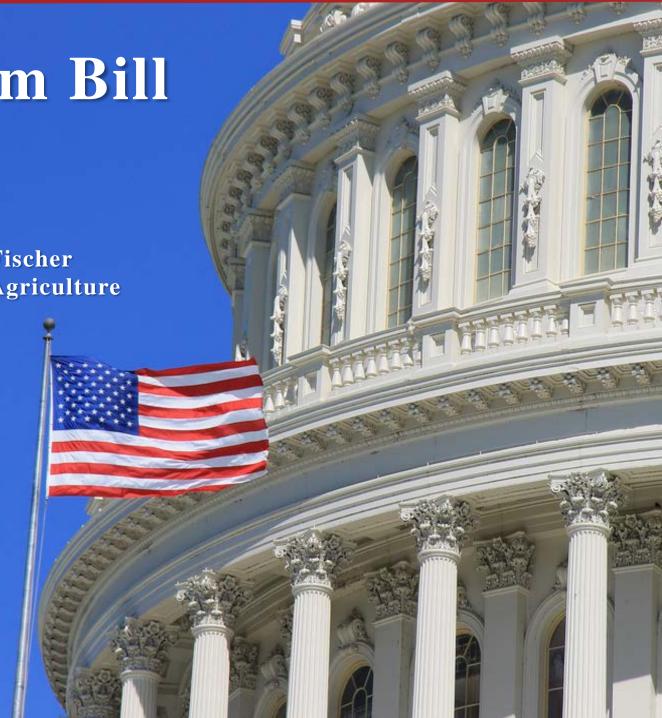


Matt Schertz & Bart Fischer House Committee on Agriculture

Texas Ag Forum Austin, TX February 20, 2015





Farm Bill Process



2010

Rep. Peterson holds First Hearing in House on Farm Bill **Nov 2011**

Farm Bill discussions in "Super Committee"

2010

1-year extension of 2008 Farm Bill

Jan 2013

July 2012

House Ag Committee Markup of 2012 Farm Bill **June 2012**

Senate Passage of 2012 Farm Bill **April 2012**

Senate Ag Committee Markup of 2012 Farm Bill

May 2013

Senate Cmte Markup of 2013 Farm Bill House Cmte Markup of 2013 Farm Bill **June 2013**

Senate Passage of 2013 Farm Bill **July 2013**

House Passage of 2013 Farm Bill ("Farm Only" Farm Bill) **Sep 2013**

2008 Farm Bill Extension Expired

Today

USDA Implementation Underway Feb 7, 2014

Agricultural Act of 2014 Signed by the President **Feb 2014**

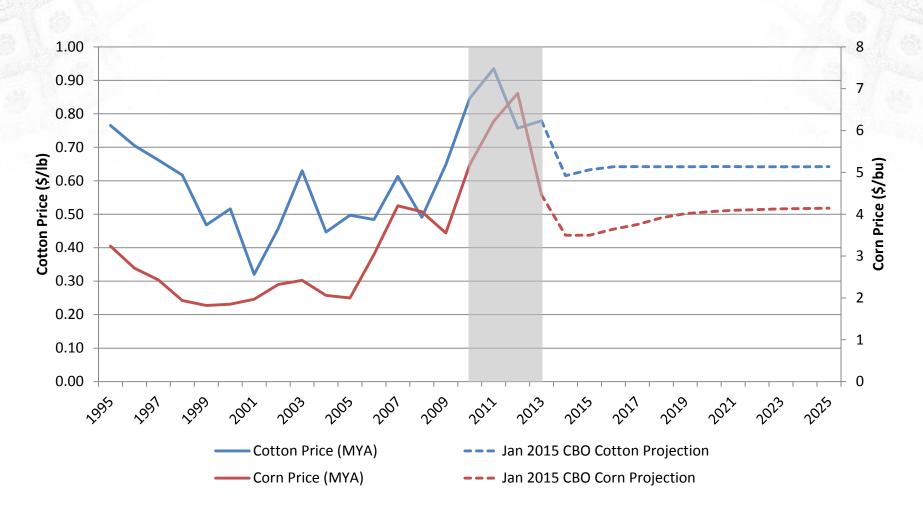
Conference Report Passes Senate Jan 2014

Conference Report Passes House

Farm Policy



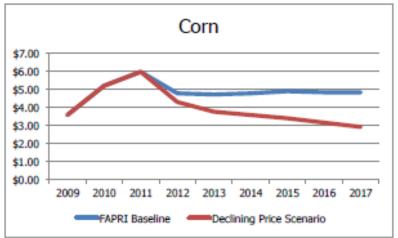
Farm bills are written for the bad times, not the good times...

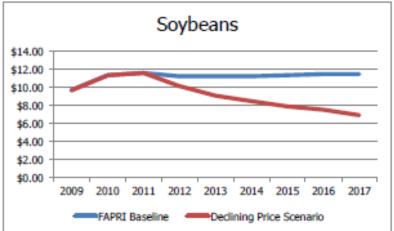


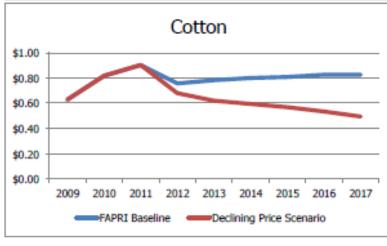
Farm Policy

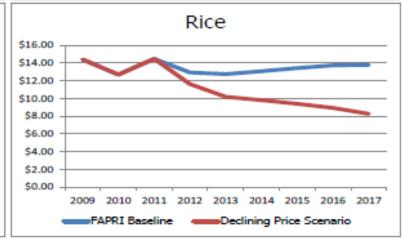


Why didn't we see this coming?









Farm Policy



The new farm safety net...

<u>PLC</u>

Crop-by-Crop Farm-by-Farm Pays on 85% of Base Apply Optional Yield Update May purchase traditional crop insurance policies

Reallocate Base?

Update Yields?

Elect PLC or ARC?

ARC County

Crop-by-Crop Farm-by-Farm Pays on 85% of Base May purchase SCO policy (Cotton STAX)

<u>ARC</u>

Select County or Individual Coverage May purchase traditional crop insurance policies

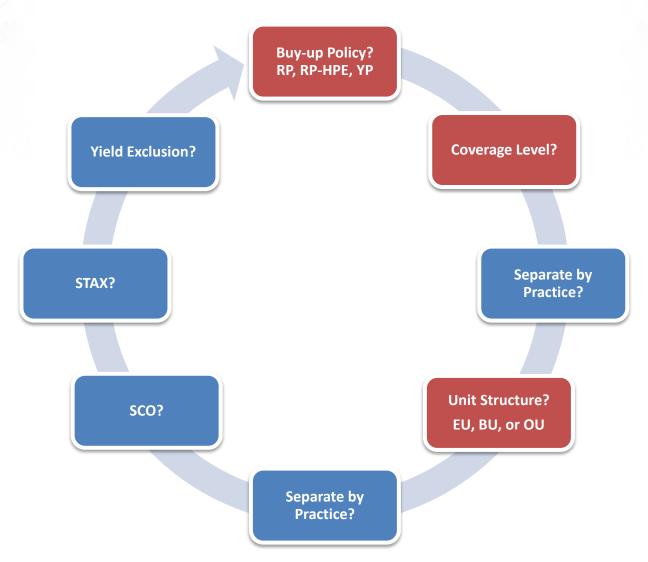
ARC Individual

For all crops on a farm Pays on 65% of Base

Crop Insurance



New Crop Insurance Tools...



Yield Exclusion



Dryland Cotton Example

| Year | Farm Yield (Including YA) | County Yield | 10-YR County Average | 50% Threshold | New Yield to Count |
|------|---------------------------------|-----------------|-------------------------|------------------|-----------------------|
| 2005 | 570 | 550 | 534 | 267 | 570 |
| 2006 | 345 | 400 | 544 | 272 | 345 |
| 2007 | 630 | 575 | 529 | 264 | 630 |
| 2008 | 208 | 197 | 539 | 269 | |
| 2009 | 460 | 480 | 526 | 263 | 460 |
| 2010 | 120 | 98 | 494 | 247 | |
| 2011 | 405 | 476 | 461 | 231 | 405 |
| 2012 | 515 | 600 | 459 | 229 | 515 |
| 2013 | 172 | 125 | 459 | 229 | |
| 2014 | 575 | 600 | 409 | 204 | 575 |
| АРН | 400 | | | | 500 |

Yield Exclusion



Lynn County (TX) Dryland Cotton Example



NOTE: With YE, maximum SCO increases from 11%/400# to 26%/500#.

Crop Insurance



Lynn County (TX) Dryland Cotton Example

| | 2012 (RP) | |
|-----------------------|-----------|--|
| Price | \$0.93 | |
| APH | 400 | |
| Coverage Level | 75% | |
| Liability | \$279 | |

| | 2015F (RP) | 2015F (SCO) | 2015F (RP + SCO) |
|----------------|------------|-------------|------------------|
| Price | \$0.65 | \$0.65 | \$0.65 |
| APH | 400 | 400 | 400 |
| Coverage Level | 75% | 11% | 86% |
| Liability | \$195 | \$28.60 | \$223.60 |

| | 2015F (RP + YE) | 2015F (SCO + YE) | 2015F (RP + YE + SCO) |
|----------------|-----------------|------------------|-----------------------|
| Price | \$0.65 | \$0.65 | \$0.65 |
| APH | 500 | 500 | 500 |
| Coverage Level | 75% | 11% | 86% |
| Liability | \$244 | \$35.75 | \$280 |

Farm Bill Implementation



Title I Issues...

- Generic Base Issues Cover and Yields.
- → ARC County Yields Equitable Across Counties.
- Yield Update & Base Reallocation Deadline February 27.
- → ARC/PLC Decision Deadline March 31.
- Cotton Marketing Loan Payment Limit.

On the Horizon...



Issues for 114th Congress...

- CFTC Reauthorization.
- Mandatory Price Reporting & U.S. Grain Standards Act Reauthorization.
- Trade Issues: TPA; TPP; TTIP; COOL; Cuba; Cotton (China/Turkey); Rice (Iraq).
- Agriculture Tax Issues: Section 179 and Bonus Depreciation and others.
- Oversight of Waters of the United States (WOTUS) Rule.
- Supplemental Nutrition Assistance Program (SNAP) Oversight.

Challenges Ahead



The ink is not yet dry, and...

- January 2015 Baseline Update: Overall savings unchanged & ARC + PLC < DP.</p>
- President Obama's budget proposed \$16 billion (17%) in additional cuts to crop insurance.
- → The House Ag Committee's Budget Views & Estimates letter called for recognizing deficit reduction achieved in 2014 Farm Bill.
- → The budget and appropriations cycles could result in proposals to change farm policy and crop insurance.



Thanks!

Matt Schertz
Policy Director

Bart Fischer
Chief Economist

Committee on Agriculture U.S. House of Representatives Phone: 202-225-2171