6
- Fiscal Year: 2012 - $8.0
- Fiscal Year: 2013 - $8.1
- Fiscal Year: 2014 - $8.6
Other Resources

• NASDA Farm Bill Resources: http://www.nasda.org/farmbill
• Congressional Research Service Reports on the 2014 Farm Bill:
  ▫ http://nationalaglawcenter.org/crs/#farmbills
• FarmDoc Daily Farm Program Analysis Page:
  ▫ http://farmdocdaily.illinois.edu/newcategories/agricultural_policy/farm_program_analysis_and_out/
• American Farm Bureau Federation:
  ▫ http://www.fb.org/farmbillresources/
  ▫ Member survey: http://www.fb.org/farmbillworkinggroup/docs/General%20Member%20Survey%20on%202018%20Farm%20Bill.pdf
• American Soybean Association Member Survey: https://soygrowers.com/participation-needed-in-farm-bill-survey/
Thank you!

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