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The evolution of the U.S. farm bill

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ABSTRACT

The enabling of a US Farm Bill affects not only American farmers, but producers and consumers across the world. The passage of the current farm bill has been marked by unusually contentious political infighting resulting in significant delay and, at the time of writing, uncertainty about the outcome. The author predicts 'stark changes' for US producers, with a drastically reduced safety net should market prices fall.

KEYWORDS: US Farm Bill; agricultural policy; commodity program; safety net

In the U.S., the Congress establishes agricultural and food policy in an omnibus farm bill. The current farm bill was passed in 2008 and was scheduled to end in 2012. When the Congress failed to pass a new comprehensive bill, the 2012 Farm Bill was extended one year. Over time, farm bills have had differing lengths but in recent years have generally been for five years. While called a farm bill, the legislation spans all facets of agriculture from commodity programs that support farmers to forestry, credit provisions, renewable energy, crop insurance to the largest component in terms of outlays - nutrition programs to help those who would otherwise do without. The components of the bill are arranged in titles much like we refer to chapters of a book.

One of the nuances of any farm bill is the amount of money available to be spent on the next bill is determined by how much would have been spent if the expiring bill were continued. Table 1 presents the current policy (2008 Farm Bill) baseline for the 2014 to 2023 period. Roughly 80 percent of expenditures are for nutrition programs. What is striking about this table is there are 15 titles in the 2008 Farm Bill but the amounts are significant for only four (Nutrition, Commodity Programs, Conservation, and Crop Insurance). Annual commodity program expenditures include the \$5 billion³ per year decoupled direct payments that farmers receive regardless of prices or whether they produced anything and a small amount (<\$1 billion) of support based on expected low prices for a few crops (peanuts and rice). To provide some perspective on the relative size of the commodity program expenditures, the U.S. routinely spent around \$10 to 12 billion per year over the past two decades with a high of nearly \$30 billion per year during the farm crisis of the 1980s.

U.S. Farm Bill Development

The process of developing a farm bill in the U.S. starts roughly 2 years before the current bill is to expire. The House and Senate hold hearings in key agricultural

regions and in Washington D.C. designed to solicit suggestions for improvements. For example, the House of Representatives conducted over 30 hearings in which farmers, commodity groups, agribusiness groups, lenders, academics and others were called upon to provide their perspective and suggestions for needed adjustments in U.S. agricultural policy.

The process is supposed to end with the House and Senate each passing a farm bill that would then be conferenced by a small group of members from each Chamber. The resulting bill would be presented to members of each Chamber for a yes or no vote without amendment. If it passes each Chamber then it is sent to the President to be signed into law. The current process has been anything but routine. For the first time in the 80 year history of omnibus farm bills, the group of legislators who initially brought up the bill (112th Congress) failed to pass a bill they brought up and left it for the current (113th Congress). In addition, the House recently passed a version without the Nutrition title while the Senate has passed a version with all the normal titles.

Factors Contributing to the Delay in Farm Bill Passage

There isn't one factor that can be attributed to the lack of a farm bill. The following are a few of the widely cited reasons for the delay:

- Perception among many in Congress that recent high prices for *some* commodities has lessened the need for a farmer safety net. This is especially important considering deficit reduction efforts that began in 2012 championed primarily by the Republican party.
- Moderates of both parties have lost in recent elections. The influence of the extreme right of the Republican party and extreme left of Democratic party has made compromise almost impossible. As an example, many new Republican members of the House voted against the House Bill because it was

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² This paper appeared in an earlier form to support a keynote address to the 19th International Farm Management Congress in Warsaw, Poland, July 2013.

³ In early September 2013, SUS 1bn was approximately equivalent to £642m and €759m (www.xe.com)

Table 1: Mandatory Spending Baseline for the 2008 Farm Bill Programs and Provisions, by Title, (\$USm), Fiscal Years 2014-23

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
I Commodity Programs (CCC)	5,898	6,750	7,141	6,557	6,325	6,306	6,300	6,343	6,298	6,366
II Conservation	5,568	5,564	5,843	6,086	6,427	6,690	7,033	6,810	6,838	7,098
III Trade (CCC)	344	344	344	344	344	344	344	344	344	344
IV Nutrition	79,672	79,091	79,106	77,816	76,368	75,125	74,124	73,384	72,928	72,928
V Credit	-100	-169	-174	-181	-187	-194	-201	-208	-216	-220
VI Rural Development	10	3	0	0	0	0	0	0	0	0
VII Research and Related Matters	93	18	0	0	0	0	0	0	0	0
VIII Forestry	2	1	0	0	0	0	0	0	0	0
IX Energy	8	5	21	23	27	27	30	32	35	35
X Horticulture and Organic Agriculture	116	105	105	105	105	105	105	105	105	105
XI Livestock	0	0	0	0	0	0	0	0	0	0
XII Crop Insurance and Disaster Assistance	6,955	8,279	8,216	8,274	8,383	8,540	8,781	8,931	9,052	9,165
XIII Commodity Futures	0	0	0	0	0	0	0	0	0	0
XIV Miscellaneous 6/	0	0	0	0	0	0	0	0	0	0
XV Trade and Tax Provisions	---	---	---	---	---	---	---	---	---	---

projected to only save \$30 Billion over 10 years—they wanted more cuts.

- Lack of agreement/backstabbing among commodity groups regarding commodity program. Generally the groups come together to coalesce around a single plan. That has not happened.
- Small, generally conservative interest groups have attacked the farm bill by threatening to provide a poor effectiveness rating to any members voting for the bill.

What are the differences in the Senate and House Commodity Provisions?

The bills are very similar except for some key elements of commodity programs. The Senate bill puts all crops other than cotton in the Agriculture Risk Coverage (ARC) program. ARC is a shallow loss type of safety net program that provides a small amount of a producer's historical revenue in the event of a loss. Coverage is up to a maximum of 10% of a producer's 5 year Olympic average of revenues for the crop. Adverse Market Payments (AMP) are also provided which are intended to protect farmers if prices fall below 55% of the 5 year Olympic average of market prices.

The House of Representatives also contains a shallow-loss program (Revenue Loss Coverage - RLC) and a deeper price loss coverage (PLC) program similar to the AMP program in the Senate but the PLC program has higher price triggers.

In general, the Senate has made the ARC program the better option for producers while the PLC option provides the most complete support in the House version. Both shift commodity program funding to a

new supplemental coverage option (SCO). This is an area-wide insurance program is available for purchase to cover shallow losses on top of current buy-up insurance.

The reality is there will be stark changes for U.S. producers to deal with in the next farm bill because the decoupled direct payment totalling \$5 billion per year is eliminated in both the House and Senate farm bills. The direct payment provided U.S. producers a certain amount of money each year—guaranteed. But more importantly, lenders received the certainty of getting a large portion of the money they loan a producer back. The producer safety net without direct payments is significantly weakened. At current expected prices, the adjustments will be minimal. However, if prices were to fall to levels that some predict over the next few years U.S. producer will have much less of a government safety net than before.

About the author

Dr Joe Outlaw is a Professor and Extension Economist in the Department of Agricultural Economics at Texas A&M University. He also serves as the Co-Director of the Agricultural and Food Policy Center (AFPC) at Texas A&M University. In this role, Dr. Outlaw frequently interacts with members of Congress and key agricultural committee staff to provide feedback on the likely consequences of agricultural policy changes. He has received numerous awards in excellence for his agricultural policy education efforts to help U.S. farmers with farm program sign-up decisions. Dr. Outlaw is a native of Devine, Texas and received his BS, MS and PhD at Texas A&M University.