

The 2008 Farm Bill

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In-Service Program

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Progress Since Last Time

- The House has passed its version (7/27/2007)
- The Senate Agriculture Committee has not marked up its version yet
- Leaders are still pushing to pass the farm bill this year



House Target Price Changes

Crop	Unit	Current LR	Change
Wheat	\$/bu.	3.92	0.23
Barley	\$/bu.	2.24	0.49
Oats	\$/bu.	1.44	0.06
Cotton	\$/lb.	0.724	-0.024
Soybeans	\$/bu.	5.80	0.30
Minor Oilseeds	\$/lb.	0.101	0.014

House Loan Rate Changes

Crop	Unit	Current LR	Change
Wheat	\$/bu.	2.74	0.19
Malt Barley	\$/bu.	1.85	0.65
Feed Barley	\$/bu.	1.85	0.05
Oats	\$/bu.	1.33	0.13
Minor Oilseeds	\$/lb.	0.093	0.014

Revenue Counter-Cyclical Option

- Gives producers a one-time option to choose between revenue- or price-based counter-cyclical payments
- Actual revenue = National average yield
*Max(Season-average Price, Loan Rate)
- Target revenue determined by Congress



House Per Acre Target Revenues

Crop	TR	Crop	TR
Wheat	149.92	Cotton	496.93
Corn	344.12	Rice	548.06
Sorghum	131.28	Soybeans	231.87
Barley	153.30	Minor Oilseeds	129.18
Oats	92.10	Peanuts	683.83

House National Payment Yields

Crop	PY	Crop	PY
Wheat	36.1 bu.	Cotton	634 lb.
Corn	114.4 bu.	Rice	5128 lb.
Sorghum	58.2 bu.	Soybeans	34.1 bu.
Barley	48.6 bu.	Minor Oilseeds	1167.6 lb.
Oats	49.8 bu.	Peanuts	1.496 tons

National Payment Rate

- $(\text{Target revenue per acre} - \text{Actual revenue per acre}) / \text{National payment yield}$
- Puts payment on a per yield unit basis
- Payments to producers are equal to $\text{National payment rate} * \text{Current CCP payment acres} * \text{Current CCP payment yield}$

Marketing Loan Adjustments

- Separate loan rates for:
 - Long vs. short grain rice
 - Feed vs. malt barley
- Equalized county loan rates between corn and sorghum
- Changed definition of adjusted world price for cotton

Payment Limitations

- Eliminates the 3-entity rule
- Direct attribution
- AGI cap of \$1 million (3-year average)
- If AGI > \$500K, 2/3 of income from agriculture
- Direct payment cap = \$60K
- Counter-cyclical payment cap = \$65K
- Marketing loan payment cap eliminated

Other Provisions in Commodity Title

- No payments under \$25
- Extends MILC and sugar programs
- Mandates use of surplus sugar for ethanol
 - Surplus = Imports – U.S. food demand
- Pilot program in Indiana: allowing tomatoes on base acreage (payment base temporary reduced)

Conservation Title

- Expand EQIP (\$1.9 billion over 5 years)
- Prohibit additional CSP signups until 2012
- Change CSP structure (no more tiers)
- Extend CRP, WHIP, and WRP
- Payment limits: \$60K under any program, \$125K total (exceptions: WRP, FRPP, and GRP)



Energy Title

- Renews Biobased products program
- Extends loan guarantees for biorefineries, along with many of the energy programs in the current farm bill
- Research money for alternative feedstocks
- Feasibility study of ethanol pipeline
- Creation of Biomass Inventory Report and Biomass Energy Reserve

Miscellaneous Title

- Drop crop insurance administrative and operating expense rate to a max of 21.6%
- Raise fee for catastrophic coverage to \$200 per crop per county
- Target loss ratio moved from 1.075 to 1
- COOL by 2008 for red meats only

Historical and Projected Spending

	Commodity	Conservation	Food Stamps
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(\$ billion)

2002-07	72.9	18.3	178.2
2008-13	42.4	26.5	225.8

Projections for the House

Title	Change, 2008-12	Title	Change, 2008-12
	(\$ million)		(\$ million)
Commodity	-865	Research	265
Conservation	2,895	Forestry	70
Trade	97	Energy	2,429
Nutrition	4,205	Hort. and Organic	548
Credit	-378	Misc.	-3,533
Rural Dev.	114	Total	5,847

Speculation on Senate Action

- May try for markup session this week
- Several competing packages
 - Harkin
 - Conrad/Chambliss
 - Lugar
 - Durbin/Brown

2007 Farm Bill

Outlays Compared to 5-Year March Baseline (\$ in Millions)

	House Ag Committee report w/En Bloc	Chairman's Proposal 9/21/07	Option 1 No DP Reduction	Option 2 \$1.0 B DP Reduction	Option 3 \$1.5 B DP Reduction
Increases in Outlays					
Commodities and Specialty Crops	\$1,674	\$1,400	\$1,500	\$1,600	\$1,700
Conservation	\$3,495	\$5,000	\$3,300	\$3,600	\$3,800
Trade	\$781	\$500	\$350	\$350	\$350
Nutrition	\$4,213	\$4,200	\$4,200	\$4,200	\$4,200
Credit	\$0	\$30	\$0	\$0	\$0
Rural Development	\$114	\$750	\$0	\$100	\$100
Research	\$265	\$200	\$0	\$0	\$0
Forestry	\$63	\$0	\$0	\$0	\$0
Energy	\$2,429	\$2,000	\$1,070	\$1,500	\$1,700
Miscellaneous/Competition	\$38	\$100	\$0	\$0	\$0
Total Increased Outlays	\$13,072	\$14,180	\$10,420	\$11,350	\$11,850
Reductions in Outlays					
Commodity Programs		\$2,090	\$2,410	\$2,410	\$2,410
Other		\$0	\$360	\$290	\$290
Crop Insurance		\$3,610	\$3,650	\$3,650	\$3,650
Conservation		\$1,000	\$1,000	\$1,000	\$1,000
Total Farm Bill Reductions		\$6,700	\$7,420	\$7,350	\$7,350
Finance Committee		\$3,000	\$3,000	\$3,000	\$3,000
Total Farm Bill Reductions and Offsets	\$13,472	\$9,700	\$10,420	\$10,350	\$10,350
Direct Payment Reduction*		\$4,480	\$0	\$1,000	\$1,500
Net Change in Outlays	-\$400	\$0	\$0	\$0	\$0

*12.5% across-the-board reduction in direct payments, plus 2% reduction for each 1% prices exceed 110% of the target price, increased target prices.
Example: 12.5% reduction = \$2.5 B, 2% reduction = \$2.0 B, Total = \$4.5 B

*2% reduction for each 1% prices exceed total cost of product with low yield exception. Provision in effect for 2 years. 2% reduction = approx. \$1B over 2008-2009 or \$1.5B over 2008-2010.



Senate Issues

- Harkin: More funding for conservation, nutrition, and energy
- Conrad/Chambliss: Maintain current stable of programs, add disaster program
- Lugar: Move to farm saving accounts
- Durbin/Brown: Revenue counter-cyclical program

More Issues

- Payment limits
- Outside funding
- COOL
- Short-term extension of current farm bill

Timing

- Senate has scheduled week break in early October
- Tight schedule on Senate floor for October and November
- Could leave little time for House-Senate conference to pass a farm bill this year
- Harkin will chair conference committee