Understanding the U.S. Farm Bill: Policy to Practice

美国联邦农业安全政策

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The farm bill is the primary agricultural and food policy legislation set by the U.S. federal government.

“It’s like a Swiss Army knife.”
- President Obama 2/7/14
Farm Bill History

Congress passed the 1st farm bill in 1933, the Agriculture Adjustment Act.

Updated every 5-7 years, with the latest in 2014.

Currently, U.S. Congress is hosting local “field” hearings about the 2018 Farm Bill

Primary policy goal is to increase the farm income

政策目标：增加农民收入
Projected outlays under the 2014 Farm Act, 2014-2018

- Nutrition: 80%
- Commodities: 5%
- Crop insurance: 8%
- Conservation: 6%
- Other: 1%

Total outlays = $489 billion

Titles of the Enacted 2014 Farm Bill

- Title I, Commodities
- Title II, Conservation
- Title III, Trade
- Title IV, Nutrition
- Title V, Credit
- Title VI, Rural Development
- Title VII, Research
- Title VIII, Forestry
- Title IX, Energy
- Title X, Horticulture
- Title XI, Crop Insurance
- Title XII, Miscellaneous
Major trends in Farm Bills

• Nutrition spending has grown
• Increased emphasis on conservation
• Less market distortions over time?

朝市场化调整 (1985, 1996 Farm Bill)

– Commodity Credit Corp. Loans 无追索权贷款，以市场支付代替政府储备
– Drop direct payments 直接补贴; decoupling with actual production; increase counter-cyclical 反周期补贴 & crop insurance
Figure 3. Farm Bill Spending by Major Mandatory Programs

- Nutrition assistance
- Crop insurance
- Farm commodity program
- Conservation

Government farm program payments to farm producers, 2007-2017F

$ billion, nominal

- All other farm program payments 3/
- Conservation payments
- Payments that are a function of crop prices 2/
- Fixed payments 1/

Note: F = forecast.
1/ Includes direct fixed payments portion of Direct and Counter-Cyclical Program (DCP) and Cotton Transition Assistance Program (CTAP) payments. CTAP was designed to make payments only in 2014 and 2015.
2/ Includes counter-cyclical payments (CCP), average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, and certificate exchange gains. The certificate exchange program (CEG) ended after making payments for the 2009 crop year but was restored beginning with the 2015 crop year. CCP and ACRE were not continued in the 2014 Farm Bill. Price loss coverage (PLC) and agricultural risk coverage (ARC) payments began in 2015.
3/ All other payments include supplemental and ad hoc disaster assistance, tobacco transition, and dairy programs.

Major trends in Farm Bills

• Increased spending on small programs
  – Organic certification
  – Specialty Crop Grant 特种作物，比如瓜果
  – Beginning Farmers and Ranchers
  – Rural development
Farmer Safety Net

Three Pillars:

• Crop Insurance
• Commodity Program Payments
• Disaster Relief and Assistance
2008 Farm Bill as an example

图 1 美国 2008 年农业法案构建的农业安全网

Source: 夏益国 刘艳华 – 中国农村经济 2014
Proposed Reorganization of USDA Trade Functions and the Creation of an Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) and Elevation of Rural Development

U/S: Under Secretary 副部长
Deputy Sec. 常务副校长

IOWA STATE UNIVERSITY
Extension and Outreach
FSA Safety Net

• Farm Service Agency 农业服务司
  – Price or revenue support programs (Commodity programs)
  – Loans and loan guarantees
  – Production incentives
  – Disaster recovery
Current Safety Net for Iowa Farmers based on the 2014 Farm Bill

• [FSA] Choose Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC)
• [RMA] Buy Crop Insurance: Provides the majority of revenue protection
• [RMA] Insurance coverage for livestock producers impacted by natural disasters
Current Safety Net for Iowa Farmers based on the 2014 Farm Bill

- [FSA] Choose Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC)
  - 收入保护 ARC provides revenue (Price \times Yield) protection compared to 5-year average
  - 价格保护 PLC provides price protection compared to fixed price level.
FSA Crop safety net

• Farm Service Agency
  – Agriculture Risk Coverage (ARC) provides revenue (Price x Yield) protection compared to 5-year average of County yield and National average price
  – Improves on previous revenue program (ACRE) through triggering at county or farm level as opposed to state level
FSA Crop safety net

• Farm Service Agency
  – Price Loss Coverage (PLC) provides price protection compared to fixed price level ($3.70 national average corn) and the farm’s proven yield.
FSA Loan programs 贷款项目

• EMERGENCY LOANS 紧急救灾拨款
  – A Secretarial disaster designation or a Presidential declaration provides producers with emergency loans to help cover the recovery costs for physical and production losses.

• Farm Operating Direct Loan 种植、养殖低息贷款
  – Qualified farmers borrow directly from USDA.
    • Typically beginning farmers 十年经验以下的农民
    • Farmers that cannot get credit otherwise

• Guaranteed Loan Programs 贷款担保
  – Work with private lender
    • USDA backs 95% of qualified loan
FSA Incentivize action

- **Farm Storage Facility Loan Program (FSFL)**
  - 农场仓储设施贷款支持项目
  - provides low-interest financing for producers to build or upgrade farm storage and handling facilities.

- **BIOMASS CROP ASSISTANCE PROGRAM (BCAP)**
  - 生物质支持项目：生物乙醇，生物纤维
  - provides incentives to establish, cultivate and harvest eligible biomass for heat, power, bio-based products, research and advanced biofuels.
FSA Disaster recovery
畜牧业灾害救助

• Livestock Forage Disaster Program (LFP) provides compensation to eligible livestock producers that have suffered grazing losses due to drought or fire

• Livestock Indemnity Program (LIP) provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the federal government.
RMA Safety Net

- Risk Management Agency 风险管理司
  - Crop insurance 农作物保险
  - Livestock insurance 畜牧业保险
RMA Crop safety net

Risk Management Agency

• Crop insurance
  – USDA re-insures private sector insurance products that are actuarially sound
    • Makes the insurance cheaper through subsidy
  – USDA financially supported research to develop the insurance products
    • Removes the R&D cost making insurance cheaper
RMA Crop safety net

Risk Management Agency

- Crop insurance
  - USDA subsidizes the price of insurance to farmers
    - Average subsidy is over 60% for crops
  - Encourages production by lowering risk
Title III Trade

• Provides support for U.S. agricultural export programs and international food assistance programs.

• Major programs (export promotion and food aid)
  – Export Credit Guarantee program 出口信贷担保
  – Market Access Program (MAP): finances promotional activities for both generic and branded U.S. agricultural products 海外市场农产品推销
  – Foreign Market Development Program (FMDP), which is a generic commodity promotion program 海外市场开发
  – Food for Peace: the primary U.S. emergency and nonemergency food aid 人道主义食品救济
  – Other provisions address program changes related to WTO obligations.
China

$21.4 billion U.S. Agricultural Exports, 2016

Top 5 U.S. Exports
1. Soybeans ($14.2 billion)
2. Course Grains* ($1.0 billion)
3. Hides & Skins ($949 million)
4. Pork ($578 million)
5. Cotton ($550 million)
*Excluding Corn

Export Growth
2006-2016

$6.7 billion

219% Increase

$21.4 billion

#1 Among U.S. Agricultural Export Markets, 2016

Source: FAS Global Agricultural Trade System (GATS) BICO HS-6
USDA Secretary Sonny Perdue’s comments

• “This is tremendous news for the American beef industry, the agriculture community, and the U.S. economy in general. We will once again have access to the enormous Chinese market, ... When the Chinese people taste our high-quality U.S. beef, there’s no doubt in my mind that they’ll want more of it.”

• 根据美中达成的协议，中国制定了履行重新开放美国牛肉进口承诺的最后期限，中国最迟在7月16日之前允许符合国际食品和动物安全标准的美国牛肉进口。

• 美国养牛协会对协议的达成表示欢迎，称中国市场准入对养牛协会成员非常重要，该协议将增加中国对美国牛肉的需求。

• “一带一路”论坛将于5月14日至15日在北京举行。

• 此外，中国还将加快审议美国向中国提供生物工程种子的申请，允许外资企业在华提供信用评级服务，发布指导方针，允许美国公司在华提供电子支付服务，并向两家美国金融机构发放许可证以承销债券。
Federal and State Partner

Separate but collaborate

• Agricultural Research:
  – USDA has Agricultural Research Service located across the nation. Many facilities are on University campus. 农业部有下属农业研究司与农业经济研究司
  – States have Land Grant Universities 各州有“赠与地大学”计划（1862年）- 每州两到三个 that receive funding from USDA and the state to conduct research, extension and education to students. 科学研究，推广服务，教学 （三项任务）
Federal and State Partner

Separate but collaborate

• **Extension and outreach** is responsibility of Land Grant Universities 成立农业实验站（1887年）、实施农业推广服务（1914年）
  – Deliver research-based information and education to farmers
  – Federal, state and local funds for Extension

• ISU-CALS is now working with CAAS 农科院 to establish a center on China Ag Policy, housed under CARD
Federal and State Partner

Separate but collaborate

• Soil Conservation and Water Quality:
  – USDA Natural Resource Conservation Service delivers programs directly
  农业部自然资源保育司
  – States have Soil Conservation Districts
Investment by USDA

• Natural Resource Conservation Service (NRCS)
  – Pay for performance 根据保育成效支付: Conservation Stewardship Program (CSP). Different levels.
  – Farmers apply and are evaluated by NRCS.
  – Cost share 成本分担: Environmental Quality Incentives Program (EQIP), provide technical assistance and pay for part (25-75%) of practice cost if farmer implements the practice.
NRCS Conservation Investment

- Natural Resource Conservation Service (NRCS)
  - Technical Assistance provided by NRCS staff or approved Technical Service Providers in the planning and design of conservation practices and structures
  - Financial Assistance is provided as cost-share with the farmer to encourage implementation of the practice or structure. Typical cost share is up to 50%
Thank You
Working land conservation programs—the Environmental Quality Enhancement Program and Conservation Security Program—capture an increasing share of conservation funding.

***Includes the Wetland Reserve Program, Farmland Protection Program, and Grassland Reserve Program (easement portion) for 1996-2013.

Mandatory spending on organic agriculture, 2002-2014 Farm Acts

$ million

- 2002 Farm Act
- 2008 Farm Act
- 2014 Farm Act

Organic data collection*
National Organic Certification Cost-Share Program
Organic Ag Research and Extension Initiative**
Total

**Does not include intramural organic research funds in USDA, Agricultural Research Service.
Farm Bill legislative process, part II

- Conference Committee
- House passes conference bill
- Senate passes conference bill
- President signs bill into law
- USDA establishes rules and regulations to implement Farm Bill

Source: USDA Economic Research Service
Federal and State Partner

Divide responsibilities

• Food Safety and Inspection Service
• Market reporting
• National Agricultural Statistical Service