

# U.S. Farm Bill Update

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In-Service Education for  
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# Farm Bill Progress

- The House and Senate have both passed versions
- Both proposed farm bills face veto threats
- Conference members have been named and meetings have been held
- Major work will continue over the next week
- Current farm bill has been extended to April 25, 2008

# Let's Start with the House Version

- Continues direct payment, counter-cyclical payment, and marketing loan programs
- Rebalances target prices and loan rates
- Opens up an optional revenue-based counter-cyclical program
- Modifies payments limits for commodity programs
- Extends the Milk Income Loss Contract Program until 2012

# Now on to the Senate Version

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- Rebalances target prices and loan rates
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# Latest News

- Discussions centering around a farm bill that will spend \$10 billion over baseline in a 10-year window
  - Baseline: \$597 billion over 10 years
- Negotiations ongoing on how to fund it and how to allocate it among the farm bill titles
- Targets for possible spending cuts:
  - Crop insurance
  - Commodity programs (direct payments?)

# Administration Wish List

- Administration would like a farm bill in the \$6-10 billion over baseline range, depending on “reforms”
  - Payment limitations
  - Revenue-based counter-cyclical program
  - No increases in commodity program parameters
  - Changes to marketing loan program
  - Elimination of planting restrictions for fruit and vegetables for direct payments

# Additional Items

- Permanent disaster program is part of the mix
  - Producers may end up paying for it
  
- Some moves being made outside of farm bill
  - Amendment to lower payment limits (\$250K) has been submitted to the FY2009 budget resolution in the Senate

# Like a Tennis Match

- House made an offer of \$6 billion over baseline
- Senate countered with \$10 billion over baseline
- House re-countered with \$9.5 billion over baseline
  
- Let's look at the last two offers



# Senate Offer

- Total: \$10 billion over baseline
- Producer Income Protection: -\$2.979 billion
  - Commodity programs: -\$1.276 billion
  - Crop insurance: -\$5.753 billion
  - Disaster assistance: \$4.05 billion
- Nutrition: \$9.5 billion
- Conservation: \$4 billion
- Specialty Crops: \$1.35 billion
- Energy: \$0.9 billion
- Research: -\$1.244 billion

# Senate Offer (continued)

- Offsets
  - Extend customs user fees: \$4 billion
  - Broker reporting of customer basis in security transactions: \$6 billion
- Tax Package Offsets:
  - Ethanol tax credit change: \$1.226 billion
  - Schedule F loss limitation, self-employment, and other farm-related tax reform: \$1.18 billion

# Senate Offer (continued)

- Tax Package:
  - Conservation: \$1.7 billion
  - Ag./Rural Business: \$0.8 billion
  - Energy: Not estimated
    - Residential wind and cellulosic biofuel tax credits
- Other items
  - Ethanol tariff extension

# Senate Offer (continued)

- Willing to add \$500 million to nutrition, offset by cuts to direct payments (\$250 million) and agricultural disaster program (\$250 million)

# House Counter Offer

- Original offer: \$6 billion over baseline (think most of the Senate offer w/o disaster program and tax package) offset by credit card compliance
- Counter offer: \$9.5 billion over baseline
  - \$2 billion for agricultural disaster program
  - \$1 billion for tax package
  - \$500 million for nutrition

# House Counter Offer (continued)

- Offsets:
  - \$1 billion from commodity title programs
  - \$1.2 billion from ethanol tax credit
  - \$1.3 billion from other changes
- The full House voted 400-11 to “keep taxes out of the farm bill”

# Big Differences

- Ag. disaster program
- Tax package
- Offsets for spending
  
- Agreements on funding allocation for nearly everything else

# Line in the Sand

- Harkin has stated he will call for a vote on the tax package on Tuesday (at the next scheduled meeting) if no agreement can be reached before then



# House Target Price Changes

Crop	Unit	Current TP	Change
Corn	\$/bu.	2.63	0.00
Soybeans	\$/bu.	5.80	0.30
Barley	\$/bu.	2.24	0.49
Wheat	\$/bu.	3.92	0.23
Oats	\$/bu.	1.44	0.06
Cotton	\$/lb.	0.724	-0.024
Minor Oilseeds	\$/lb.	0.101	0.014

# Senate Target Price Changes

Crop	Unit	Current TP	Change
Corn	\$/bu.	2.63	0.00
Soybeans	\$/bu.	5.80	0.20
Barley	\$/bu.	2.24	0.39
Wheat	\$/bu.	3.92	0.28
Oats	\$/bu.	1.44	0.39
Cotton	\$/lb.	0.724	-0.0015
Minor Oilseeds	\$/lb.	0.101	0.0264

# House Loan Rate Changes

Crop	Unit	Current LR	Change
Corn	\$/bu.	1.95	0.00
Soybeans	\$/bu.	5.00	0.00
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

# Senate Loan Rate Changes

Crop	Unit	Current LR	Change
Corn	\$/bu.	1.95	0.00
Soybeans	\$/bu.	5.00	0.00
Wheat	\$/bu.	2.74	0.20
Barley	\$/bu.	1.85	0.10
Oats	\$/bu.	1.33	0.06
Minor Oilseeds	\$/lb.	0.093	0.0079

# House 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

# Senate Payment Limitations

- Direct attribution
- For 2009, AGI > \$1 million, 2/3 of income from agriculture
- For 2010 and beyond, AGI > \$750K, 2/3 of income from agriculture
- Direct payment cap = \$40K
- Counter-cyclical payment cap = \$60K
- Marketing loan payment cap eliminated
- No cap on ACR payments

# House 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

# Senate Conservation Title

- Rename and expand CSP (targeting nearly 80 million acres by 2017)
- Combining CSP and EQIP in the Comprehensive Stewardship Incentives Program (CSIP)
- Extend EQIP (no additional funds)
- Extend CRP, WHIP, and WRP



# House 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

# Senate Energy Title

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- 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

# Average Crop Revenue Election (ACRE)

- Gives producers a one-time option to choose a revenue-based counter-cyclical payment program, starting in 2009
- Producers choose between the current stable of programs or ACRE
- Actual ACRE structure still to be determined

# ACRE

- Producers choosing ACRE agree to 30% decline in direct payments and loan rates
- Program has state and farm trigger levels, both must be met before payments are made
- Expected state yield based on 5 year Olympic average yields per planted acre

# ACRE Structure

- ACRE price guarantee is the maximum of the national loan rate or the 3 year average of the national season-average price
- ACRE revenue guarantee = 90% of ACRE price guarantee \* Expected state yield
- ACRE actual revenue = Season-average price \* Actual state yield per planted acre

# ACRE Payments

- Payment Rate =  $100\% * (\text{ACRE Revenue Guarantee} - \text{Actual State Revenue})$
- Payments made on 85% of base acres
- Farm trigger: Farm yield \* National season-average price < Per-acre crop insurance premium + (5 year Olympic average farm yield \* ACRE price guarantee)

Thanks for your time!

Any questions?