

Farm Bill 2007 May Be Similar to Farm Bill 2002
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On July 27, 2007, the House passed a 744 page, H.R. 2419, The Farm, Nutrition, and Bioenergy Act of 2007, more commonly known as Farm Bill 2007. The Senate must pass its version of the farm bill and conflicts between the House and Senate versions must be resolved before the bill is passed by Congress and presented to the President for final signature.

In terms of commodity titles, this House version retains the three pronged market risk management safety net, included in Farm Bill 2002, i.e., Direct Payments, Counter-Cyclical Payments and Loan Deficiency Payments, and adds a revenue counter-cyclical payment option, among other program changes. This House version has gained widespread support among most farm groups, probably because it retains many of the safety nets included in Farm Bill 2002.

The administration threatened to veto the bill because the bill includes what Republicans termed a tax increase. To off-set potential increased costs of about \$4 billion from changes in the food stamp program and over \$2 billion in energy funding, the House version includes a proposal to raise \$7.8 billion by ending a practice that allows foreign-owned companies operating in the United States, to shift earnings to countries with lower tax rates.

Meanwhile, members of the Senate Agriculture Committee praised the agricultural provisions of the House farm bill during Congress' August recess. The Senate Agriculture Committee is expected to take up the farm bill in September, but it will likely be October or November before the bill reaches the Senate floor. So, with the House and Senate generally agreeing in the concept of a new farm bill and widespread support from the farm sector, it appears likely that compromises will be negotiated and a farm bill, which retains market risk management provisions similar to those in Farm Bill 2002, will be presented to the President for signature sometime this fall.

The 2002 Farm Bill expires on September 30, 2007. It is highly unlikely that Congress will allow Farm Bill 2002 to expire without making some provisions. If the farm bill expires without new provisions, the law reverts to the 1949 Act, which would be very costly and almost impossible to implement since so many changes have taken place in agriculture since 1949.

A fully functioning farm bill has been extremely important to the agriculture sector. Since it appears that there is less than one percent chance that grain/oil seed farmers will receive benefits from the farm bill during the next three seasons and probably 100 percent chance that cotton farmers will receive benefits, passage of a viable, farmer friendly farm bill appears more urgent to cotton farmers.

It is not possible to accurately summarize the 744 page bill. The following are highlights of the provisions in Title I: Commodities:

- **Direct payments** were reauthorized through the 2012 crop year at current payment rates. Direct and counter-cyclical payments less than \$25 were eliminated.
- **Counter-cyclical payments** were retained through 2012 crop year with target prices increased for wheat, barley, oats, soybeans, and other oilseeds; decreased for cotton. A new revenue counter-cyclical payment (based on national-level revenues) was created which gives producers a one-time option to choose either revenue or price based payments. (Producers may continue to receive counter-cyclical payments under the current form of the program or may elect to receive payments for each or all of their commodities, with a farm base, when the actual national revenue per acre for the commodity is less than the national target price revenue per acre).
- The non-recourse **marketing loan** program was preserved through 2012 and loan rates were increased for wheat, barley, oats, minor oilseeds, wool, and small chickpeas; decreased for dry peas and lentils. The calculation of the adjusted world price for cotton repayment rate was changed to use “Far East” market price instead of the Northern European index.
- **Payment limits** were tightened by: (1) reducing the AGI limit to \$1 million with no exceptions, and those with AGI’s of \$500,000 or greater must receive 66.66% of their income from farm, ranch or forestry sources in order to receive farm program payments, (2) eliminating the “3-entity rule,” and (3) requiring “direct attribution” of payments to a natural person. The total payment cap for direct and counter-cyclical

payments for a single farmer was reduced from \$210,000 to \$125,000. This results in a \$250,000 limit on direct and counter-cyclical payments after spouse doubling, and no limits on marketing loans.

- Vegetable planting restrictions were retained. A 10,000 acre pilot program for processed tomatoes in Indiana, with a temporary reduction of base acres, was authorized.
- Dairy price support program was continued through 2012, but program changes were made to directly support the price of cheese, butter and nonfat dry milk.
- The structure of sugar program was extended with loan rates increased by almost 3%, a minimum of 85% of domestic market shares were protected, USDA administration of sugar import quota authority was tightened and use of surplus sugar for ethanol production was mandated.

Other Highlight: The Bill,

- requires country of origin labeling (COOL) for meats, fruits and vegetables.
- provides \$1.6 billion in new funding for specialty crop research, i.e., fruits/vegetables, conservation, pest and disease programs, and nutrition, including the use of more fresh nuts and vegetables in schools, research on better growing methods and to help farmers market produce internationally.
- modifies/expands EQIP funding, priorities, and activities (e.g., includes services for fruit and vegetable and organic producers).
- extends the Conservation Reserve Program (CRP) and renews/expands enrollment in the Wetland Reserve Program (WRP).
- increases lending limits per farmer to \$300,000 for direct farm ownership loans and \$300,000 for direct operating loans.

Passage of Farm Bill 2007 is far from reality, but the House version provides a good start. There are many complex negotiations to be worked out. For example, U.S. Sen. Tom Harkin, D-Ia., who was instrumental in passing Farm Bill 2002, said recently that the Conservation Security Program will be part of the 2007 farm bill, "or there won't be a bill." Apparently the House version deleted funding for the program for the first four years of the five-year law.