

# Farm Bill Background

Bradley D. Lubben, Ph.D.

Extension Assistant Professor, Policy Specialist, and  
Director, North Central Risk Management Education Center



National Association for Agriculture and Food Policy

**Farm Bill Decision Aid Training**

with funding provided by FSA and co-sponsored with NCPE

November 10, 2014

Web information – [agecon.unl.edu/agpolicy](http://agecon.unl.edu/agpolicy) or [farmbill.unl.edu](http://farmbill.unl.edu)

North Central Risk Management Education Center – [ncrme.org](http://ncrme.org)

E-mail – [blubben2@unl.edu](mailto:blubben2@unl.edu)



# Farm Bill Timeline

- 2011
  - Joint Select Committee on Deficit Reduction (the “Supercommittee”)
    - Senate and House Ag. Committees proposed new farm bill language, but the Supercommittee failed to reach an agreement.
- 2012
  - Senate farm bill adopted and House Agriculture Committee farm bill reported, but no House consideration
  - 2008 Farm Bill extended through 2013
- 2013
  - Senate farm bill passed in June
  - House farm bill fails June vote
    - Farm-only farm bill (minus Nutrition title) passes in July
    - Nutrition title passes in September
- 2014
  - Conference report completed in January
  - Farm Bill became law on February 7



# The Farm Bill Setting

- Policy Drivers



- Economics

- Budget

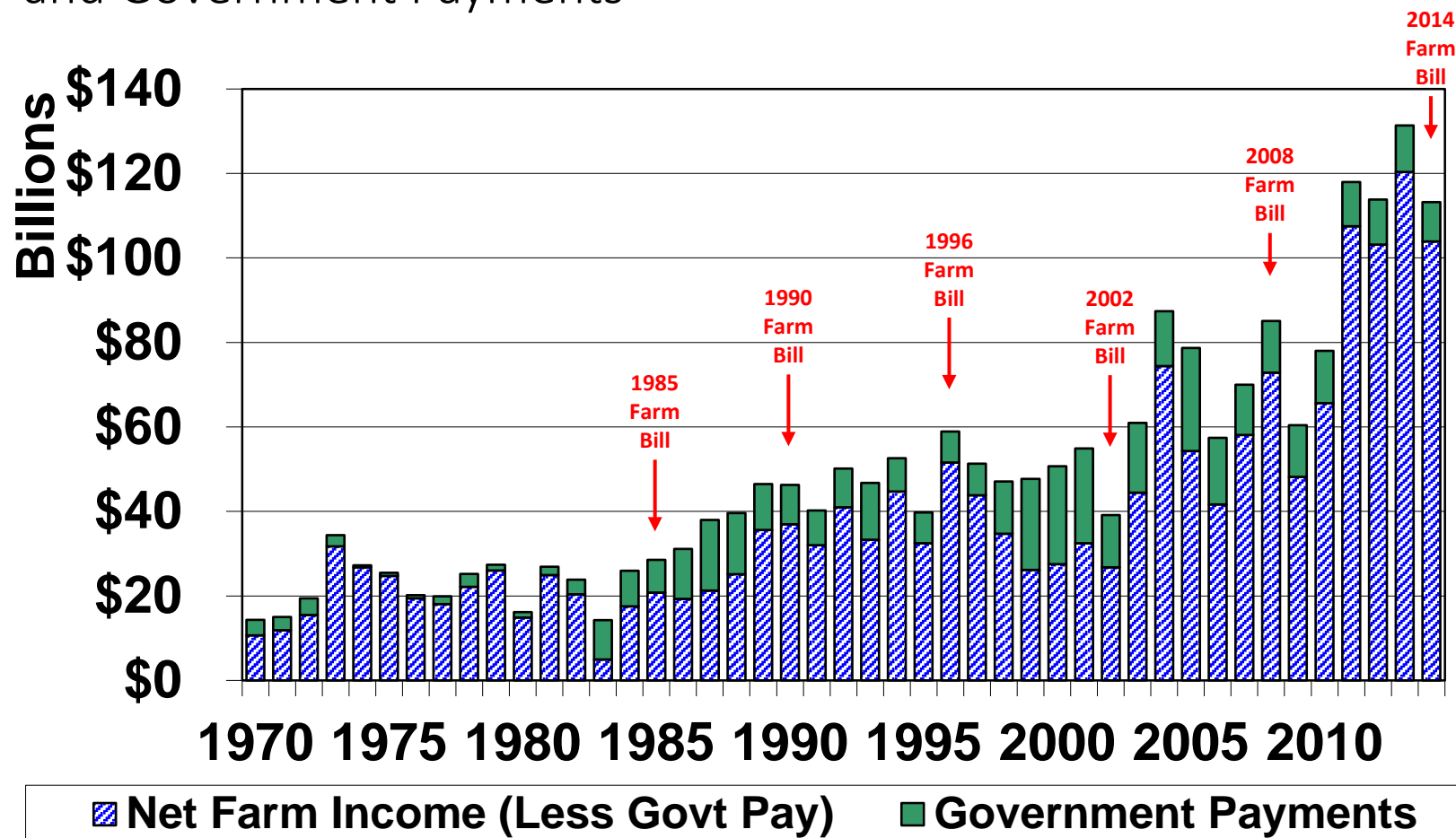
- Trade

- Politics



# The Economic Setting

U.S. Net Farm Income  
and Government Payments

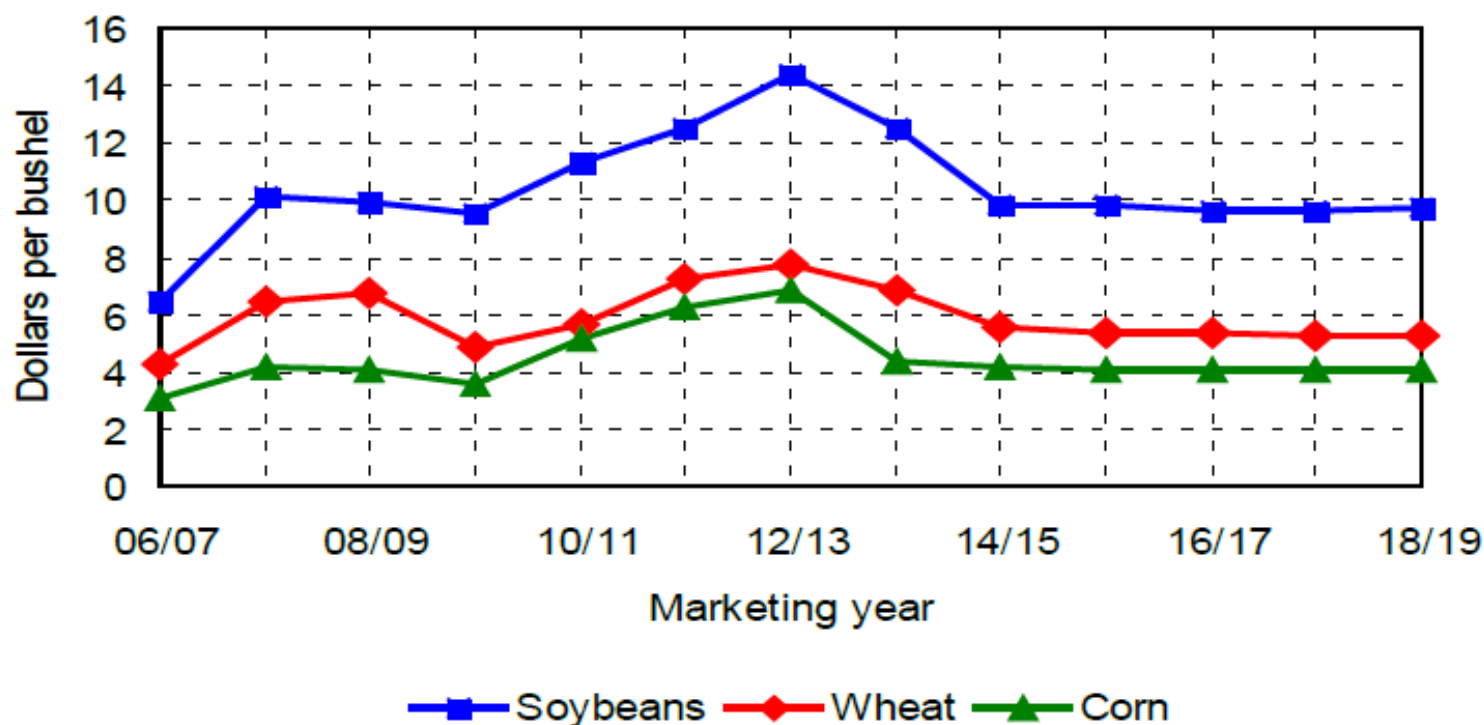


Source: USDA Economic Research Service

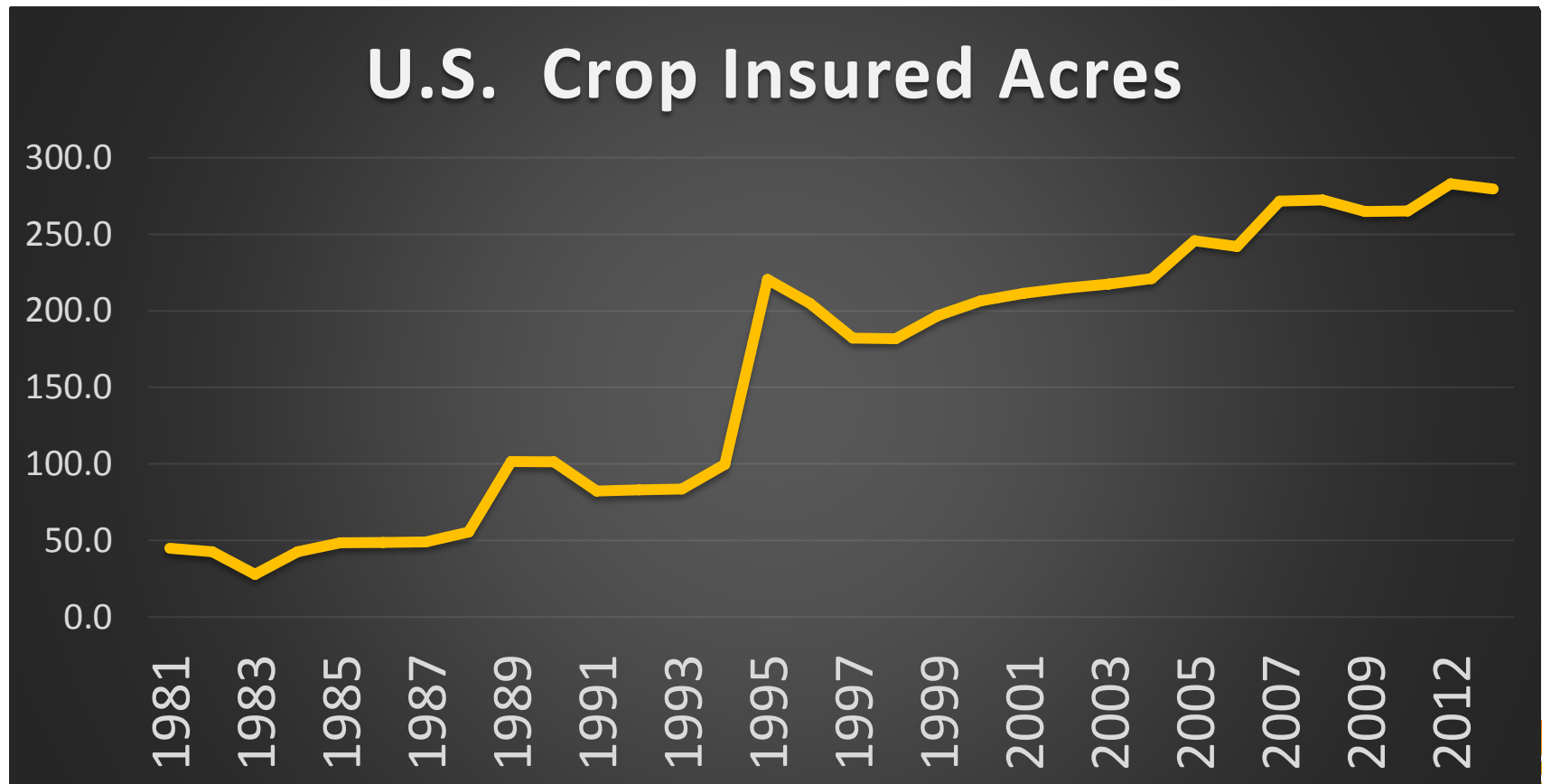


FAPRI's Baseline reports confirmed a general perception we were in a period of high prices

Crop prices fall back to 2007-2009 levels

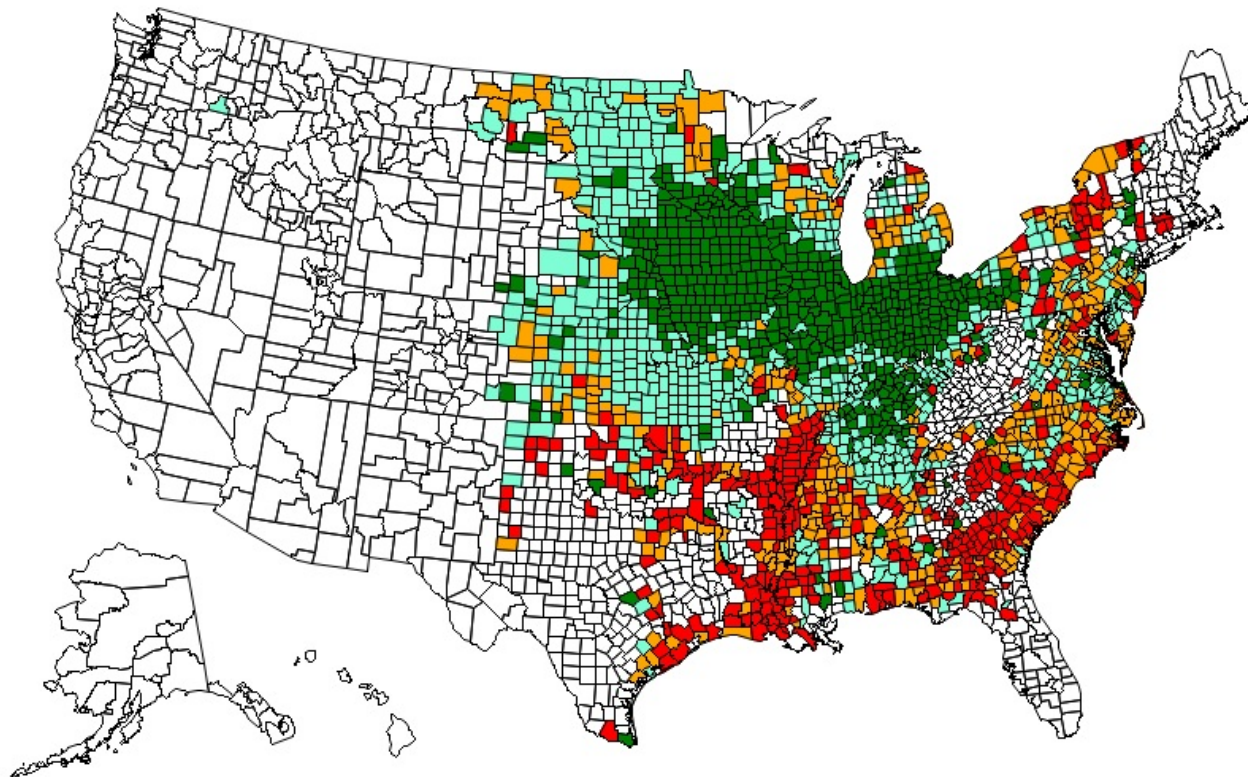


- Crop Insurance had grown by five-fold
- apparently supplanted Ad hoc programs
  - Insured price risk
  - Insured area yield and revenue



# 2013 Soybean Coverage Levels

2013 Soybean Average Coverage Level



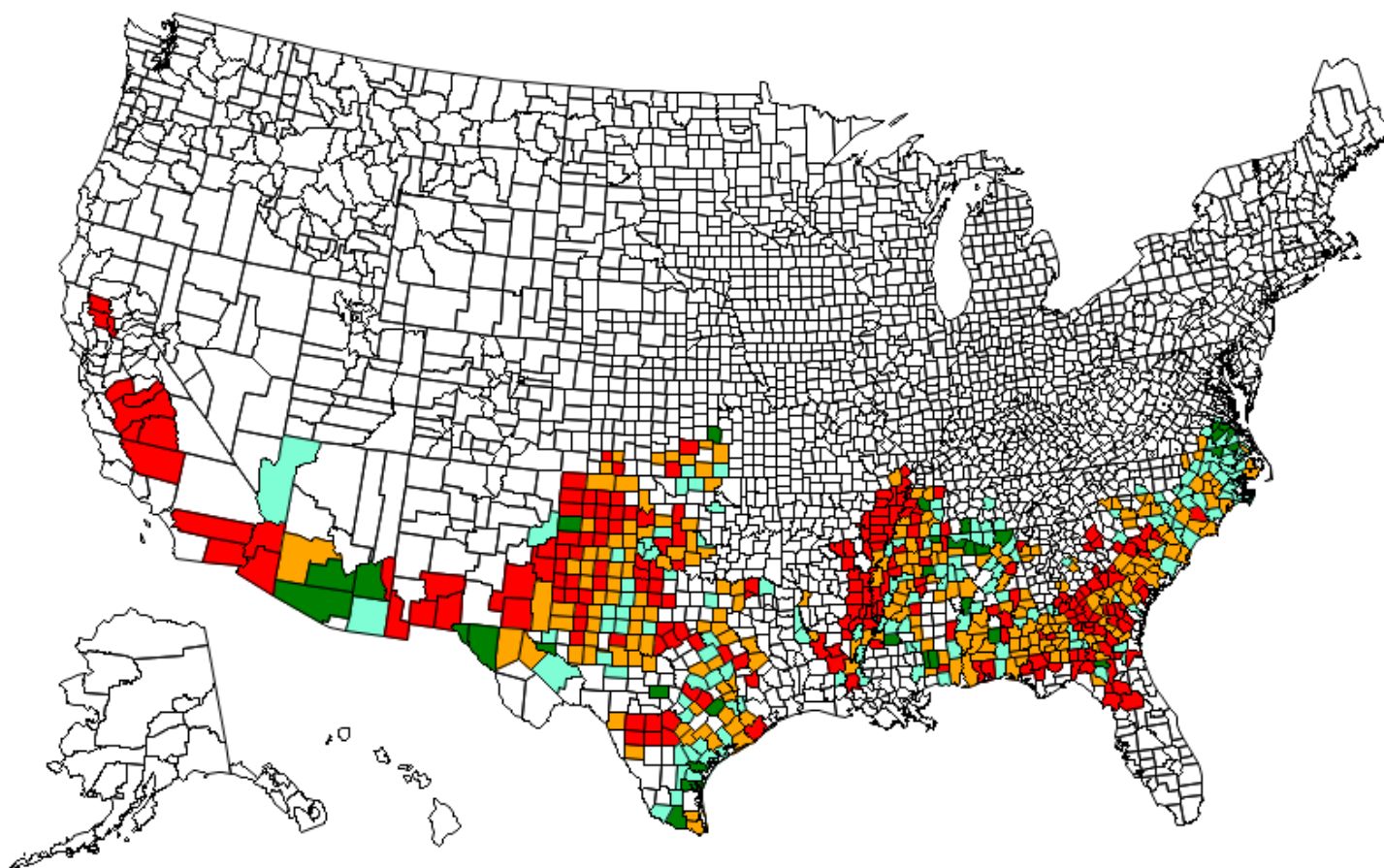
Avg\_cover\_level    ■ 50—65    ■ 65—70    ■ 70—75    ■ 75—85





# 2013 Cotton Coverage Levels

2013 Cotton Average Coverage Level



Avg\_cover\_level

50—65

65—70

70—75

75—85





# Base Acres Versus Planted Acres

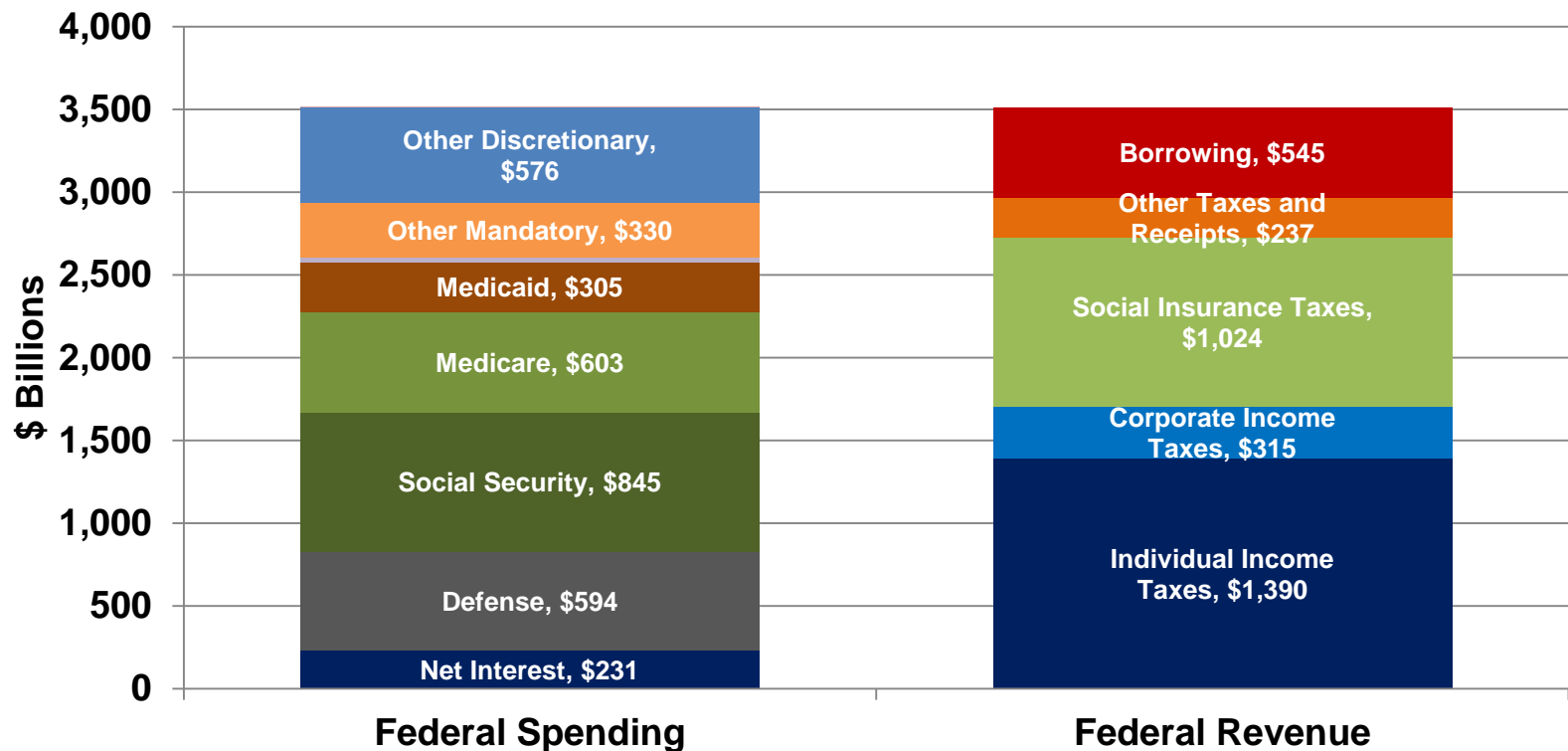
- became a hot button issue
- distortion versus risk protection

Crop	CBO Estimate of Base Acres millions	CBO Estimate of Planted Acres millions	% Difference
Corn	84.1	90.0	7%
Soybeans	50.1	76.7	53%
Wheat	73.8	52.5	-29%
Cotton	18.1	10.9	-40%
Rice	4.4	3.1	-31%
Peanuts	1.5	1.3	-9%



# Federal Budget Challenges

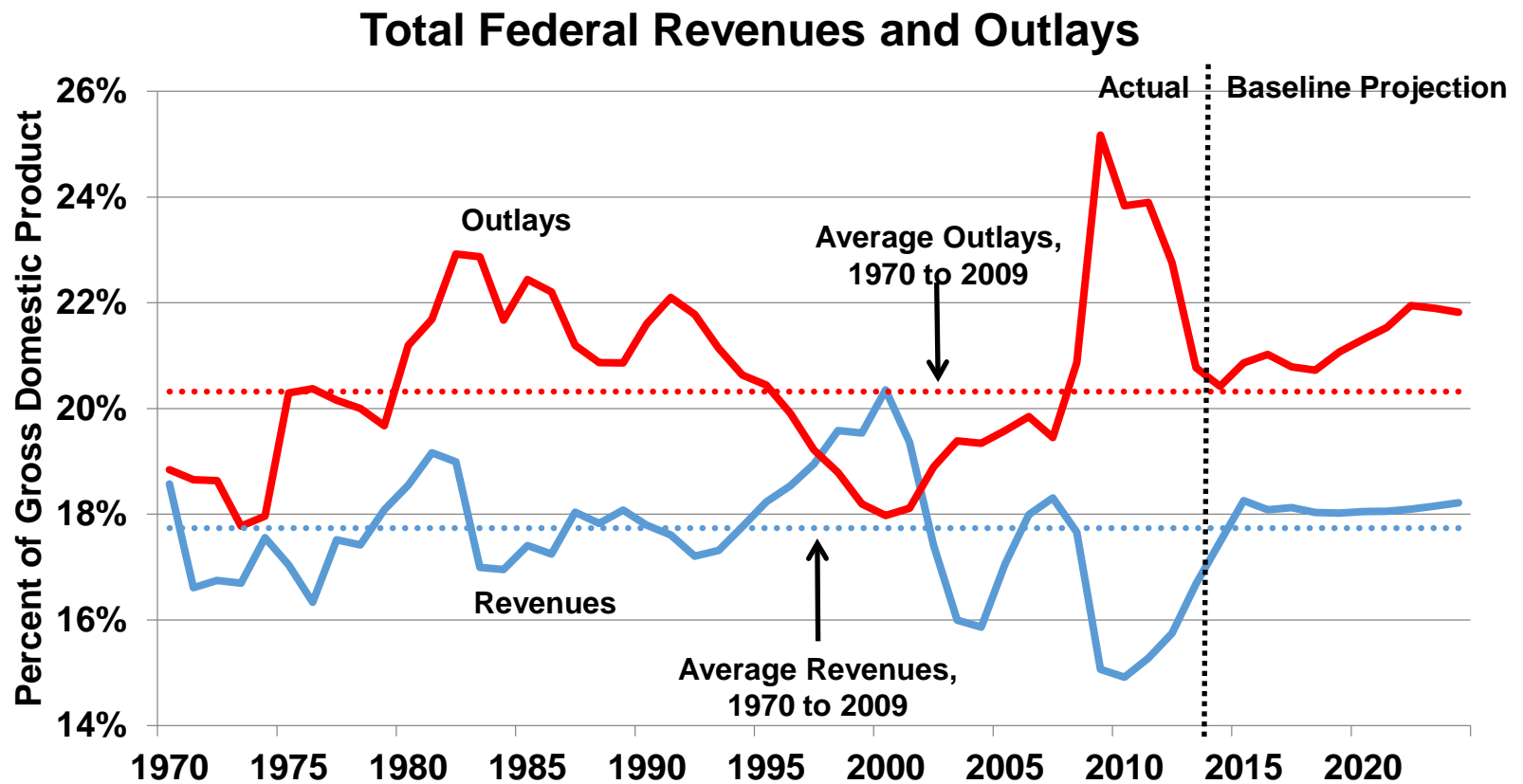
**Total Federal Spending and Revenue, FY 2014**



Source: Congressional Budget Office, February 2014



# Federal Budget Challenges



Source: Congressional Budget Office, February 2014



# Farm Bill Budget

Area	Original 2014-2023 Baseline	Senate Proposal (\$954)	House Proposal (HR1947/ 3102)	Agricultural Act of 2014 (HR2642)*	
	(\$ billions)	(change in \$ billions)	(change in \$ billions)	(change in \$ billions)	(\$ billions)
Commodities	\$58.8	-\$17.4	-\$18.7	-\$14.3	\$44.5
Crop Insurance	\$84.1	+\$5.0	+\$8.9	+\$5.7	\$89.8
Conservation	\$61.6	-\$3.5	-\$4.8	-\$4.0	\$57.6
Nutrition (SNAP)	\$764	-\$3.9	-\$39.0	-\$8.0	\$756
Other Titles	\$4.0	+\$1.9	+1.7	+\$4.1	\$8.1
Total	\$973	-\$17.9	-\$51.9	-\$16.5	\$956

\* HR 2642, the "Agricultural Act of 2014" as reported out of Conference on January 27, 2014 passed the House on January 29, 2014 by a 251-166 vote, passed the Senate on February 4, 2014 by a 68-32 vote, and was signed by the President on February 7, 2014.



# The Trade Setting

## WTO or not WTO?

- WTO negotiations

- Doha Round
  - Started in 2001
  - Negotiations at a stalemate in 2014
- Domestic supports
- Export competition
- Market access

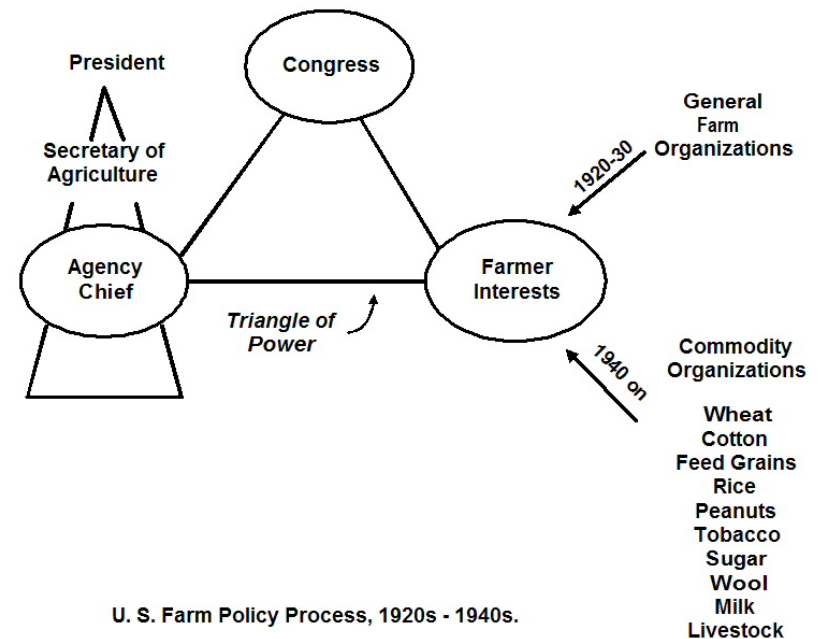
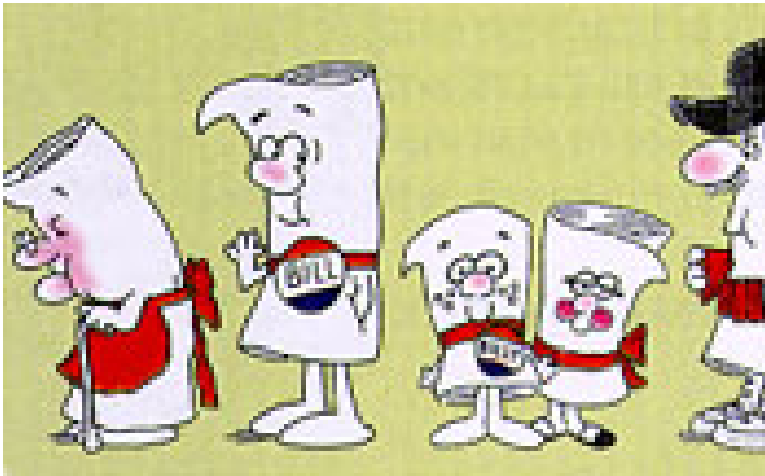
- No WTO negotiations

- WTO dispute settlement
  - Brazil-US cotton case
    - Complaint in 2002
    - Final agreement in 2014
  - Canada and Mexico-U.S. COOL Rules
    - Complaint in 2008
    - Noncompliance ruling in Oct 2014
    - Action pending
- Bilateral and regional trade negotiations and implementation
  - TTIP
  - TPP



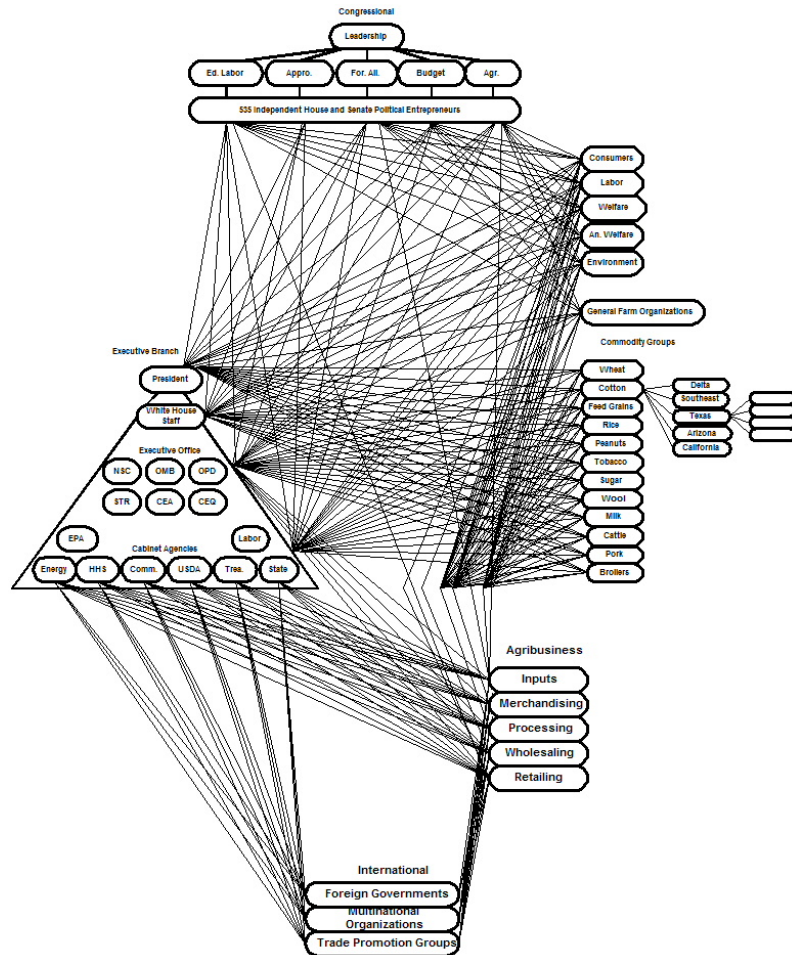
# The Political Setting

## The Policy Development Process



# The Political Setting

## The Policy Development Process



U.S. Farm, Food, and Trade Policy Process, 1990 - 2000.

Source: Schweikhardt, 2007





# The Splintering into Commodity “Teams”

Teams	Commodities	Preferred Policy	Motive
Revenue-ers	Corn and Soybeans	Shallow Loss Revenue (County ARC)	Negative price-yield correlation, Buying high levels of crop insurance coverage, liked Olympic average price
Traditionalists	Rice, Peanuts Southern wheat	Price targets (PLC)	Rice has mostly price and input cost risk, peanuts are highly contracted, buy lower crop insurance coverage
Bold Movers	Cotton	STAX	WTO, Recognized Title 11 was golden and Title 1 controversial
The other white crop	Milk	Dairy margin/supply control	Wanted ‘pseudo-insurance’ (insurance with legislated premiums)
Big County Crowd	Mountain State wheat	Individual ARC	Perceived county triggered programs will not work in large counties
Wallflowers	Sugar	Status quo	It is good to not score at CBO

# The Non-commodity “Teams”

Teams	Preferred Policy	Motive
Environmental Dealers	Conservation compliance	Pragmatic get your foot in the door on insurance
Environmental No-dealers	Reduce Title 1 and 11	Throw a bomb in the room
The Tea Party-Heritage faction	Reduce Title 1 and 11	Throw a bomb in the room
The traditional “Foodie”	Support SNAP, WIC, School Lunch	Assist the poor
The Neo-Foodie	Local food, GMOs, specialty crops, animal welfare	Assist the up-scale consumer



# The 2014 Farm Bill

## More than Just the Farm

- Commodities
- Conservation
- Trade
- Nutrition
- Credit
- Rural Development
- Research, Extension, and Related Matters
- Forestry
- Energy
- Horticulture
- Crop Insurance
- Miscellaneous



# Farm Bill Budget

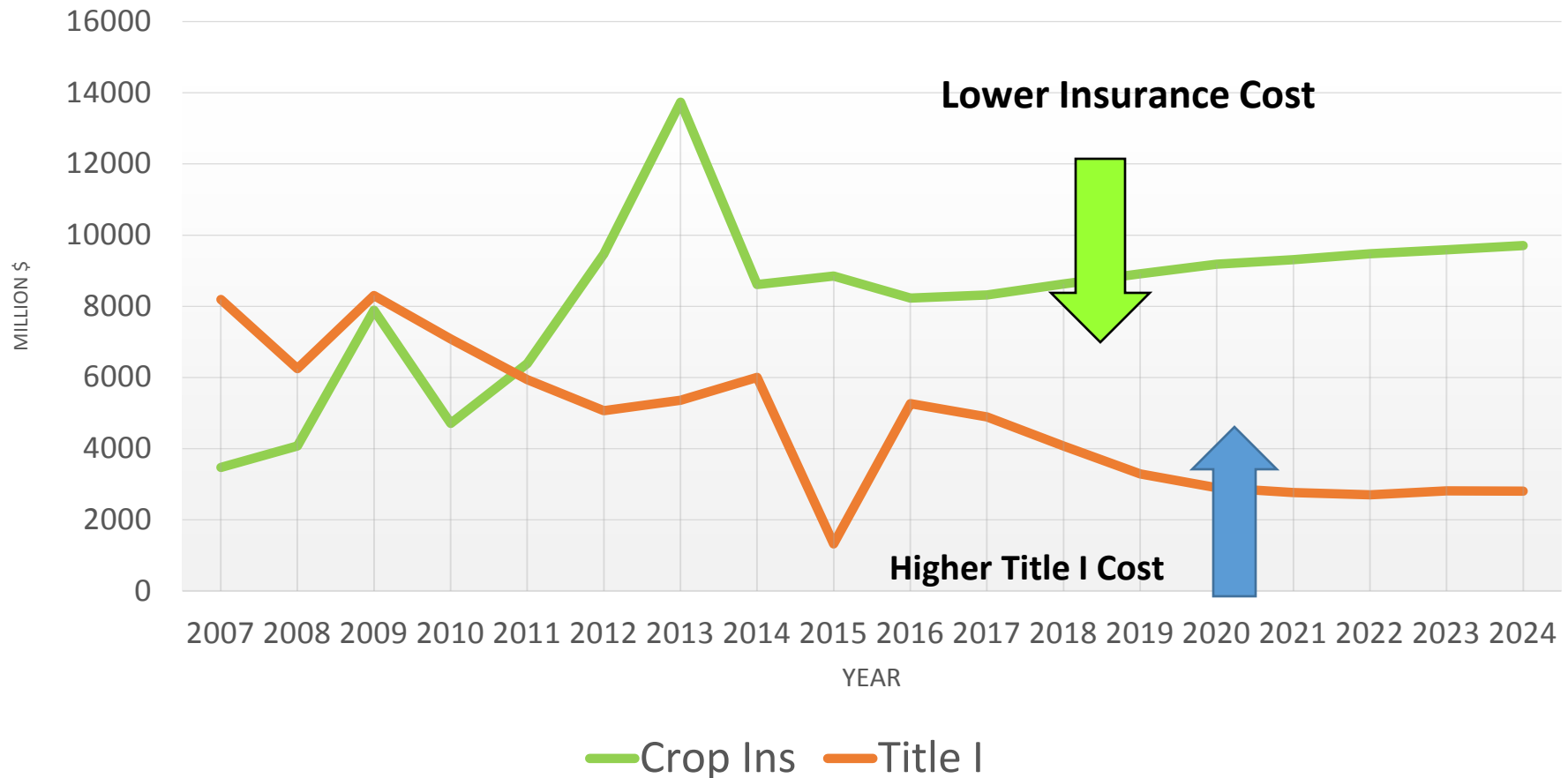
Area	Original 2014-2023 Baseline	Senate Proposal (\$954)	House Proposal (HR1947/ 3102)	Agricultural Act of 2014 (HR2642)*	
	(\$ billions)	(change in \$ billions)	(change in \$ billions)	(change in \$ billions)	(\$ billions)
Commodities	\$58.8	-\$17.4	-\$18.7	-\$14.3	\$44.5
Crop Insurance	\$84.1	+\$5.0	+\$8.9	+\$5.7	\$89.8
Conservation	\$61.6	-\$3.5	-\$4.8	-\$4.0	\$57.6
Nutrition (SNAP)	\$764	-\$3.9	-\$39.0	-\$8.0	\$756
Other Titles	\$4.0	+\$1.9	+1.7	+\$4.1	\$8.1
Total	\$973	-\$17.9	-\$51.9	-\$16.5	\$956

\* HR 2642, the "Agricultural Act of 2014" as reported out of Conference on January 27, 2014 passed the House on January 29, 2014 by a 251-166 vote, passed the Senate on February 4, 2014 by a 68-32 vote, and was signed by the President on February 7, 2014.



# So what do lower prices do to these Baselines?

## 2007-2013 CBO Actual and April 2014 Projected Outlays



# Farm Bill Directions

- Farm income safety net has evolved over time
  - Price support and supply control
  - Income support tied to price and revenue
  - Risk management
- Future program components
  - Crop insurance as the foundation
  - Revenue safety net or price safety net
  - Underlying marketing loan
  - Supplemental crop insurance
  - Disaster assistance
  - No direct payments



# Farm Bill Details and Decisions

- Commodity programs
  - ARC-IC vs. ARC-CO vs. PLC
  - Base acreage update
  - Payment yield update
  - Dairy margin protection
- Crop insurance
  - SCO
  - STAX
- Disaster assistance
- Conservation
  - CRP enrollment/expiration
  - Voluntary programs
  - Conservation compliance for crop insurance
  - Sodsaver provisions for the Northern Plains states
- Other programs
  - Rural development
  - Horticulture/specialty crops
  - Beginning farmer programs

