

The Farm Bill:

Reviewing 2014 and Looking to 2018

November 28, 2016

The National Association of State Departments of Agriculture

<http://www.nasda.org/>



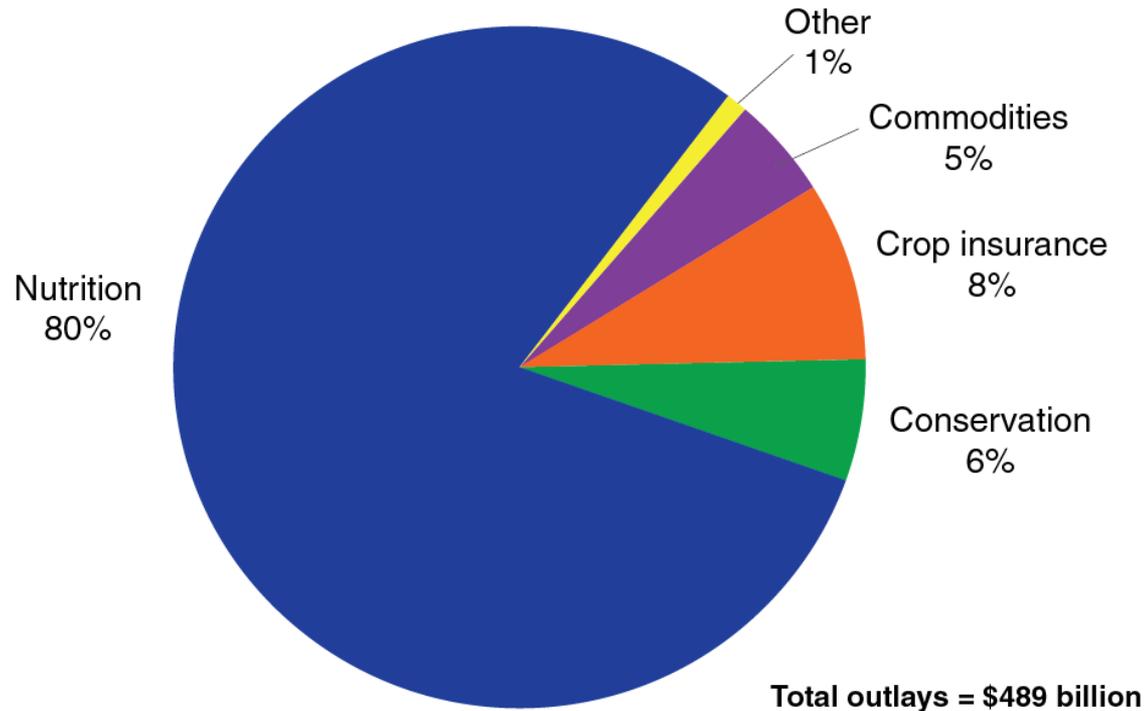
2014 Farm Bill Overview

- 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



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



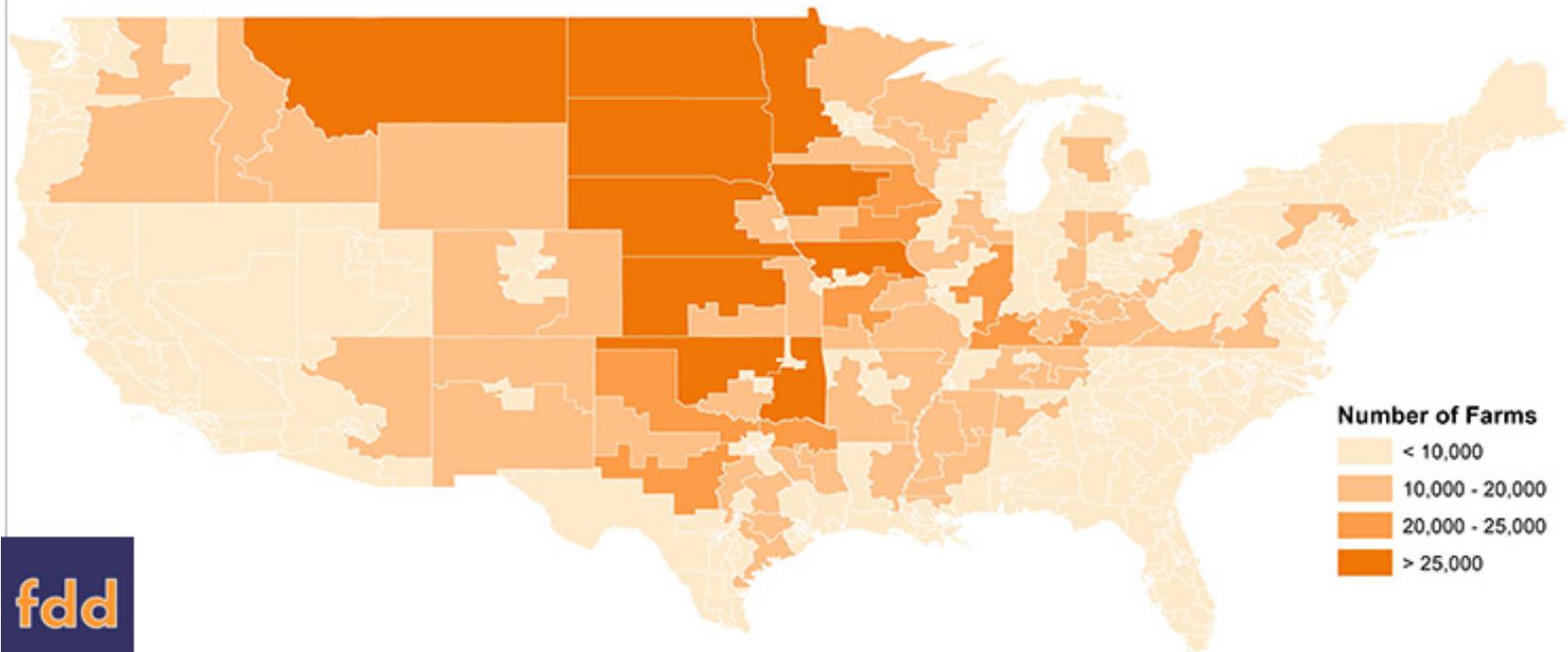
Urban-Rural Coalition

- 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



fdd

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



Title-by-Title Highlights

- 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

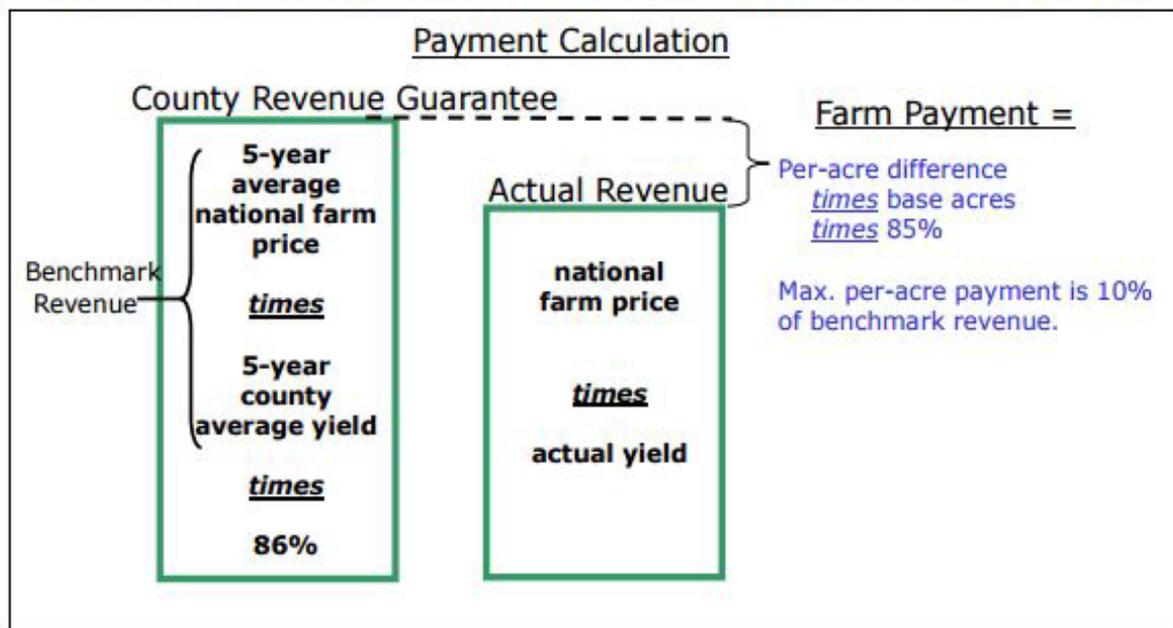
- Eliminated direct payments, the counter-cyclical program and the Average Crop Revenue Election (ACRE) program
- Established the *Agricultural Risk Coverage (ARC)* and *Price Loss Coverage (PLC)*
- Producers *had* to choose either ARC or PLC



ARC

Figure 3. Agriculture Risk Coverage (ARC)–County Coverage

(payment when actual county-wide revenue drops below 86% of historical revenue ["shallow loss"])



Source: CRS.

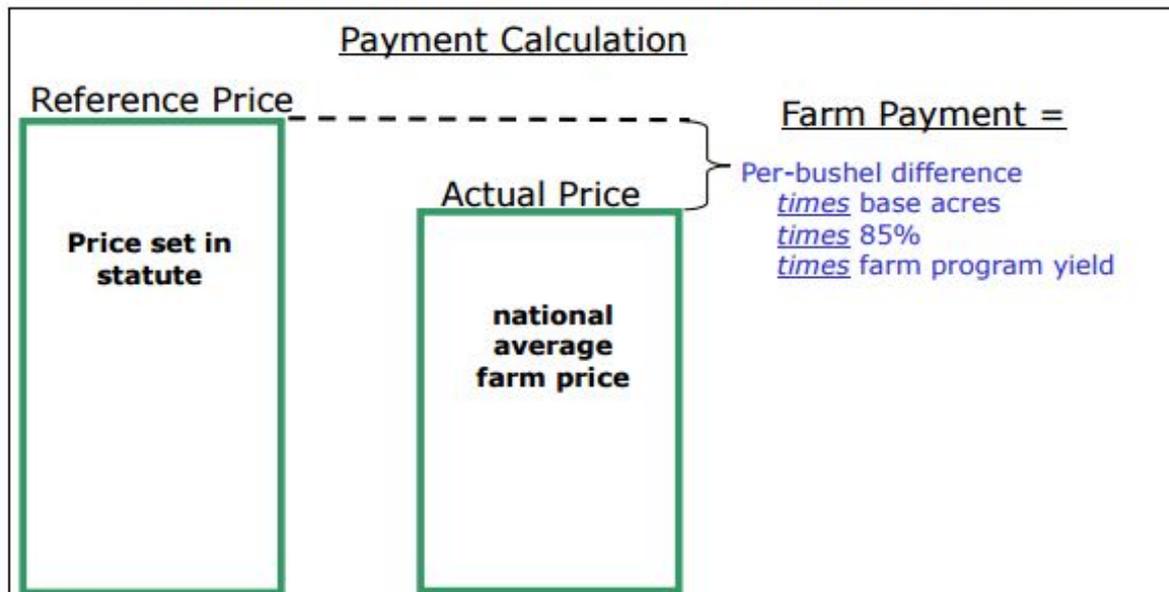
- Revenue-based program
- Payment on 85% of base acres
- ARC-County: Benchmark revenue is equal to the average county yield for the most recent five years; per commodity
- ARC-Individual: Enrolls all covered crops on the farm



PLC

Figure 1. Price Loss Coverage (PLC)

(makes payment when national average farm price drops below the reference price)



Source: CRS.

Note: In a declining market, the per-bushel payment rate increases until the farm price drops below the loan rate. At this point, benefits under the Marketing Assistance Loan Program may become available.

- 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

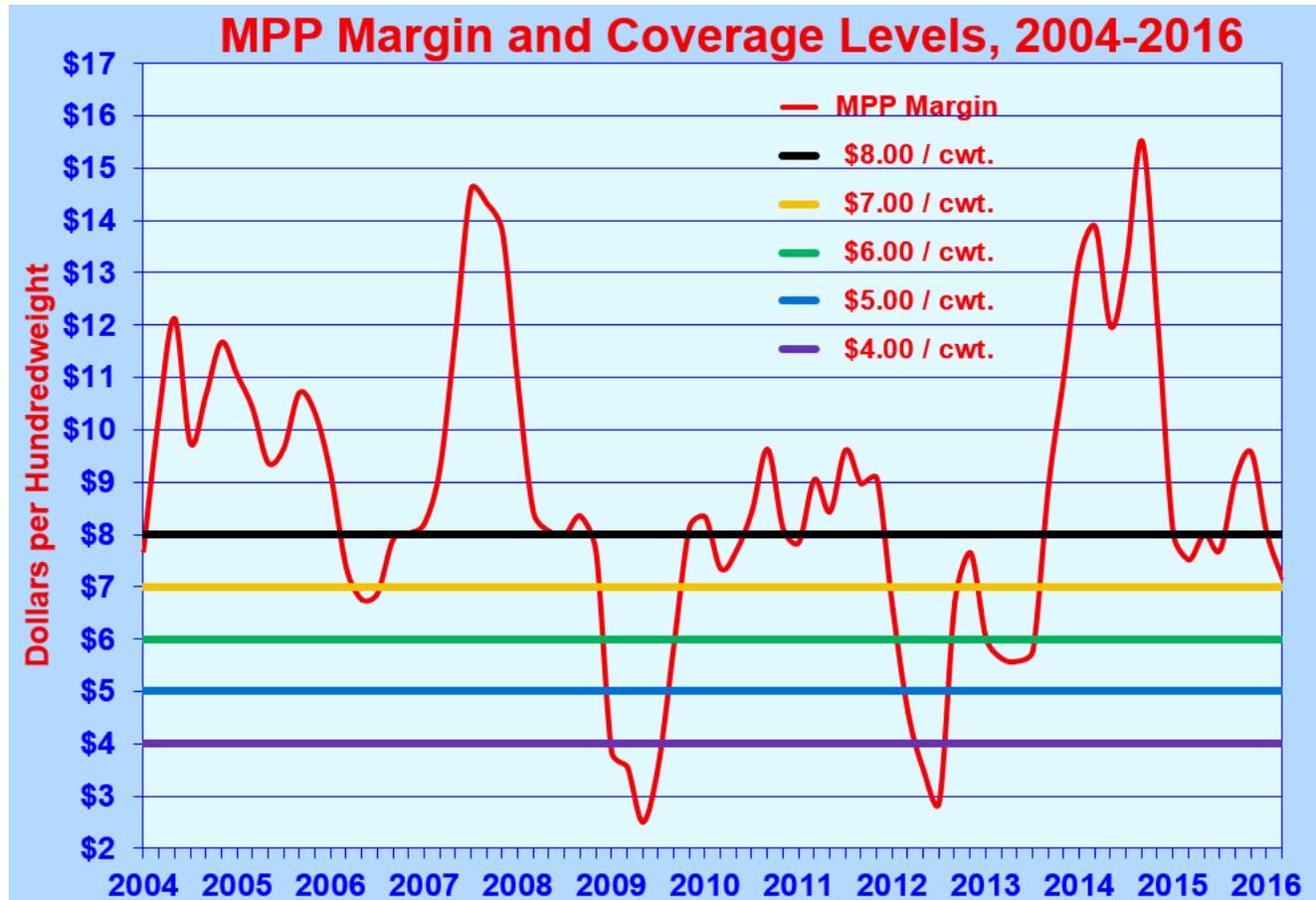


Dairy: 2014 Farm Bill

- *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



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

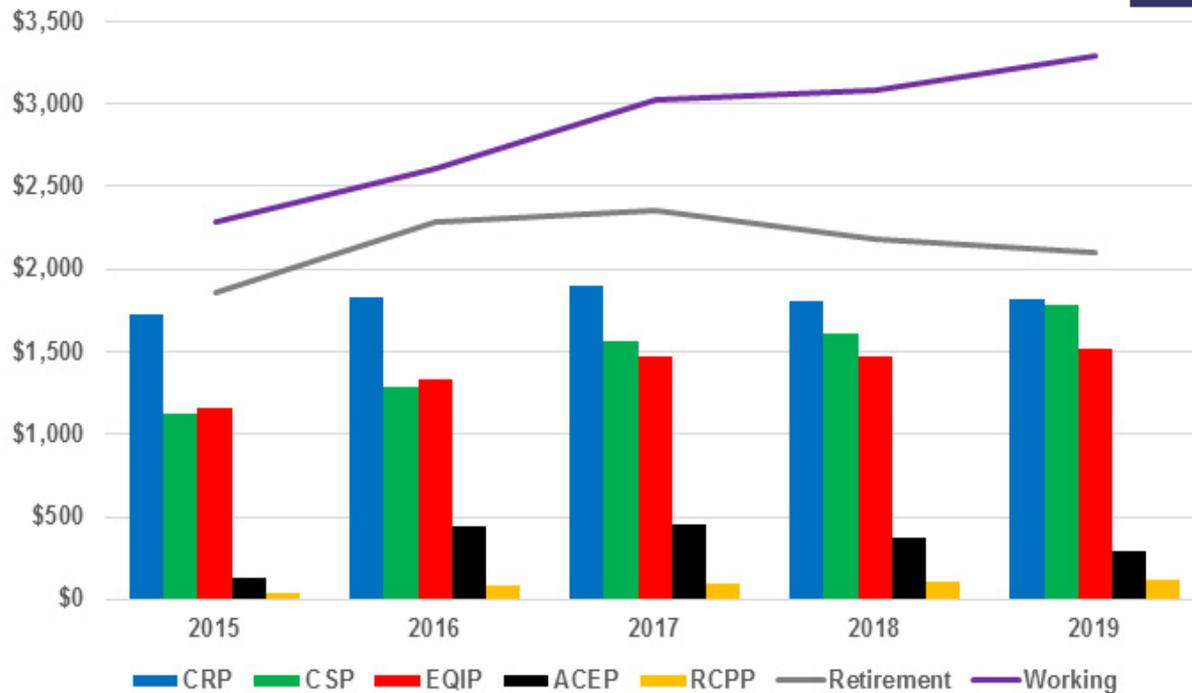
- **CRP:** Cap gradually reduced to 24 million acres
- **EQIP:** Funded at \$1.35bil in FY14, \$1.6bil in FY15, \$1.65bil in FY16-17, and \$1.75bil in FY18
 - Payment limitation increases to \$450,000 a year.
- **CSP:** Enrollment is capped at 10 mil. new acres/year
- Includes conservation compliance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



Conservation

Figure 3. 2014 Farm Bill Conservation Programs
(CBO Outlays; Millions)

fdd



Source: CBO (March 24, 2016).

- 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
 - Biorefinery 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.*

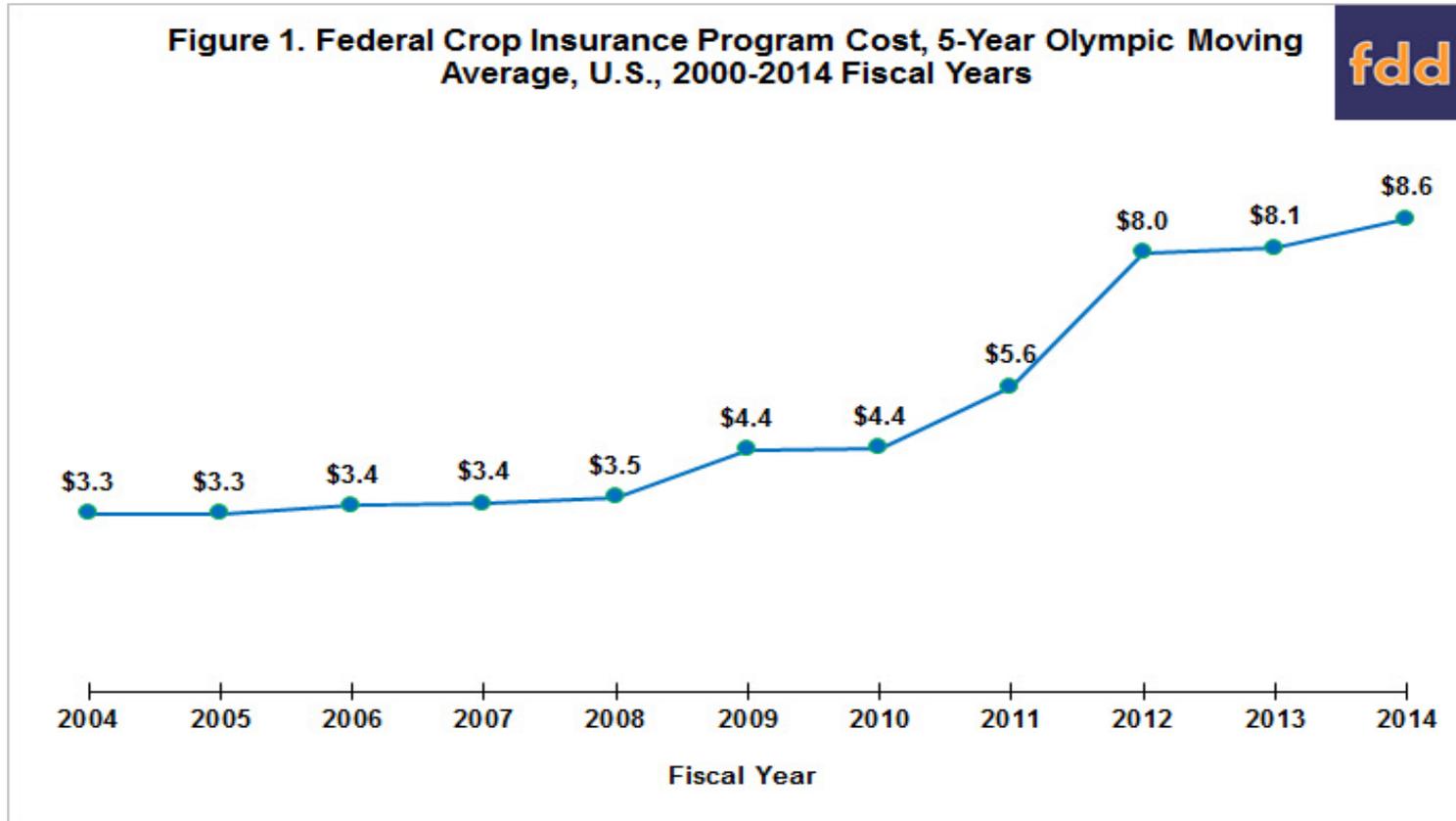


2014 Farm Bill Title XI: Crop Insurance

- 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



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_output/
- **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!

- **Contact NASDA:**
(202) 296-9680
- 4350 N. Fairfax Drive
Suite 910
Arlington, VA 22203
- Twitter: @NASDANews
- Instagram: @NASDANews
- www.nasda.org

NASDA

1 9 1 6 - 2 0 1 6



YEARS ADVOCATING
AGRICULTURE

