2014 Farm Bill

Issue

Congress is expected to begin hearings in preparation for a new Farm Bill in 2017. The three main components of the commodity title that were overhauled in this Farm Bill are Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and Dairy Margin Protection Program (MPP). These components are receiving attention now that prices for most commodities are receding from previous levels. As congressional agriculture committees focus their attention to a new Farm Bill, Farm Bureau must provide direction for lawmakers regarding changes to these programs and others such as the loan programs in the Farm Bill.

Background

The 2014 Farm Bill Commodity Title was a departure from the 2008 Farm Bill. The 2008 Farm Bill provided Direct Payments based on a fixed amount on covered crops and Counter Cyclical Payments which were triggered when average prices fell below a fixed amount. The Average Crop Revenue Election program provided revenue protection based upon planted acres only if the state and farm met the loss criteria. This program was not used by many farmers in Tennessee.

Congressional agriculture committees went into Farm Bill negotiations with the directive to cut over $23 billion from the ten-year baseline budget. Commodity Title funding was reduced by $14.3 billion. This led to removal of Direct Payments saving approximately $5 billion and major revisions of the commodity title to further reduce costs. County ARC provides payments when the actual county revenue for the crop year is below the County ARC revenue guarantee. PLC is similar to the old Counter Cyclical Payments programs in that payments are provided if a commodity market year average price is lower than a reference price in the Farm Bill. Cotton was no longer a covered commodity and was placed in the Stacked Income Protection Plan (STAX) which is a crop insurance program for upland cotton. The Milk Income Loss Contract (MILC) Program, Dairy Product Price Support Program (DPPSP), and Dairy Export Incentive Program (DEIP) was replaced by the MPP which offers dairy operations insurance based on the difference between the U.S. all-milk price and average feed cost.

The Congressional Budget Office released estimates for mandatory Farm Bill spending in March. Commodity Title funding over the next ten years was actually estimated to be $22 billion more than 2014 estimates. Costs for the nutrition and crop insurance programs are actually down from 2014 estimates. However, it raises the question just how much will be available in baseline funding when lawmakers revisit the Farm Bill for 2018.

Some programs have not worked as originally planned. Only twenty-seven percent of cotton producers participated in the STAX program. This program has not provided the support envisioned for cotton producers. The Secretary of Agriculture rejected a plan to include cottonseed oil as a covered crop under the other oilseeds provisions in the Farm Bill. A one-time $300 million cost share assistance for ginning costs was provided instead. Also, as a result of cotton base acres being considered “generic” acres, many cotton acres have been converted to peanut production in other southeastern states because PLC price for peanuts exceeds the current price for peanuts. This has contributed to payments for peanut acres exceeding original estimates in 2014. The MPP program designed for dairy producers has not paid out even though dairy prices are at unprofitable levels. Because of this, many producers are no longer participating in the program.

Questions:

1. Is the current Farm Bill providing the necessary safety net programs for farmers in your county?
2. Do farmers in your county need the ability to add base acres?
3. How should Farm Bureau policy address the call for further budget reductions in Farm Bill programs?
4. Do you believe a Farm Bill would be more difficult to pass if separated from the nutrition programs?

Farm Bureau Policy:

Farm Policy (Partial)

The effect of world market prices on domestic prices has a major impact on United States agriculture. Free access to world markets for agricultural products is essential to the health of our economy. Current efforts should be increased to achieve the expansion and growth of agricultural commodity markets, both domestic and international. We support aggressive efforts (such as Trade Promotion Authority) to obtain access to these markets. The value of the American dollar as related to other world currencies must be considered when striving to achieve a level playing field. Until a level playing field can be established, we support continued funding of various export incentive programs designed to price U.S. commodities more competitively in world markets.

A national farm policy should contain the following concepts:

- A market oriented policy allowing farmers the freedom to make production decisions based on markets.
- Strong and effective safety net and risk management programs that protect producers from catastrophic occurrences.
- Compliance with WTO agreements.
- Affordable, practical and effective insurance products to further protect individual risks.
- A marketing assistance loan program with loan rates that better reflect market values.
- Considers the needs of livestock, poultry and specialty crop producers.

- Maintains funding for conservation programs to assist landowners with federal environmental regulations and conservation goals.
- Maintains funding for agricultural research and extension.
- Provides for rural economic development.

We believe the U.S. Secretary of Agriculture should classify cottonseed as an “other oilseed” under the Farm Bill. It is essential the general public have a basic understanding of the relationship between farm programs and consumer benefits. Therefore, we propose educational efforts directed to the general public to inform consumers of benefits they receive as a direct result of current farm policy.

Personal records shared between the farmer and government agencies should not be available for open review. Placing information on individual farmers in the hands of the public threatens both the safety and integrity of an entire population of our nation’s workforce.

Government interference in free markets, especially by the buildup of price-depressing reserves, should be avoided. Compensation to farmers for increased production costs and market restrictions resulting from government regulations and laws should be made in a non-market-distorting manner. For example, incentive payments offered to farmers who reach environmental objectives should be unrelated to production or commodity price.

We oppose added production costs that are the result of mandatory compliance with stringent U.S. or state environmental regulations that often differ greatly from those in competing countries. When costs are imposed, we support the concept of government payments being made as compensatory payments. Such payments should not have absolute limits based on income of the farm operation since larger operations also have larger costs. Payments made to producers under authority of the Federal Farm Program would be administered equitably and reflect true production history if calculated on the most recent recorded yield data.

We oppose cross-compliance requirements between farms. Agriculture is best served by the autonomy of each farm for farm program purposes.

When weather-related disasters affect agricultural areas, farmers are often faced with lower than normal yields. When these disasters strike during periods of low prices, Loan Deficiency Payments, when calculated using current formulas, are of little benefit to farmers. Therefore, we support basing Loan Deficiency Payments in declared disaster areas on the higher of the farmer’s actual yield, the farmer’s actual production history (APH) or the county average yield.

Participation in the federal crop insurance program should remain voluntary. Research and modification of the program to address regional and commodity differences must be continuous. Fraudulent use and abuse of the program must be eliminated if the program is to be successful as a safety net for farm income.

Commodity loan programs should be designed to avert price disasters. Loan rates should be set to allow normal market fluctuation, but protect the farmers in times of extremely low prices. Farmers need a risk management tool allowing a percentage of their annual income to be placed in a tax deferred account. This type of self-insurance program will help stabilize farm income and help producers endure the ups and downs of the farm economy.

Commodity basis have historically reflected only transportation costs for products to move from local markets to terminal markets. When commodity prices fall below loan prices, some local markets may institute wide basis. This action gives buyers the opportunity to take unfair advantage of producers and the commodity loan program. Action should be taken to correct this abuse of the program.

We oppose Commodity Credit Corporation (CCC) rules imposing unreasonable loan fees, favoring subsequent commodity handlers, or unfairly assigning liability.

We support the idea of the Conservation Reserve Program (CRP) to improve soil and water resources. We do not support the concept of the federal government renting land perpetually for the primary purpose of keeping it out of crop production. The highest priority for future sign-ups should be given to highly erodible and environmentally sensitive land currently enrolled in the CRP. Existing CRP contracts should be fully funded and any failure by the federal government to honor all terms of the contract should allow the producer to withdraw from CRP free of any penalties and with full restoration of crop bases. Management of CRP land should not impose risk to adjacent land. CRP land should not acquire any easements or restrictions upon exiting the program. We support the right of landowners to plant wildlife food plots without rewriting CRP contracts. Farmers should be given incentives for good conservation practices such as no-till and maintaining ground cover.

We support the Agricultural Conservation Easement Program (ACEP) as a method to protect and restore grasslands while still allowing grazing practices, haying, mowing and harvesting of seeds. The program supports grazing operations, plant and animal biodiversity on lands under threat of conversion to non-agricultural uses.

We support; wetlands reserve easements under ACEP however, permanent easements should not be allowed as a part of this program. No easements or restrictions should be placed on lands exiting ACEP and drainage and regulatory wetland status should be allowed to return to the status existing before enrollment. Management of ACEP contracts should not be allowed to adversely affect drainage or usability of adjacent tracts.

The local FSA county committee structure should remain as the primary administrative board for farm programs. Cost reduction alternatives should be thoroughly explored before additional FSA offices are consolidated. Each farmer affected by a FSA office closing should have the right to choose to be serviced by the most convenient service center.