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An Overview of the U.S. Agricultural Economy and the 2008 Farm Bill

Joy Harwood

The 2008 farm bill involved 16 months of debate. The end product is similar to the 2002 farm bill in the crops arena, continuing counter-cyclical payments, direct payments, and marketing assistance loans. In addition, however, the 2008 bill adds a new, optional counter-cyclical revenue program (Average Crop Revenue Election, or ACRE), authorizes a new permanent disaster program, and contains various other changes. The new ACRE program provides an entirely new set of dimensions for producers to consider in deciding whether to opt into the program, including the multi-year trade-off between the loss of potential “traditional” payments and the revenue protection provided by ACRE, as well as the producer’s own expectations about yield and price trends and variability. The payment calculation associated with the new permanent disaster program appears at first glance to be relatively simple, although the whole-farm nature of the program and the number of variables makes it quite complex.

Key Words: farm bill, farm programs, ACRE, permanent disaster assistance, regulatory process

At the time of the farm bill passage, the year 2008 was shaping up to be a truly exceptional one for U.S. agriculture. According to U.S. Department of Agriculture (USDA) projections issued in summer 2008, net cash income was projected at \$101.3 billion, up nearly \$14 billion from 2007 and \$33 billion above the average over the 10 prior years. Record earnings for the farm sector were due to record prices for corn, soybeans, and wheat, and overall large crop production; large exports of corn and other feedgrains; and strong sales across the livestock sector, particularly for broilers, hogs, cattle, and eggs. Multiple factors created these strong prices and sales, including the weaker U.S. dollar and strong global growth, sustained high oil prices, strong demand from the domestic biofuels industry, increased financial in-

vestment in commodity markets, and expectations of ever-tighter corn and soybean markets. In short, farmers had substantial production to sell at high prices.

Agricultural exports in the summer of 2008 were expected to reach a record \$114 billion in fiscal 2008, eclipsing by far the old record of \$82 billion set in 2007. At the time, U.S. corn exports were expected to reach over \$13 billion, the result of a record 2007 U.S. corn crop, strong foreign demand, and reduced competition. Demand for soybeans, wheat, and other field crops likewise remained strong. Strong foreign demand was expected to boost horticultural exports to nearly \$21 billion, and livestock, poultry, and dairy exports were expected to increase to almost \$22 billion.

Ethanol use increased sharply, largely the result of high oil prices, a national mandate for increased biofuels use, and a 51-cent per gallon tax credit for blenders. Ethanol plant capacity had more than doubled in two years, and ethanol was projected to account for over 30 percent of total corn use in 2008/2009, compared to less than 20 percent just two years earlier.

The strong demand situation for corn and most other crops resulted in a tremendous increase in prices. USDA’s August 2008 *World Agricultural Supply and Demand Estimates* report contained a season average 2008/2009 corn price forecast of \$4.90–\$5.90 per bushel, exceeding the previous

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* Commodity and conservation programs implemented by the U.S. Department of Agriculture’s Farm Service Agency (FSA) are the focus of this paper.

year's record of \$4.25 (which had far surpassed the prior record of \$3.24 set in 1995/1996). For soybeans, the 2008/2009 projected price was \$11.50–\$13.00 per bushel, eclipsing the prior year's record of \$10.15 (and the previous record of \$7.83 in 1983/1984). For wheat, the season average price was projected to be \$6.50–\$8.00 per bushel, compared to the prior year's record of \$6.48 (and the previous record of \$4.55 in 1995/1996).

While these extremely high prices resulted in record net returns for the crops sector, production expenses also increased at a strong pace. After a projected increase of nearly 9 percent in 2007, total production expenses as of mid-year were expected to rise another 15.9 percent in 2008 to a nominal record-high \$294.8 billion. The 2008 increase was expected to be the sixth straight gain since 2002, with expenses projected to constitute about three-quarters of gross farm income. Based on mid-2008 projections, over the last three years feed expenses were expected to rise 71 percent. Since 2002, fertilizer expenses were expected to rise 175 percent and seed expenses were expected to rise 72 percent.

Agricultural land prices increased rapidly in recent years, in response to improved levels of farm income, low interest rates, and strong demand for land from non-farm investors. These higher land values have been a mixed blessing, improving the balance sheet of farm owners, but also increasing the cost of starting or expanding a farm operation. Overall, both assets and debt were expected to reach record levels in 2008, with non real estate debt expanding faster than real estate debt given the strong demand for short-term financing for equipment and other production expenses.

Although records were set across the agricultural economy, the strengthening of input costs, as well as considerable market volatility, created stress points—such as for those renting land and livestock producers who paid high grain and protein meal prices—and overall uncertainty. Average returns to cattle feeders were in the red from June 2007 to the summer of 2008. For hogs, losses were realized each month from October 2007 through April 2008.

In addition, there were questions during the farm bill debate as to the longevity of high commodity prices in the grains sector. In 1974, large Russian grain purchases surprised the market and

caused prices to escalate rapidly—and then drop just as quickly. For example, in October 1974, corn prices peaked at \$3.45 per bushel, but dropped to \$2.67 by March of 1975. Similarly, strong Asian demand caused the monthly corn price to reach \$4.43 in July 1996. The onset of the Asian financial crisis shortly thereafter, however, resulted in a monthly price of \$2.66 by November—only 4 months later. And, in late calendar 2008, cash elevator bids had dropped to less than \$3.00 per bushel for corn, less than \$8.00 for soybeans, and around \$4.50 for all wheat.

On the other hand, a longer-term view indicates that nominal prices have also tended toward plateaus. Looking back through history, season average corn prices, for example, averaged \$0.99 between 1908 and 1972. Between 1973 (the year of large Russian purchases) and 2005 (just prior to the recent escalation), season average corn prices averaged \$2.33. Two questions arise: Will prices plateau at a new level for most agricultural commodities, or will they fall to historical nominal levels? If commodity prices fall and input costs (for fertilizer, fuel, etc.) remain at high levels, what does this mean for net returns and the viability of small- to medium-sized farms, in particular?

The Legislative Process for the 2008 Farm Bill

The 2008 farm bill (officially, the Food, Conservation, and Energy Act of 2008, or P.L. 110-246) was developed in this environment of high commodity prices, but also with the inherent uncertainties associated with price volatility and the expectation of continued high input costs. The legislative process was longer than many expected, totaling 16 months. The House of Representatives and the Senate passed their versions of the farm bill on July 27, 2007, and December 14, 2007, respectively. Conference was not completed and the bill enacted until June 18, 2008.

Many had expected a 2007 farm bill—not one enacted well into 2008. Competing demands for money, new players involved in key roles,¹ and a new budget process all created a difficult mix of interests. In particular, new rules made financing any increases in program benefits very difficult from a legislative perspective. These rules man-

¹ As of January 1, 2007, the majority party in the House had not been in power for 12 years, and the Senate had a bare majority in one party.

dated that any new costs be offset by reductions in other programs or increases in revenues.² It took 16 months to agree on how much money was available for farm bill spending.

The 2008 farm bill contains 1,100 pages (672 pages of statutory language and 428 pages of report language) and 15 titles. As such, it is significantly larger than any prior farm bill passed by Congress and has, for example, 60 percent more pages in total and nearly 50 percent more provisions than the 2002 farm bill. Although some of the extra heft is due to Small Business Administration and tax provisions added by the revenue committees, there is no question that farm bills have increased in size and complexity over time.

The Congressional Budget Office (CBO), which provides the government's official cost estimates for legislation passed by Congress, projected that the 2008 farm bill conference report would result in \$605 billion³ in outlays over 2008–2017 (relative to CBO's March 2007 baseline). The farm bill spends a relatively smaller share of the total pie on commodity programs than under the 2002 farm bill, due in large part to the expectation during the time of the farm bill debate of higher commodity prices than in the past. Overall, 74 percent of the \$605 billion was expected to be spent on nutrition programs, 10 percent on crop insurance, 9 percent on commodity programs, 8 percent on conservation programs, and 4 percent on other programs.

Key Commodity Program Provisions

Despite the length of time in process, the 2008 farm bill has many similarities with the 2002 farm bill regarding commodity program provisions. The 2008 farm bill continues counter-cyclical payments (CCPs), direct payments (DPs), and marketing assistance loans.⁴ Although the design of

these three programs remains the same, program parameters in many cases have changed. Target prices (used in the calculation of CCPs) are increased for 6 out of 10 crops starting in 2010, and pulses are added as CCP commodities in 2009. Loan rates (central to the calculation of marketing loan benefits) are increased for 6 of 18 crops in 2010, plus large chickpeas are eligible for loans starting in 2009. In addition, the new farm bill adds a new, optional counter-cyclical revenue program [the Average Crop Revenue Election (ACRE) program], modifies the dairy and sugar programs, continues the peanut program, authorizes a new permanent disaster program, and contains various other changes.

The New ACRE Program

The new ACRE program is one of the most significant changes in Title I (which covers commodity program provisions) and is based on the notion of providing revenue protection (rather than protection based solely on the level of market prices). ACRE starts in 2009 as an alternative to receiving counter-cyclical payments, but enrolling requires a 20 percent reduction in direct payments and a 30 percent reduction in the loan rate. All covered commodities and peanuts are eligible for the 2009–2012 crop years. The ACRE election decision is irrevocable (once a farm opts in, that farm is in the program through the 2012 crop year).

This program is different from historical commodity programs because it's revenue-based, not price-based. The state revenue guarantee is based on 90 percent of a state's 5-year Olympic average planted yield [based on USDA's National Agricultural Statistics Service (NASS) data] multiplied by the 2-year national average price (see Figure 1). The state-level trigger is met when 90 percent of the state guarantee exceeds actual state revenue. The state-level guarantee cannot vary by more than 10 percent from the preceding year. Similar in concept to the state-level guarantee, the farm-level guarantee is based on the 5-year Olympic average yield per planted acre on the farm multiplied by the NASS national average price, plus the producer-paid crop insurance premium. The farm-level trigger is met when the farm-level guarantee exceeds actual farm revenue.

Receiving a payment requires that both the state-level and farm-level triggers are met. Pay-

² Any increases in revenues had to be initiated and approved by the House Ways and Means Committee and the Senate Finance Committee.

³ The \$605 billion excludes \$167 billion in spending for child nutrition programs; it is excluded due to categorization by CBO based on Congressional jurisdiction.

⁴ Direct payments are based on historical acreage and yields and fixed payment rates, and do not vary by year or depend on market conditions. Counter-cyclical payments, in contrast, are based on historical plantings and yields, but the payment rate depends on year-specific market prices. Marketing assistance loans provide short-term financing for producers and have the potential to result in marketing loan benefits, which are based on current production and year-specific prices.

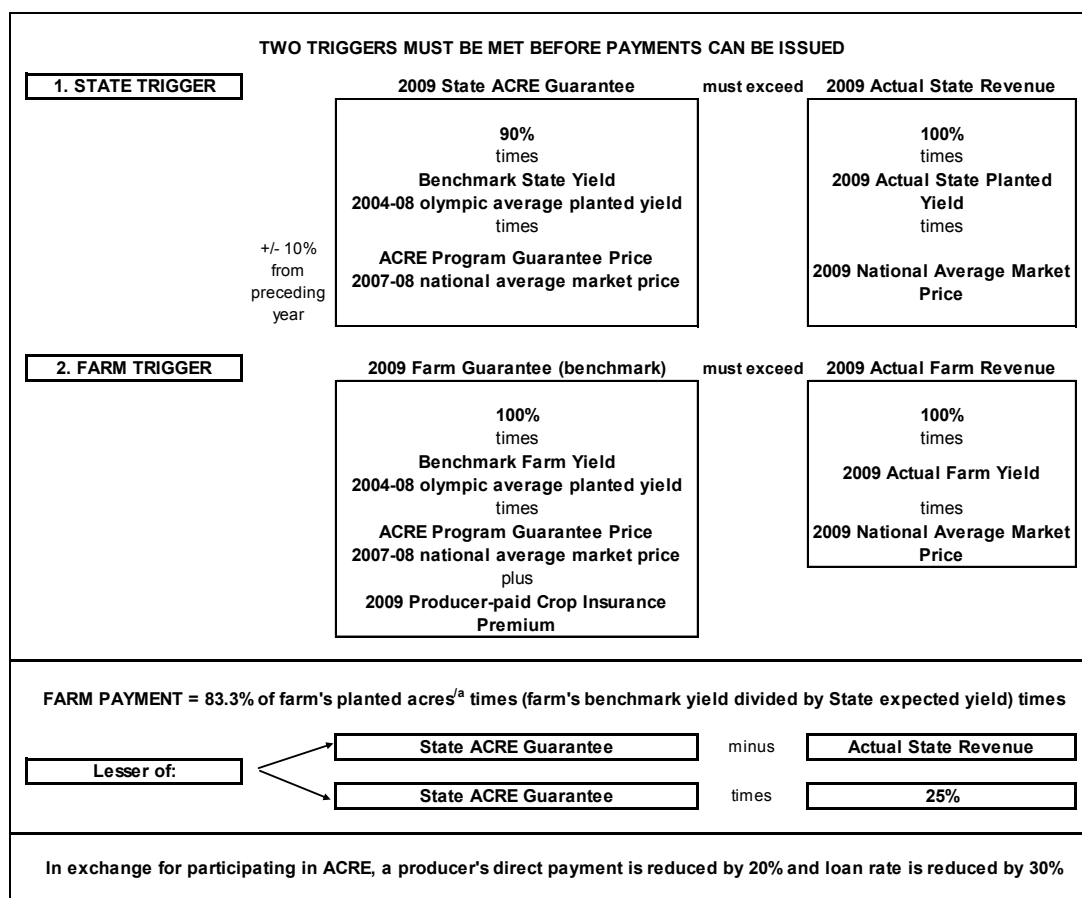


Figure 1. Average Crop Revenue Election for the 2009 Crop

^a The total number of planted acres for which a producer may receive ACRE payments may not exceed the total base acres for the farm. If the total number of planted acres exceeds the total base on the farm, the producers may elect which planted acres to enroll in ACRE.

Notes: Payments issued at end of marketing year (no advance payments). This figure is intended for educational use, solely to provide information and not forecasts of future outcomes.

ments are based on the difference between the actual state revenue (USDA's NASS state average yield × NASS national average market price) for the current year and the state ACRE guarantee. The payment rate cannot exceed 25 percent of the guarantee. A producer receives payments on 83.3 percent (85 percent in 2012) of acres planted to an eligible crop, not to exceed the total base acres on the farm.

The ACRE program provides an entirely new set of dimensions for producers to consider in deciding whether to opt into the program or to stay with the "traditional" CCP approach. When deciding on ACRE participation, a producer must assess, among other considerations, the multi-

year trade-off between the loss of potential CCPs and the reduction in direct payments and possible marketing loan benefits, and the revenue protection provided by ACRE and the producer's own expectations on yield and price trends and variability. ACRE provides the most attractive option if a farmer expects a significant decline in the season average price compared to the guarantee price and/or considerable state-level yield variability; has farm yields that strongly correlate with state yields; and is a wheat, feed grain, or soybean producer (with a relatively low fixed direct payment relative to cotton or rice).

Table 1 illustrates how ACRE, in practice, might operate. This table contrasts two years us-

Table 1. An ACRE Example for Iowa Corn (assumes the farm-level trigger has been met)^a

	2009	2012
STATE REVENUE GUARANTEE		
2-year national average price/bushel × 5-year Olympic average state yield	\$4.88 168.1 bu/acre	\$3.00 174.0 bu/acres
0.90 × state revenue guarantee =	\$738.30/acre	\$538.22/acre ^b
ACTUAL STATE REVENUE		
national average price × actual state yield = actual state revenue	\$4.04 171.4 bu/acre \$692.46	\$2.75 177.5 bu/acre \$488.12
State payment rate (\$738.30 – \$692.46)	\$45.84	\$50.10
FARM PAYMENT AMOUNT		
	\$45.84 × 83.3 × 0.95	\$50.10 × 85 × 0.95
State payment rate × 83.3 (or 85, depending on the year) × farm/state yield ratio	\$3,627.55	\$4,045.58

^a Calculations assume a 100-acre farm, Iowa production data, and hypothetical prices. The farm/state yield ratio is assumed to be 0.95.

^b The revenue guarantee would be $\$3 \times 174 \times 0.9 = \469.80 if not for the 10-percent change limit per year.

ing yield parameters for Iowa corn and makes the assumption that the farm-level loss trigger has been met. In 2009, the 2-year national average price is assumed high, at \$4.88 per bushel, but the season average price for that year is assumed to drop to \$4.04. Assuming that the farm-level trigger is met, that the farmer planted 100 acres to corn, and that the farm's historical yield per acre and the state's historical yield are identical, the payment rate is \$45.84 and the farm payment amount is over \$3,600.

The last column illustrates a situation a few years later, where the price has dropped in each of the intervening years. The 2-year season average price is now \$3 per bushel, but because the state-level revenue guarantee has a 10-percent year-to-year change limit, the state revenue guarantee has dropped from \$738 to just over \$538 per acre. In the absence of the 10-percent maximum annual adjustment, the guarantee without that limit in place would be \$470 and no payment would have been triggered. With the limitation on the annual adjustment in the guarantee, however, the ACRE payment rate is \$50.10, and the farm payment amount is over \$4,000—more than realized in the 2009 example. In a declining market, the 10-percent limit provides, in effect, a higher

average price/bushel guarantee—in this case, \$3.44, not \$3.00.

When moving toward implementation, there are a number of complications that USDA's Farm Service Agency (FSA) is currently working through. For example, using NASS yield data sounds easy, and for the most part it is, but NASS does not collect state-level data in areas where production of a crop is minimal—such as rice in Florida. In such cases, estimates must be derived from a combination of FSA data and NASS-collected data from “similar” states. A similar issue arises for states where a substantial portion of acreage is irrigated. In addition, FSA has not collected planted yield and crop insurance premium data by farm in the past, which is essential for calculating the farm-level benchmark revenue and the productivity ratio included in calculating the payment amount.

Dairy and Other Commodity Provisions

The Milk Income Loss Contract (MILC) program is similar in concept to the counter-cyclical payment program for crops. Payments are calculated on a monthly basis and are based on a percentage of the difference between \$16.94 per cwt and the

Boston Class I milk price. Under the 2008 farm bill, the percentage of the payment rate (the difference between \$16.94 and the Boston Class I price) increases from 34 percent to 45 percent from October 1, 2008, through August 31, 2012, as does the per-operation poundage limit.⁵ In addition, a “feed cost adjuster” is introduced, which adjusts the \$16.94/cwt target upward depending on ration costs relative to a \$7.35 trigger.⁶

Table 2 shows the calculation of the adjusted MILC target, in a comparison with the Boston Class I price, for March through June of 2008. As is illustrated, the ration cost is based on a composite of corn, soybean, and hay prices relative to \$7.35 per cwt. While the adjusted target is very close to the Boston Class I price in May, it did not trigger payments during this period. The most recent MILC payments were for production in early 2007; no payments occurred in calendar 2008.

Although there are many other key commodity elements, two more are of interest here. The 2008 farm bill eliminates the 3-entity rule and mandates direct attribution with regard to payment limits. This means that FSA must now track payments to individuals, even though those payments can still be allocated through corporations and other entities. Eliminating the 3-entity rule enables an individual to receive payments through an unlimited number of entities until the payment limit is reached.

The sugar program is also revised. The sugar loan rate is increased from 18 cents per pound for the 2008 crops to 18.75 cents per pound for the 2011 and 2012 crops. The Overall Allotment Quantity (the quantity of sugar that may be marketed by processors of sugar processed from domestically grown sugar beets and sugar cane) cannot be set at less than 85 percent of the estimated quantity of sugar for domestic human consumption for the crop year. In addition, the program includes a new “Feedstock Flexibility” or “sugar-to-ethanol” program, which is designed to

remove excess sugar from the U.S. market and reduce the potential for forfeitures. Key questions include: How can this program best be implemented in future years given our current common market situation with Mexico? More generally, how incrementally should the entire sugar program be run in terms of managing surpluses or shortages?

Permanent Disaster Assistance

Title XII of the farm bill contains a Supplemental Agricultural Disaster Assistance Trust Fund to finance five programs that address agricultural disasters. The crop portion of this title is the Supplemental Revenue Assistance Program (SURE). To be eligible for SURE, producers must have federal crop insurance or Noninsured Crop Disaster Assistance Program (NAP) coverage and be located in a county included in the geographic area covered by a natural disaster declaration issued by the USDA Secretary. The Secretarial designation is not required if a farmer can prove a whole farm loss of more than 50 percent of normal.

The payment calculation appears relatively simple [$0.6 \times (\text{SURE guarantee} - \text{actual farm revenue})$], although a closer look (see Figure 2) indicates that the whole-farm nature of the program and the number of variables makes it quite complex. For example, there are six variables included in calculating the guarantee, and as many as eight in calculating actual farm revenue—just for one crop on the farm. Calculating actual farm revenue depends on knowing a portion of direct payments, marketing loan gains, loan deficiency payments, counter-cyclical payments, ACRE payments, crop insurance indemnities, and NAP payments for each crop. These payments, along with harvested production and the average farm price, are typically not known until well after a disaster has occurred.

An example for the 2009 crop year illustrates this timing issue. Any crop loss disaster affecting the 2009 corn, soybean, cotton, or rice crops would likely occur in the summer of 2009. Using corn and soybeans as an example, the season average price would not be available until October 2010 (generally, 13 months after the start of the crop year).⁷ October 2010 is also the earliest that CCP

⁵ The poundage limit is 2.4 million pounds per operation for FY 2008, increasing to 2.985 million pounds for each fiscal year 10/1/08 to 8/31/12, and declining to 2.4 million pounds on 9/1/12. The 2.4 million pound limit is the equivalent of approximately 120 cows; the 2.985 million pound limit is about 145 cows.

⁶ For the 1/1/08–8/31/12 period, the \$16.94 used to determine the payment amount is adjusted upward by 45 percent of the difference between the “National Average Dairy Feed Ration Cost” and \$7.35 per cwt. For 9/1/12 forward, the feed adjustment trigger is \$9.50 per cwt.

⁷ For rice, the reporting lag is the longest of any of the crops. The season average price for 2009 would not be known until January 2011.

Table 2. How Does the MILC Feed Cost Adjuster Work?

	March 2008	April 2008	May 2008	June 2008
FEED COMPONENT				
corn	\$4.70/bu	\$5.15	\$5.28	\$5.48
soybeans	\$11.50/bu	\$12.10	\$12.10	\$13.20
alfalfa hay	\$143/ton	\$157	\$177	\$172
ration cost ^a (\$/cwt)	\$8.74/cwt	\$9.51	\$10.05	\$10.28
$0.45 \times [(\% \text{ that ration cost exceeds } \$7.35) - 1]$	0.0854	0.1322	0.1653	0.1794
ADJUSTED TARGET	\$18.39/cwt (1.0854×16.94)	\$19.18	\$19.74	\$19.97
BOSTON CLASS I MILK PRICE	\$19.95/cwt	\$21.86	\$19.87	\$21.43

^a The feed cost ration is based on these allocations: corn, 51 percent; soybeans, 8 percent; and alfalfa hay, 41 percent.

and ACRE payments are available for these two crops. In practice, the fall of 2010 is likely the earliest date for which a preliminary SURE payment can be calculated for the 2009 crop year—more than a year after a disaster is likely to have occurred.

The supplemental disaster assistance program also contains provisions for livestock producers. These include the following: a Livestock Indemnity Program (payments are made at a rate of 75 percent of the market value of livestock lost to adverse weather, disease, wildfires); a Livestock Forage Program (which compensates livestock producers for grazing losses due to drought or fire at 60 percent of monthly feed costs for 1–3 months); an Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (which provides funds for losses due to disease, adverse weather, or other conditions); and a Tree Assistance Program (which provides assistance for losses greater than 15 percent, adjusted for normal mortality, in the form of 70 percent of replanting cost and 50 percent of the costs associated with salvage or seedlings to reestablish a stand).

Part of the rationale for a permanent disaster program was the elimination of ad hoc disaster assistance, which has been enacted for losses of one type or another since 1988. Changing parameters in ad hoc legislation made the implementation process different—and difficult—every year, and many thought that a permanent set of program parameters would both benefit producers and speed FSA implementation. However, many questions also surround this new program: Is it

really possible to eliminate ad hoc disaster assistance, given the lag in payment times for crops noted above and other factors? What is the impact on crop insurance participation? And, given that the payment rate is 60 percent of a gap based on including a multitude of farm program payments in the actual revenue calculation, would the resulting benefits to producers—often a year and a half after a disaster—provide significant financial assistance?

Conservation Provisions Managed by FSA

The 2008 farm bill continues authority for the Conservation Reserve Program (CRP), which is covered in Title II of the farm bill. The CRP is a voluntary program (originally authorized in the 1985 farm bill) that supports the implementation of long-term conservation measures designed to improve the quality of ground and surface waters, control soil erosion, and enhance wildlife habitat on environmentally sensitive land. One key aspect of the 2008 bill is the new 32 million acre cap on CRP enrolled acreage, down from the prior cap of 39.2 million acres (which had been in place since 2002). Currently, there are nearly 34 million acres enrolled in the program. This situation raises the question: What is the ideal level for CRP enrollment? If the goal is to be at 32 million acres by 2010, we have “room” for 1.5 million acres of new enrollment, given contract expirations in 2009. Then, the question arises: What is the best mix of general sign-up extensions and expanding continuous sign-up?

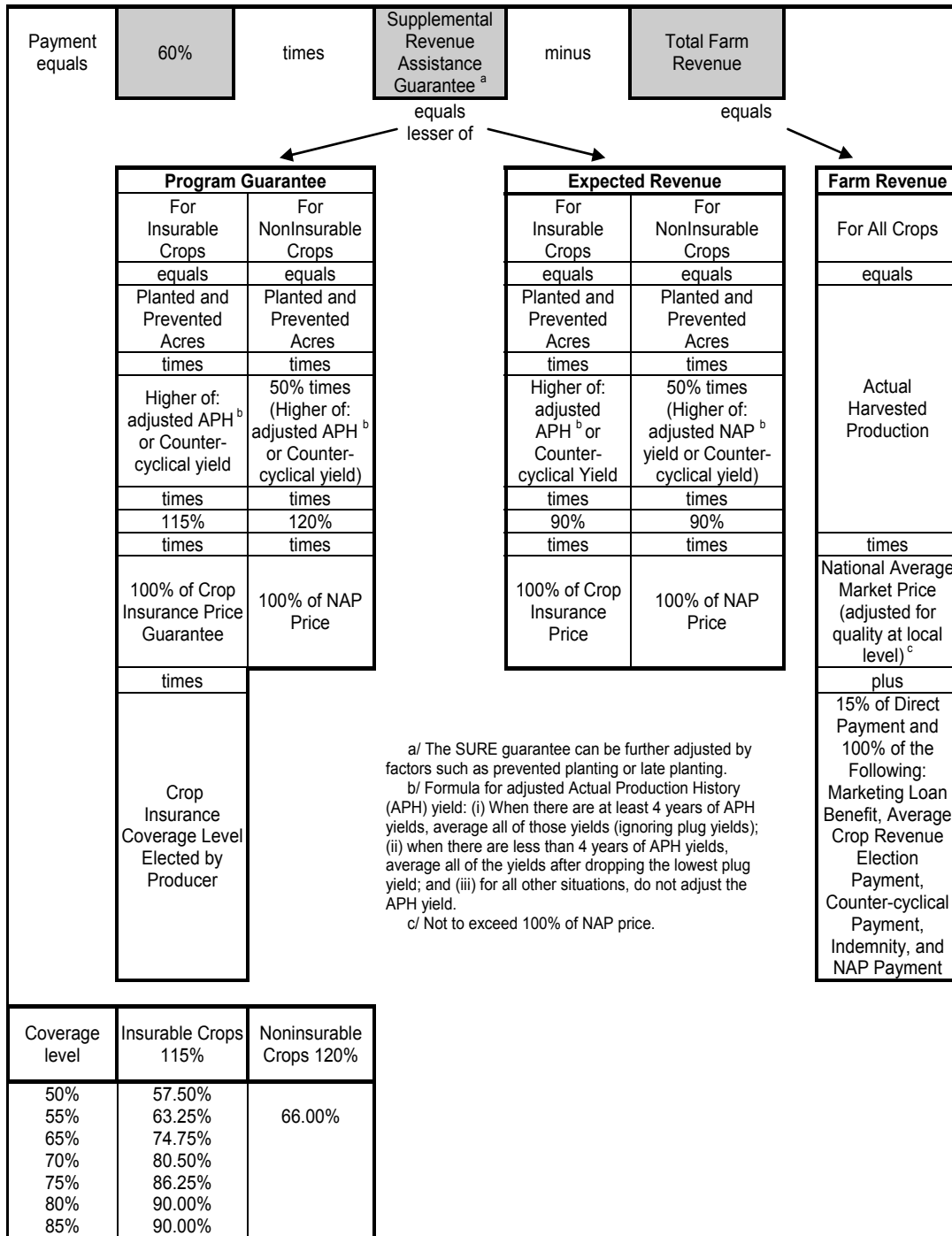


Figure 2. Supplemental Revenue Assistance Program (SURE)

Notes: This is intended for educational use, solely to provide information and not forecasts of future outcomes.

As presented, the SURE flowchart shows the SURE guarantee and total farm revenue for a single crop. The SURE guarantee and total farm revenue will actually be calculated on a whole farm basis by aggregating ALL of a producer's crop acreage that is planted or intended to be planted for harvest. Also, the presented SURE flowchart is only applicable to yield-based crops.

Title II also includes a new “transition incentives” program that facilitates transition of expiring CRP land into production by a beginning or socially disadvantaged farmer. This new program permits the beginning or socially disadvantaged farmer, in conjunction with the retiring contract holder, to make conservation and land improvements up to one year prior to the date of contract expiration. The holder of the expiring CRP contract is then eligible to receive annual CRP payments up to two years after the termination of the contract.

Under the 2008 farm bill, the Farmable Wetlands Program (FWP) is expanded to include constructed wetlands, commercially pond-raised aquaculture, and intermittently flooded lands. FWP is a relatively small program with fewer than 200,000 acres currently. Under the program, landowners enroll on a continuous sign-up basis in 10- to 15-year contracts to take eligible land out of agricultural production and restore the land’s hydrology and vegetation.

The Implementation Process

Many farm bill provisions allow for expedited rulemaking, which means that the implementing agency can skip the steps involving public comment. FSA has expedited authority for most commodity program provisions. Provisions for which FSA does not have expedited authority include conservation provisions, farm loan program provisions, and adjusted gross income/payment eligibility provisions.

As can be seen in Figure 3, even this “expedited” process takes a fair amount of time. After drafting the regulation and accompanying documents, the package must proceed through clearance within the agency and at the departmental level, and then moves to the Office of Management and Budget (OMB). Only when a regulation clears all of these steps can it be published in the Federal Register. Federal Register publication must occur before payments can be made under a program; an agency typically coordinates press releases and notification to coincide with Federal Register publication.

Although the process appears a bit onerous, careful drafting and review of regulations are necessary. A careful review and debate provides time

for interaction between policy officials, program staff and attorneys, civil rights officials, economists, and other stakeholders—all of whom have different perspectives that must be represented and, at times, have different ways of interpreting the law, perceiving the impacts on producers and others, and the intersection with trade, environmental, and other issues. The process also is designed to ensure that payments are provided equitably to all eligible persons and that, in case a legal challenge occurs, program benefits to all are protected.

Research Needs

As with any farm bill, research is important to inform decisions made both in the legislative and implementation portions of the process and to alert the policy community as to unintended consequences. University research was critical, for example, in providing the groundwork for the ACRE program described above. Some key questions that research would help illuminate in decision making include:

ACRE:

- How can we best model a producer’s decision to participate?
- Can we better model budgetary exposure?

For both ACRE and Supplemental Disaster programs:

- How can we best assess whole-farm issues?

Overlapping income support/risk management programs:

- How do these programs interact with each other and with current risk management programs administered by USDA, and are they all necessary? Which are the most effective in stabilizing revenues?

Conservation:

- How can we better quantify the water quality and wildlife benefits associated with long-term land retirement?

Research has been critical in helping shape legislation, and any input that can be provided on the issues noted above, or many others, would be most welcomed. Providing research and analysis on issues affecting policies can help shape more efficient programs, help avoid unanticipated consequences, and result in more socially optimal programs.

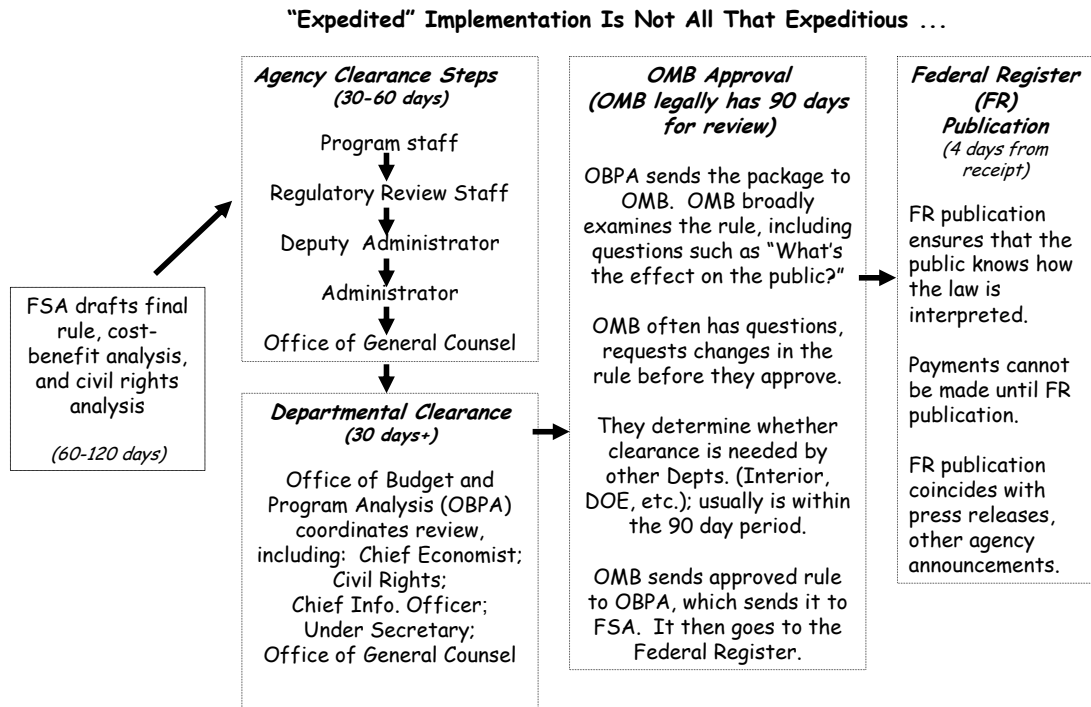


Figure 3. Farm Bill Implementation Process

For More Information

The full 2008 farm bill conference report legislative language and statement of managers is at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ246.pdf (accessed March 19, 2009).

Farm Service Agency handbooks and notices are available at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=lare&topic=landing> (accessed August 19, 2008).

USDA's Economic Research Service 2008 farm bill "side-by-side" is posted at www.ers.usda.gov (accessed September 9, 2008).

Congressional Research Service reports on farm bill topics are posted at <http://www.nationalaglawcenter.org/crs/#farmbills> (accessed August 28, 2008).

USDA's monthly agricultural supply and demand projections are available at <http://www.usda.gov/oce/commodity/wasde/> (accessed August 21, 2008).

USDA's farm income and cost projections are available at <http://www.ers.usda.gov/Briefing/FarmIncome/> (accessed September 9, 2008).