U.S. Farm Bill Update

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In-Service Education for
Farm and Business Management Extension
Ames, Iowa
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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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

<table>
<thead>
<tr>
<th>Crop</th>
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<th>Current TP</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$/bu.</td>
<td>2.63</td>
<td>0.00</td>
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<tr>
<td>Soybeans</td>
<td>$/bu.</td>
<td>5.80</td>
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<tr>
<td>Wheat</td>
<td>$/bu.</td>
<td>3.92</td>
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<td>$/bu.</td>
<td>1.44</td>
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<tr>
<td>Cotton</td>
<td>$/lb.</td>
<td>0.724</td>
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<tr>
<td>Minor Oilseeds</td>
<td>$/lb.</td>
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<tr>
<td>Wheat</td>
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<td>Malt Barley</td>
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<td>Feed Barley</td>
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<td>Oats</td>
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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

• Renews Biobased products program
• Extends loan guarantees for biorefinerries, 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%*(ACRE Revenue Guarantee – 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?