

Whither the Farm in the Farm Bill Debate?



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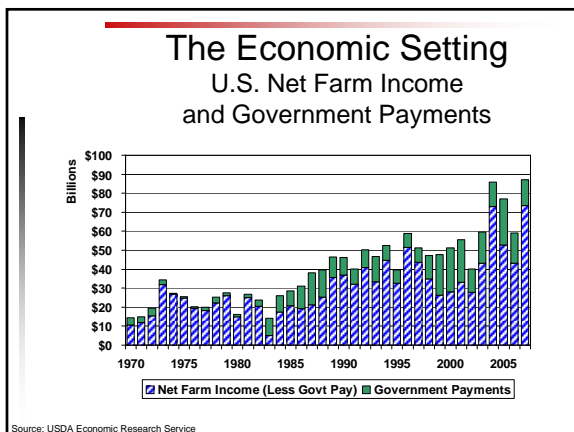


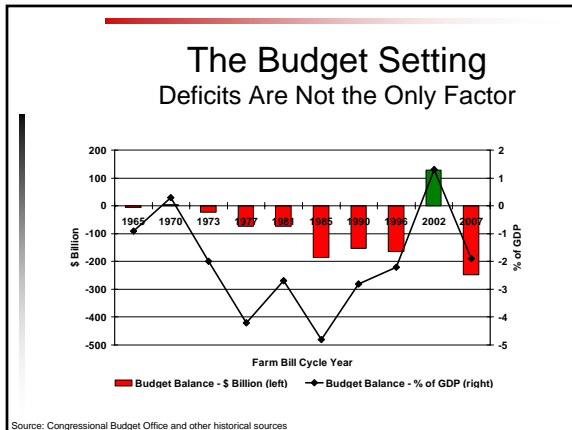
Ag econ information – agecon.unl.edu
USDA program information – www.usda.gov

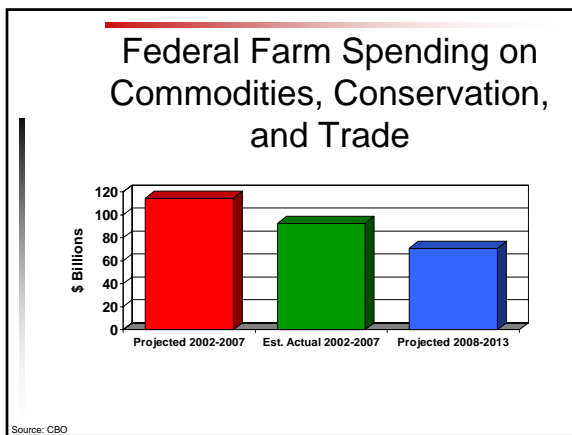
The Setting for the New Farm Bill

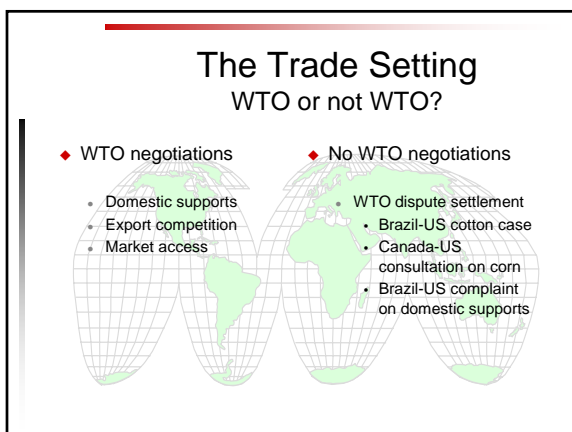
- ◆ The Economic Setting
- ◆ The Budget Setting
- ◆ The Trade Setting
- ◆ The Political Setting












The Political Setting


- ◆ More players at the table
 - Conservation interests want a larger share of money
 - Nutrition and food assistance are key to the Farm Bill coalition
 - Rural development and energy are looking for funding



The 2007 Farm Bill

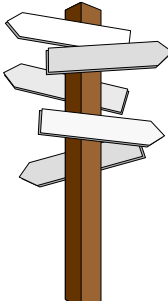
"Farm Nutrition, and Bioenergy Act of 2007?"
"Food and Energy Security Act of 2007?"
"Heartland, Habitat, Harvest, and Horticulture Act of 2007?"

- ◆ Formal titles in 2002
 - Commodity Programs
 - Conservation
 - Trade
 - Nutrition Programs
 - Credit
 - Rural Development
 - Research and Related Matters
 - Forestry
 - Energy
 - Miscellaneous
- ◆ Additional titles and issues under debate
 - Horticulture and Organic Agriculture
 - Livestock
 - Competition
 - Crop insurance
 - Taxes
 - Agricultural labor



Farm Bill Issues

- ◆ Price safety net or revenue safety net?
- ◆ Payments for production or payments for farms?
- ◆ Commodity programs or green programs?



2007 Farm Bill



Commodity Program Safety Net

Existing Commodity Program Safety Net

- ◆ Three-part safety net
 - Marketing loans and loan deficiency payments
 - Income support tied to price and production
 - Counter-cyclical payments
 - Income support tied to price and historic production base
 - Direct payment
 - Fixed payment tied to legislated rate and historic production base

Existing Commodity Program Mechanics

- ◆ Marketing Loans and Loan Deficiency Payments (LDPs)
 - $LDP\ Rate = Loan\ Rate - Posted\ County\ Price$
 - Marketing Loan
 - Repayable at lower of Loan Rate plus interest or Posted County Price to realize Marketing Loan Gain (MLG)
 - Repayable with generic certificates
 - Repayable with forfeiture of commodity to government
 - LDPs and MLGs subject to \$75,000 limit (certificates and forfeitures not limited)
- ◆ Direct Payment (DP)
 - $Farm\ DP = DP\ Rate * Farm\ Base\ Acres * Farm\ DP\ Yield * 85\%$
 - DPs subject to \$40,000 limit
- ◆ Counter-Cyclical Payment (CCP)
 - $CCP\ Rate = Target\ Price - Direct\ Payment\ Rate - Max\ (Loan\ Rate, Market\ Price)$
 - $Farm\ CCP = CCP\ Rate * Farm\ Base\ Acres * Farm\ CCP\ Yield * 85\%$
 - CCPs subject to \$65,000 limit

Commodity Program Rates
Current and Proposed Loan Rates

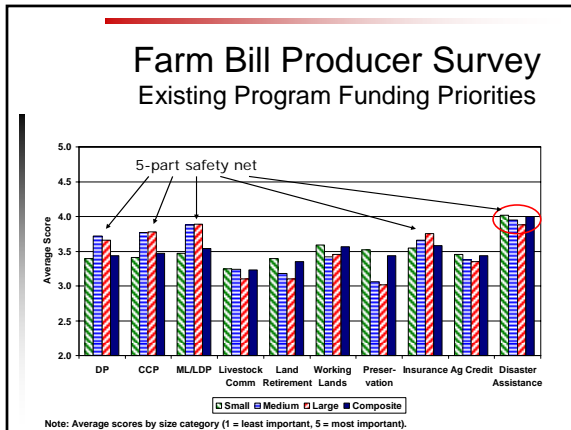
Commodity	Current Law	House Proposal	Senate Proposal
Wheat (bu)	\$2.75	\$2.94	\$2.94
Corn (bu)	\$1.95	\$1.95	\$1.95
Sorghum (bu)	\$1.95	\$1.95	\$1.95
Malt Barley (bu)	\$1.85	\$2.50	\$1.95
Feed Barley (bu)	\$1.85	\$1.90	\$1.95
Oats (bu)	\$1.33	\$1.46	\$1.39
Upland cotton (lb)	\$0.5200	\$0.5200	\$0.5200
Rice (cwt)	\$6.50	\$6.50	\$6.50
Soybeans (bu)	\$5.00	\$5.00	\$5.00
Other oilseeds (lb)	\$0.0930	\$0.1070	\$0.1009
Dry peas (cwt)	\$6.22	5.40	5.40
Lentils (cwt)	\$11.72	\$11.28	\$11.28
Small chickpeas (cwt)	\$7.43	\$8.54	\$7.43
Large chickpeas (cwt)	-	-	\$11.28
Peanuts (ton)	\$355.00	\$355.00	\$355.00

Commodity Program Rates
Current and Proposed Direct Payment Rates

Commodity	Current Law	House Proposal	Senate Proposal
Wheat (bu)	\$0.52	\$0.52	\$0.52
Corn (bu)	\$0.28	\$0.28	\$0.28
Sorghum (bu)	\$0.35	\$0.35	\$0.35
Malt Barley (bu)	\$0.24	\$0.24	\$0.24
Feed Barley (bu)	\$0.24	\$0.24	\$0.24
Oats (bu)	\$0.024	\$0.024	\$0.024
Upland cotton (lb)	\$0.0667	\$0.0667	\$0.0667
Rice (cwt)	\$2.35	\$2.35	\$2.35
Soybeans (bu)	\$0.44	\$0.44	\$0.44
Other oilseeds (lb)	\$0.0080	\$0.0080	\$0.0080
Peanuts (ton)	\$36.00	\$36.00	\$36.00
Dry peas (cwt)	-	-	-
Lentils (cwt)	-	-	-
Small chickpeas (cwt)	-	-	-
Large chickpeas (cwt)	-	-	-

Commodity Program Rates
Current and Proposed Target Prices

Commodity	Current Law	House Proposal	Senate Proposal
Wheat (bu)	\$3.86	\$4.15	\$4.20
Corn (bu)	\$2.63	\$2.63	\$2.63
Sorghum (bu)	\$2.57	\$2.63	\$2.63
Malt Barley (bu)	\$2.21	\$2.73	\$2.63
Feed Barley (bu)	\$2.21	\$2.73	\$2.63
Oats (bu)	\$1.40	\$1.50	\$1.83
Upland cotton (lb)	\$0.7240	\$0.70	\$0.7225
Rice (cwt)	\$10.50	\$10.50	\$10.50
Soybeans (bu)	\$5.80	\$6.10	\$6.00
Other oilseeds (lb)	\$0.1050	\$0.1150	\$12.74
Peanuts (ton)	\$495.00	\$495.00	\$495.00
Dry peas (cwt)	-	-	\$8.33
Lentils (cwt)	-	-	\$12.82
Small chickpeas (cwt)	-	-	\$10.36
Large chickpeas (cwt)	-	-	\$12.82



- ### House Farm Bill Commodity Program Options
- ◆ Marketing loans and LDPs – no limit
 - ◆ Direct payments - \$60,000 limit
- and
- ◆ Price Counter-Cyclical Payment (PCCP) - \$65,000 limit
 - $PCCP\ Rate = Target\ Price - Direct\ Payment\ Rate - Max(Loan\ Rate, Market\ Price)$
 - $Farm\ PCCP = PCCP\ Rate * Farm\ Base\ Acres * Farm\ CCP\ Yield * 85\%$
- or
- ◆ Revenue Counter-Cyclical Payment (RCCP) - \$65,000 limit
 - $National\ RCCP\ Rate = (Target\ Revenue - (National\ Average\ Yield * Max(Loan\ Rate, Market\ Price))) / National\ Payment\ Yield$
 - $Farm\ RCCP = National\ RCCP\ Rate * Farm\ Base\ Acres * Farm\ CCP\ Yield * 85\%$

House Farm Bill RCCP Rates

Commodity	Target Revenue*	National Payment Yield**
Wheat (bu)	\$149.92	36.1
Corn (bu)	\$344.12	114.4
Sorghum (bu)	\$131.28	58.2
Barley (bu)	\$153.30	48.6
Oats (bu)	\$92.10	49.8
Upland cotton (lb)	\$496.93	634
Rice (cwt)	\$548.06	51.28
Soybeans (bu)	\$231.87	34.1
Other oilseeds (lb)	\$129.18	1167.6
Peanuts (ton)	\$683.83	1.496

* Equivalent to 2002-2006 Olympic average national yield * (Target Price – Direct Payment Rate)
** Equivalent to national average counter-cyclical payment yield

Senate Farm Bill Commodity Program Options

- ◆ Existing Commodity Program Safety Net
 - Marketing loans and LDPs – no limit
 - Direct payments - \$40,000 limit
 - Counter-cyclical payments - \$60,000 limit
- or
- ◆ Average Crop Revenue Program
 - Available as a one-time option beginning in 2010 crop year
 - Replaces existing commodity program safety net with fixed payment and average crop revenue payment
 - Recourse loan program instead of non-recourse marketing loan program
 - Subject to \$65,000 limit

Senate Farm Bill Average Crop Revenue Program Mechanics

- ◆ Fixed Payment Component
 - Fixed Payment = $\$15 \times \text{Farm Base Acres} \times 85\%$
- ◆ Revenue Component
 - *ACRP Guarantee = $90\% \times \text{Expected State Yield per Planted Acre} \times 3\text{-Year Average Revenue Insurance Pre-Plant Price}$ (subject to 15% limit change up or down each year)*
 - *Farm ACRP Payment = $\text{State ACRP Guarantee} - (\text{State Average Yield per Planted Acre} \times \text{Revenue Insurance Harvest Price}) \times (\text{Farm Base Acres}) \times (\text{Farm APH} / \text{Expected State Yield}) \times 90\%$*

Senate Farm Bill Agricultural Disaster Assistance

- ◆ Supplemental Revenue Assistance Program
 - Whole-farm all-crop revenue program
 - Includes forages and grazing land
 - Availability
 - Primary and contiguous counties designated as disaster counties
 - Farms with greater than 50% losses due to weather
 - Crop insurance purchase required
 - Guarantee level a function of insurance protection level
- ◆ Other disaster assistance programs
 - Livestock indemnity program
 - Emergency assistance for livestock, honey bees, and farm-raised fish
 - Tree assistance program
 - Pest and disease management and disaster prevention
 - Supplemental buy-up noninsured assistance program

Senate Farm Bill Supplemental Revenue Assistance Program Mechanics

- ◆ Guarantee
 - *Insurable Commodity SRAP Guarantee = MAX (APH, 85% of 5-Year Olympic Average County Yield, CCP Yield) * Percent Crop Insurance Yield Guarantee * Percent Crop Insurance Price Guarantee * Crop Insurance Price * 115%*
 - *Noninsurable Commodity SRAP Guarantee = Weighted NAP Yield Guarantee * NAP Price * 115%*
- ◆ Expected Revenue
 - *Expected Revenue = SUM over all crops of [Expected Grazing Value + MAX (APH, 5-Year Olympic Average County Yield, CCP Yield) * Planted Acreage * Crop Insurance Price Guarantee] + (NAP Yield * NAP Price)]*

Senate Farm Bill Supplemental Revenue Assistance Program Mechanics (continued)

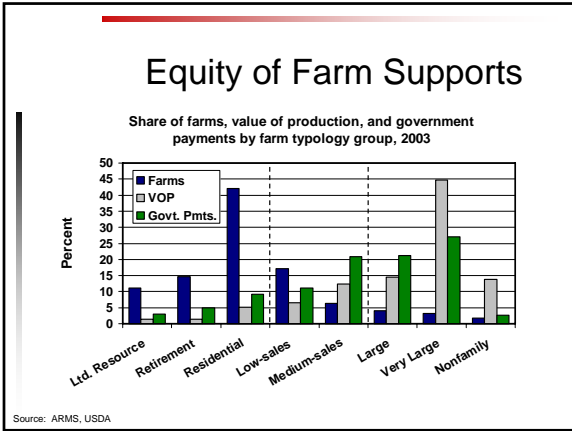
- ◆ Actual Revenue
 - *Farm Revenue = SUM over all crops of [Actual Crop Acreage Grazed or Harvested * Estimated Actual Yield * 5-Month County Average Market Price] + (20% * DP) + Crop Insurance Indemnity Payments + NAP Payments + Any Other Disaster Payments*
- ◆ Payment
 - *SRAP Payment = MAX [(SUM over all crops of SRAP Guarantees - Farm Revenue), (90% * Expected Revenue)]*

The Farm Income Safety Net "A Multiplicity of Confused Concepts"

Scope of Risk Protection	Farm Level		Area Level	National Level
Price	←		Hedging	→
			ML/LDP	PCCP
Revenue	RA/IP DP	AGR SRAP	GRIP ACRP	RCCP
	RA-HPO/CRC			
Production	CAT	APH	CDP	→
			GRP	

2007 Farm Bill

Payment Limits



Commodity Program Payment Limits

<ul style="list-style-type: none"> ◆ House Farm Bill <ul style="list-style-type: none"> • Direct attribution of payments <ul style="list-style-type: none"> • Eliminates the 3-entity rule • Spouse eligible for second limit • Marketing loan <ul style="list-style-type: none"> • Eliminates certificates • Eliminates limit on MLG/LDP • Direct payments <ul style="list-style-type: none"> • Raises limit from \$40,000 to \$60,000 • Counter-cyclical payments <ul style="list-style-type: none"> • Maintains limit at \$65,000 	<ul style="list-style-type: none"> ◆ Senate Farm Bill <ul style="list-style-type: none"> • Direct attribution of payments <ul style="list-style-type: none"> • Eliminates the 3-entity rule • Spouse eligible for second limit? • Marketing loan <ul style="list-style-type: none"> • Eliminates certificates • Eliminates limit on MLG/LDP • Direct payments <ul style="list-style-type: none"> • Maintains limit at \$40,000 • Counter-cyclical payments <ul style="list-style-type: none"> • Reduces limit to \$60,000 • Average crop revenue payments <ul style="list-style-type: none"> • Set at \$60,000
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Farm Program Adjusted Gross Income Eligibility Cap

- ◆ House Farm Bill
 - \$1 million cap with no exception
 - \$500 thousand cap unless at least 2/3 from ag
- ◆ Senate Farm Bill
 - Commodity programs
 - \$2.5 million cap unless at least 3/4 from ag for 2008 maintained
 - \$1 million cap unless at least 2/3 from ag for 2009
 - \$750 thousand cap unless at least 2/3 from ag beginning 2010
 - Conservation programs
 - \$2.5 million cap unless at least 2/3 from ag


2007 Farm Bill

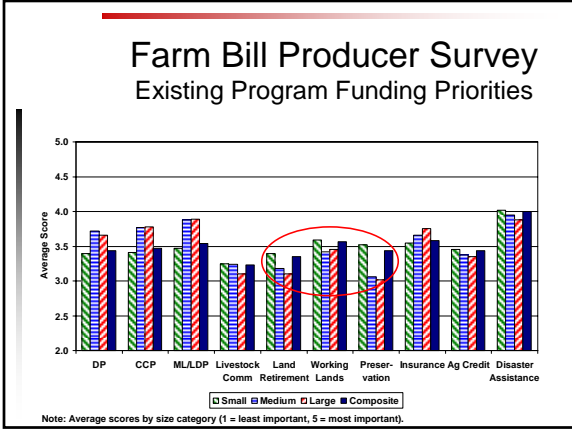
Green Programs

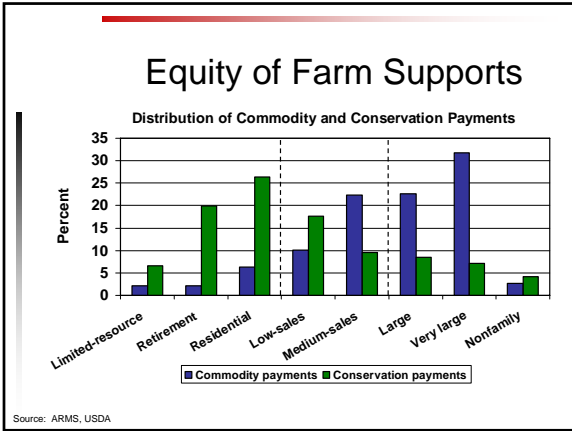


Conservation Programs

- ◆ Working lands programs
 - CSP
 - EQIP
- ◆ Retirement programs
 - CRP
 - WRP
- ◆ Preservation programs
 - FRPP
 - GRP

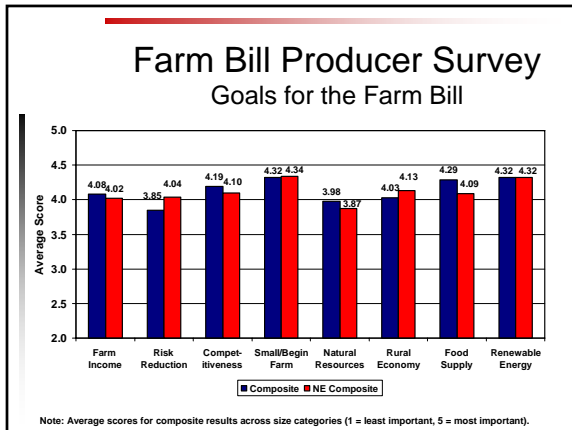


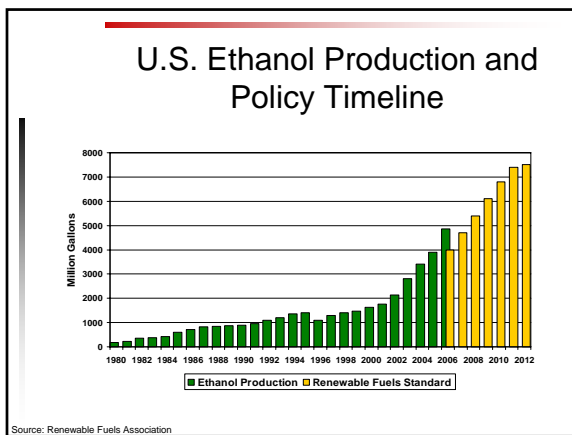




Conservation Programs Selected Provisions

<ul style="list-style-type: none"> ◆ House Farm Bill <ul style="list-style-type: none"> • CRP – maintains 39.2 million acres enrollment cap • WRP – reestablishes spending authority with small decrease in enrollment cap to 3.605 million acres • CSP – program modified and funding tabled until FY2010 • EQIP – funding increased to \$2 billion per year by FY2012 	<ul style="list-style-type: none"> ◆ Senate Farm Bill <ul style="list-style-type: none"> • CRP – maintains 39.2 million acres enrollment cap • WRP – authorizes new enrollment of 250 thousand acres per year (implies approximate 3.35 million acre cap through FY2012) • Comprehensive Stewardship Incentives Program <ul style="list-style-type: none"> • Combines CSP and EQIP • Expands CSP by 79.6 million acres by FY2012 • Maintains EQIP funding at \$1.3 billion per year
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Questions? ... Answers?

And More Opportunities

- ◆ **Cornhusker Economics Management and Outlook Conference**
 - 2008 Agricultural Outlook – livestock, grain, land, policy, and rural economic outlook
 - 2007 Farm Bill: Decisions and Opportunities – commodity programs, livestock regulations, rural development programs, and conservation programs
 - Locations
 - January 28 – Sidney
 - January 29 – Cozad
 - January 30 – Norfolk
 - January 31 – Syracuse
 - February 1 – Geneva
 - Information at www.agecon.unl.edu/resource/cemoc.html
