Farm Bill 2007
H.R. 2419
Farm, Nutrition, and Bioenergy Act of 2007
Wes Harris
Farm Bill 2007

- H. R. 2419  **Farm, Nutrition, and Bioenergy Act of 2007**
  Passage:  July 27, 2007
  Roll call vote:  231 – 191
- Collin Peterson, Bob Goodlatte
- Nancy Pelosi
- Kind/Flake Amendment (117 – 309)
Dynamics

- Budget
  - Reduced baseline
  - Paygo
- Consensus
- Political
- Timing
Scorecard

- Winners:
  - Nutrition (URBAN)
  - Specialty Crops (Horticulture & Organics)
  - Conservation (EQIP, FLEP, GRP, FRPP)
  - Dairy & Sugar
  - Energy
  - Value-added entrepreneurial efforts
Scorecard

- Losers:
  - Cotton (Target Price, Pay limits)
  - Major Reformers & Trade Considerations
  - Crop Insurance companies
  - Farm Credit
  - Individual Research Agencies
  - NCGA
  - NRCS
  - LARGE Operations (3 entity, AGI, Con Limit)
Scorecard

- **Status Quo:**
  - Peanuts
  - Rice
  - Forestry
  - CRP

- **On Deck:**
  - Permanent Disaster Program
Farm Bill 2007 Budget $286 Billion

Source: House Committee On Agriculture
USDA Budget

FY 2006 Budget Outlays

- Food Assistance: 54%
- Farm and Commodity Programs: 26%
- Rural Development: 3%
- Research, Inspection, and Administration: 4%
- Conservation and Forestry: 11%
- International: 2%
Aggregate Funding for the 2007 Farm Bill

CBO March 2007 Baseline

+ Any Funds Added in the FY 2008 Budget Resolution

- Any Cuts Required by Budget Reconciliation

Funds Available for the 2007 Farm Bill
Baseline

- Senate Budget Committee provides $15 B ‘reserve’ for Bill
- House Budget Committee provides $20 B ‘reserve’ for Bill
- Similar to a credit card increasing your spending limit: you can buy more but you must offset (payback) all the reserve expenses
United States Farm Policy: Evolutionary not Revolutionary

1996 Farm Bill - Federal Agriculture Improvement and Reform Act (FAIR) “Freedom To Farm”

2002 Farm Bill - Farm Security and Rural Investment Act (FSRIA)

1996 Farm Bill Titles

Title I – Agriculture Market Transition Act
Title II – Agriculture Trade
Title III – Conservation
Title IV – Nutrition Assistance
Title V – Agricultural Promotion
Title VI – Credit
Title VII – Rural Development
Title VIII – Research, Extension, and Education
Title IX - Miscellaneous
2002 Farm Bill Titles

Title I – Commodity Programs
Title II – Conservation
Title III – Trade
Title IV – Nutrition Programs
Title V – Credit
Title VI – Rural Development
Title VII – Research and Related Matters
Title VIII – Forestry
Title IX – Energy
Title X - Miscellaneous
Title I – Commodity Programs
Title II – Conservation
Title III – Trade
Title IV – Nutrition Programs
Title V – Credit
Title VI – Rural Development
Title VII – Research and Related Matters
Title VIII – Forestry
Title IX – Energy
Title X – Horticulture and Organic Agriculture
Title XI - Miscellaneous
HR 2419 Title I
Commodity Programs

- Direct Payments remain constant
- Counter-Cyclical program target price changes and choice of Revenue CCP
- Payment acres remain 85% (DCP)
- Planting flexibility (limitations) maintained
- Peanut loan period truncated to Jun 30
HR 2419 Title I
Commodity Programs

- Preserves non-recourse Marketing Assistance Loan (MAL) program with some loan rate revisions
- Peanuts attain ‘covered commodity’ status with payment limit exclusivity
- Reforms payment limitations
- Slight modification to sugar program
HR 2419 Title I
Commodity Programs

- Equity achieved by ending government storage payments for commodities (peanuts & cotton)
- MILC and other dairy programs (pricing)
- Timing of payments re-structured
- De minimis: no payments made <$25
Payment Limit Reform

- Hard cap of $1 million on average AGI (3 yrs) – reduced from $2.5 million
- Those producers with AGI > $500 K must prove 2/3 of income from farm, ranch or forestry
- Elimination of three-entity rule
- Peanuts treated separately on DCP
Payment Limit Reform

- Raises Direct Payment limit per individual from $40 K to $60 K
- Counter-Cyclical payment limit remains at $65 K
- Eliminates limitation on marketing loan gains and loan deficiency payments (no certificates after $75 K)
Payment Limit Reform

- Maximum limit per individual DCP payments = $125 K
- Under three-entity maximum per individual was = $210 K
- Direct attribution must exist
- Spouse as separate person ????
## HR 2419 Target and Loan Prices

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2007 Target</th>
<th>2002 Target</th>
<th>2007 Loan</th>
<th>2002 Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat (bu)</td>
<td>$4.15</td>
<td>$3.92</td>
<td>$2.94</td>
<td>$2.75</td>
</tr>
<tr>
<td>Corn (bu)</td>
<td>$2.63</td>
<td>$2.63</td>
<td>$1.95</td>
<td>$1.95</td>
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<tr>
<td>Cotton (lb)</td>
<td>$0.70</td>
<td>$0.724</td>
<td>$0.52</td>
<td>$0.52</td>
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<tr>
<td>Soybeans (bu)</td>
<td>$6.10</td>
<td>$5.80</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>Peanuts (ton)</td>
<td>$495.00</td>
<td>$495.00</td>
<td>$355.00</td>
<td>$355.00</td>
</tr>
</tbody>
</table>
Revenue Counter-Cyclical Program

- Payments triggered when the actual national revenue per acre is less than the national target revenue per acre
- Target revenues based on 2007 target prices (cotton)
- Producers have option for each covered commodity
## Revenue Counter-Cyclical Program Rates

<table>
<thead>
<tr>
<th>Commodity</th>
<th>National Target Revenue per acre</th>
<th>National Payment Yield per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$149.92</td>
<td>36.1 bu</td>
</tr>
<tr>
<td>Corn</td>
<td>$344.12</td>
<td>114.4 bu</td>
</tr>
<tr>
<td>Cotton</td>
<td>$496.93</td>
<td>634 lbs</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$231.87</td>
<td>34.1 bu</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$683.83</td>
<td>1.496 tons</td>
</tr>
</tbody>
</table>
CORN

$0 $20 $40 $60 $80 $100


Year

Dollars/Acre

CCP

NRCCP

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Timing of Direct Payments

Timing of Counter-Cyclical Payments

- 2008 – 2010: 40% of projected CCP after 6 months of marketing year. Final payment after end of marketing year (as soon as practicable)
- 2011-2012: Total payment made after end of marketing year (no adv)
Planting Flexibility (Limitation)

- Planting limitations on base acres for fruits and vegetables remain
- **MAJOR** consequences will exist with WTO – will lose DP and CCP status
- Brazil has won the ability to retaliate recently for lack of US compliance in DSB’s decision in 2005/2006
Cotton

- Changes calculation of adjusted world price to reflect market conditions – Far East price of cotton (LDP/MLG)
- Reduction of target price - 2.4¢ per lb
- Certificates or cash to domestic users (regardless of origin) at 4¢ per lb to be used for: acquisition or capital improvements
Dairy

- Extends Milk Income Loss Contract (MILC) program through 2012
- Supports price of cheese, butter, and non-fat dry milk w/ gov purchases
- Re-establishes Dairy Forward Pricing Program – sell set amount of milk over set period, at set price
- Extends Export Incentive Program
HR 2419 Title II
Conservation

- Extends CRP – 39.2 M acres (same)
- Renew and expand Wetlands Reserve Program (WRP) adding 1.2 M acres (fair market values)
- Extends EQIP and increases funding every year - subject to appropriations (s.t.a.)
- Technical assistance under EQIP for fruits and vegetables directed
HR 2419 Title II
Conservation

- Organic certification eligible for cost share assistance under EQIP
- 60% rule still applies for EQIP
- Extends Conservation Innovation Grants (CIG) with new funds for fruit, vegetables, and organic producers
- New Regional Water Enhancement Program (RWEP) – priority areas
HR 2419 Title II
Conservation

- Extends and increases funding for Farm and Ranchland Protection Program (FRPP) – certification {MD – ME}
- Renewal of Small Watershed Rehabilitation Program (SWRP) – dams
- Extends WHIP – not combined with EQIP
- Moves Forestland Enhancement Program (FLEP) under EQIP
HR 2419 Title II
Conservation

- Brings Grassland Reserve Program (GRP) back with funding for 1 M acres
- Establishes Cooperative Conservation Program Initiative – state and local gov
- Simplifies application for all programs
- Moves administration back to FSA
HR 2419 Title II
Conservation

- Payment Limits:
  - $60 K for any single program
  - $125 K for combination of programs
  - Exceptions: WRP, GRP, and FRPP

- Old limits allowed total of $450 K for total payments – new limits will keep large operations from participating ???
HR 2419 Title II
Conservation

- Conservation Security Program (CSP) modified by removing tier system and replacing it with annual stewardship enhancement payments:
  New and ongoing implementation plus maintenance of conservation practices and activities
HR 2419 Title II
Conservation

- CSP on hold until 2012 – 2017 with continuance of current contracts that can be modified to comply with new program (no tiers)
- EXPENSIVE – savings to EQIP
- HUGE problem with Senate Ag Chair
HR 2419 Title II
Conservation

- Peanut Environmental Resource Stewardship (PERS) Program – Terry Everett (R-AL) amendment placed en bloc on floor
SEC. 2504. Pilot Program for Four Year Crop Rotation for Peanuts.

a) Contract Authority.- The Secretary of Agriculture shall enter into a contract with a peanut producer under which the producer will implement a four-year crop rotation for peanuts.

b) Contract Payments.- Under the contract, the Secretary shall pay to the producer a contract implementation payment, in an amount to be determined to be appropriate by the Secretary.

c) Funding.- For each of fiscal years 2008 through 2012, the Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out the provisions under this section, except that funding of the pilot program may not exceed $10,000,000 in each of such fiscal years.
PEANUT ACRES AND PRODUCTION

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HR 2419 Title III
Trade

- Increases funding (s.t.a.) for Market Access Program by $125 M LOB {new - includes leaf tobacco}
- Extends Market Development Program
- Provides $38 M (s.t.a) to Specialty Crops program in Technical Assistance to address sanitary and phytosanitary barriers for exports
HR 2419 Title III
Trade

- Reforms Export Guarantee Programs to comply with WTO:
  - Lifts fee cap of 1% on GSM-102 program
  - Eliminates GSM-103 program
  - 102 = 6 mos to 3 yrs   103 = 3 to 10 yrs

- Increases international food assistance:
  - AID
  - McGovern-Dole International Food for Education and Child Nutrition Program
HR 2419 Title IV
Nutrition Programs

- $4 B+ additional funding for Food Stamps – offset by closing tax loophole
- Increases min benefit for recipients
- Excludes combat pay as income
- Raises and indexes min std deduction
- Allows full deduction of dependent care
HR 2419 Title IV
Nutrition Programs

- Extends The Emergency Food Assistance Program (TEFAP) – stocks food banks and homeless shelters
  - $140 M 2008 increasing to $250 M 2012
- Increases DoD Fresh Fruit and Vegetable program to $406 M
- Expands USDA School Snack Program providing healthy (F&V) nutrition
HR 2419 Title IV
Nutrition Programs

- Renames Food Stamp Program: “Secure Supplemental Nutrition Assistance Program” (SSNAP)
- Expands Senior Farmer’s Market Nutrition Program providing senior citizens vouchers to purchase fresh produce at markets and roadside stands
HR 2419 Title V
Credit

- Expands farm ownership and operating loan limits to $300,000 (current $200 K)
- Creates loan guarantee program for conservation projects with priorities:
  - Beginning farmers
  - Socially disadvantaged farmers
  - Building conservation structures or establishing conservation practices
HR 2419 Title V
Credit

- Increases amount of direct farm ownership loans, guaranteed FO loans, and direct operating loans for beginning farmers
- Adjusts Beginning Farmer Down Payment Loan Program fixing interest at 4% below regular direct ownership rates or 1% whichever is greater
HR 2419 Title V Credit

- BFDPLP- max allow sales price increased from $250 K to $500 K and down payment required reduced to not less than 5%, and term of loan increased from 15 to 20 years
- Socially disadvantaged farmers now eligible for BFDPLP
HR 2419 Title VI
Rural Development

- Authorizes Rural Firefighters and Emergency Medical Service Assistance Program providing improved medical services
- New grants for rural health facilities
- Expands 9-1-1 access through loans to public entities
HR 2419 Title VI
Rural Development

- Grants for weather radio transmitters to increase coverage in rural areas
- Improves access to broadband (BB) services in rural areas of greatest needs
- Authorizes Community Connect Grant Program providing grants to finance broadband transmission in under-served
HR 2419 Title VI
Rural Development

- Extends and modifies current BB services are focused on rural areas of need while reducing loans to areas already sufficiently served
- Creates comprehensive national rural BB strategy
Expands Value-Added Agriculture Product Market Development Grant Program:
- Increases funding to $30 M per year for grants on planning and working capital
- Creates 10% set-aside for beginning and socially disadvantaged farmers
- Creates 10% set-aside for mid-tier value chains
HR 2419 Title VI
Rural Development

- Authorizes tech transfer program providing tech information and resources for farmers practicing or transitioning to sustainable and organic farming
- Creates Rural Entrepreneur and Microenterprise Assistance Program for tech and financial assist to rural business with less than 10 employees
HR 2419 Title VI
Rural Development

- Extends Rural Business Opportunity Grants (RBOG) for rural job training
- Extends Rural Cooperative Development Grants establishing and operating centers for rural cooperative development
HR 2419 Title VI
Rural Development

- Extends Agriculture Innovation Center Demonstration Program providing tech assist, outreach, and bus and mktng planning to enhance viability, growth, and sustainability of value-added agricultural businesses
HR 2419 Title VI
Rural Development

- Creates preference within Business and Industry Program (B&I) for loans to rural food entrepreneurs that process and distribute food locally and regionally
- Renews and expands rural water systems programs
HR 2419 Title VII

Research

- Establishes National Agriculture Research Program Office (NPO):
  - Renewable Energy, Natural Resources & Environment
  - Food Safety, Nutrition, and Health
  - Plant Health and Production Protection
  - Animal Health and Production Protection
  - Agriculture Systems and Technology
  - Agriculture Economics and Rural Communities
Each Program Office will have a Director tasked to minimize duplication and maximize coordination at all levels:

- Formulate programs
- Planning and priorities for ag research
- Coordination and tracking of research activities
HR 2419 Title VII Research

- Creates National Institute of Food and Agriculture (NIFA) to administer all competitive grants programs merging Initiative for Future Agricultural and Food Systems (IFAFS) and the National Research Initiative (NRI)
HR 2419 Title VII Research

- Requires President to submit single line item budget request for agriculture research programs
  - Current funding is distributed across various agencies creating difficulty in tracking the total amount of federal investment in ag research activities
HR 2419 Title VII
Research

- Continues programs established under the Hatch and Smith-Lever Acts
- Expands access to research and extension dollars for Hispanic Serving Agricultural Colleges and Universities:
  - Min 25% Hispanic enrollment
  - Expands extension capabilities at HS instit.
  - Eligible for International Ag Research and Extension Program
HR 2419 Title VII Research

- High priority initiatives for research related to specialty crop and organic production:
  - $25 M for organic research priorities
  - $215 M for Specialty Crop Research Initiative
  - $25 M for fresh produce safety grants
HR 2419 Title VII
Research

- High priority initiatives for research related to bioenergy and biobased products
Future of American Forests:
- New national forest conservation priorities
- States must conduct assessments of current forest resources
- States must develop long-term strategy for forest resource management
HR 2419 Title VIII
Forestry

- Efficiency in existing forestry programs:
  - Cooperation between government, private landowners, and the conservation community with new Forest Resources Coordinating Committee
  - Reauthorizes Office of International Forestry promoting forest management and biodiversity conservation internationally
HR 2419 Title VIII
Forestry

- Biodiversity, global warming, and endangered species:
  - Extends with $17 M per year the Healthy Forest Reserve Program assisting private landowners in protecting endangered sp. and improving forest health
  - Continues Emergency Forestry Conservation Program for restoration of forestland affected by natural disasters (eligible landowners)
HR 2419 Title VIII
Forestry

- Reauthorizes Rural Revitalization Technologies for utilization of forest biomass in energy production
- New grant program to recruit and train Hispanics for careers in forestry and related fields
HR 2419 Title IX
Energy

- Loan guarantees for Biorefineries and Biofuels Production Plants:
  - 50% of funds to loans less than $100 M
  - 50% of funds to loans less than $250 M
  - Require contractors (and subs) pay not less than prevailing wages under Davis-Bacon Act (labor union rates)
Biodiesel Fuel Education Program:
- $10 M as funds are available
- Competitive grants to nonprofits that educate governmental and private entities operating vehicle fleets and educate the public on benefits of biodiesel fuel use
- 2002 Bill funded program at $5 M
HR 2419 Title IX
Energy

- Renewable Energy & Energy Efficiency Improvements Program:
  - Reauthorization that now allows for eligibility of feasibility studies
  - Loans, loan guarantees, and grants to farmers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements
  - Loan guarantee level up from $10 M to $25 M
HR 2419 Title IX Energy

- Grant funds for up to 25% of project costs
- Combined grants and loans or loan guarantees may fund up to 75% of project
- Eligible projects derive energy from wind, solar, biomass or geothermal sources
- Projects using energy from eligible projects to produce hydrogen from biomass or water are eligible
- 2002 Bill funded $115 M over 5 years
HR 2419 Title IX
Energy

- Bioenergy Program enhanced funding:
  - Production incentives for increases in production of ethanol and biodiesel made from ag and forestry crops and associated waste materials
  - Expands eligibility for combined heat and power production using biomass
  - Program makes payments to eligible bioenergy producers based on year-to-year increases in quantity produced
HR 2419 Title IX
Energy

- Biomass Energy Reserve Program:
  - Encourage production of feedstocks for cellulosic ethanol and other energy production by providing 5 year contracts for producers to grow dedicated energy crops
  - Incentives for harvesting, storing, and transporting biomass to bioenergy facilities
  - Incentives to assist farmers in planting, cultivating, harvesting, and transporting cost effectively
HR 2419 Title IX
Energy

- Federal Procurement of Biobased Products:
  - Preference for at least 5% of fuel biobased
  - Requires USDA to complete rule on labeling regulation
  - Require Federal agencies to purchase biobased products under certain conditions
  - USDA defines biobased products and the criteria for qualifying for preferred purchases
HR 2419 Title IX
Energy

- Forest Bioenergy Research Program:
  - $75 M to address utilization of woody biomass for bioenergy production

- Biomass Research and Development Program:
  - Extends Program through 2012
  - Competitive funding for R&D projects on biofuels and bio-based chemicals
HR 2419 Title X
Horticulture and Organic Agriculture

- Specialty Crop Block Grant Program:
  - $365 M to expand block grants
  - Would be mandatory funding
  - Go to states for projects in research, marketing, education, pest and disease management, and food safety
HR 2419 Title X
Horticulture and Organic Agriculture

- New funding for Organic Farmers:
  - $22 M mandatory funding for USDA cost-share program
  - $3 M mandatory funding for organic marketing data collection and publication
  - National Organic Certification Cost-Share Program offsets costs producers and handlers incur achieving certification
HR 2419 Title X
Horticulture and Organic Agriculture

- Farmers’ Market Promotion Program:
  - Expands use of Electronic Benefits Transfer (food stamps) at markets
  - $32 M in mandatory funding to expand opportunities for direct producer-to-consumer marketing
  - Expands eligibility to farmers’ markets, roadside stands, community-supported ag programs, agritourism, and other directs
HR 2419 Title X
Horticulture and Organic Agriculture

- Doubles USDA purchases of F&V with Section 32 funds (perm approps):
  - Increase of $406 M
  - USDA purchases then donates F&V through domestic nutrition and food assistance
  - Helps nutritionally deficient recipients (low income children in school or day care)
  - May provide balance in supply and demand
HR 2419 Title X
Horticulture and Organic Agriculture

- Food Safety, Pest and Disease Management Programs:
  - $200 M in mandatory funding for pest and disease detection and control
  - Good handling practices and methods to ensure safety and wholesomeness of specialty crops subject to USDA approval
  - New programs of joint action between Feds and states for detection of plant pests and diseases
HR 2419 Title X
Horticulture and Organic Agriculture

- USDA will develop assessments of pest and disease threats and strategies of control
- Establishes proactive, cooperative, audit-based certification systems between USDA, states, and growers to address plant pest infestations
HR 2419 Title X
Horticulture and Organic Agriculture

- USDA will continue research to identify causes and solutions to address Colony Collapse Disorder (CCD) in honey bees
  - CCD is sudden die-off of honey bee colonies and threatens all bee pollinated crops
- National Clean Plant Network
  - $20 M in mandatory funding to create a national source for identifying clean plant stocks for horticultural crops
Supplemental Crop Insurance

Availability:
- Area coverage must be available
- Based on area yield and loss plan or area revenue plan of insurance
- Must purchase both individual and area gap coverage for each crop
HR 2419 Title XI
Miscellaneous Provisions

- Crop Insurance:
  - Denies coverage on crops grown on grassland or pasture never row cropped
  - Expands data mining capabilities to detect and deter fraud and abuse in CI program
  - RMA will conduct thorough risk analysis on differences between conventional and organic crops and reduce premium surcharges
HR 2419 Title XI
Miscellaneous Provisions

- Directs RMA and AMS to discover prices for organic products to be incorporated in crop insurance options available to organics
- Reduces administrative and operating expense reimbursements to insurance companies by 2%
- Authorizes renegotiation of Standard Reinsurance Agreement (SRA) by FCIC on periodic basis
HR 2419 Title XI
Miscellaneous Provisions

- Enhances risk management education for socially disadvantaged and beginning farmers

- New process allowing FCIC to share in cost of development of new crop insurance product

- Increases NAP (Noninsured Crop Assistance Program) premiums to:
  - $200 per crop per county
  - Maximum $600 per producer per county
  - Maximum total of $1800 per producer
HR 2419 Title XI
Miscellaneous Provisions

- Implements Mandatory Country of Origin Labeling – beef, lamb, pork, or goat:
  - US origin must be born, raised, and slaughtered in US
  - Meat born in another country but raised and slaughtered in US will identify both countries
HR 2419 Title XI
Miscellaneous Provisions

- Processed meats will be labeled with list of all countries of origin derived
- Animals imported for direct slaughter will be labeled from country derived
  - COOL does not apply to F&V or poultry
  - Variations on covered commodities
HR 2419 Title XI
Miscellaneous Provisions

- Secretary may make surplus USDA computers available to any city or town in rural area
- One year moratorium on closure of any USDA-FSA, NRCS, or RD county or field office from the day of enactment
Timeline

- Senate Mark Up in September
- Senate Passage in October
- Conference: 2 weeks ??
- Target Adjournment: October 26th
- President signs in November
Senate Ag Committee

- Tom Harkin, IA - D
  *Chairman*
- Patrick Leahy, VT
- Kent Conrad, ND
- Max Baucus, MT
- Blanche Lincoln, AR
- Debbie Stabenow, MI
- Benjamin Nelson, NE
- Ken Salazar, CO
- Sherrod Brown, OH
- Robert Casey, PA
- Amy Klobuchar, MN
- Saxby Chambliss, GA - R
  *Ranking Member*
- Thad Cochran, MS
- Richard Lugar, IN
- Mitch McConnell, KY
- Pat Roberts, KS
- Lindsey Graham, SC
- Norm Coleman, MN
- Mike Crapo, ID
- John Thune, SD
Senate

- S. 1872 Durbin (D-IL) Brown (D-OH):
  - State Revenue Counter-Cyclical Program in combination with crop insurance
  - Recourse loans (scraps MAL program)
  - Peanuts?
  - Supported by National Corn Growers
Chairman Harkin

- Nutrition – may be satisfied with 2419
- Energy – would like to increase biomass production
- Conservation – adamantly opposed to 2419’s treatment of CSP
- Other titles (excluding Title I) will probably be acceded
Chairman Harkin

- Commodity Title: Mr. Harkin no fan of Cotton, Sugar, Rice and Peanuts
- Supports NCGA proposal to some degree
- Will advance more stringent payment limitations ($250 K AGI and $100 K DCP) probably no spousal
- Budget: mandatory base/yield update??
Implications

- Presidential Veto ???
- Additional budget ???
- More Tax increases ???
- Will Consensus hold ???
- WTO ???

POLITICAL REALITIES
Fall Back

- If Farm Bill is not re-authorized by September 30, 2007:

  *Agricultural Adjustment Act of 1949*
Agricultural Assistance
P.L. 110-28

- 2005 or 2006 or any crop planted before Feb 28, 2007 (must select)
- Payment limitations: $80,000 per entity must not exceed 95% of value of the crop with production, crop insurance, and disaster assistance
- 65% of production (35% loss)
- 42% of price
Agricultural Assistance
P.L. 110-28

- Crop Insurance required for year of application (including CAT)
- NAP required for non-insurable
- Quality adjustment
- Livestock compensation program (61% of 2005 LCP)
- Must be in declared or contiguous county
Agricultural Assistance
P.L. 110-28

- 600 acres of Cotton 2005 (65% APH)
- Yield: 200 lbs/acre
- APH: 670 lbs/acre
- Price: $0.52 per lb

Calculation of benefit:
Covered loss = (670*0.65)-200 = 236 lb
Benefit = (236)(600)(0.52)(0.42) = $30,925
Agricultural Assistance
P.L. 110-28

- 95% Cap calculation:
  Production = (600)(200)(.52) = $62,400
  CI = (600){(670*0.65)-200}(0.52) = $73,632
  Disaster assistance = $30,925
  Total = $166,957

Normal value = (600)(670)(0.52) = $209,040

$166,957/$209,040 = 80%

All benefits allowed
### Agricultural Assistance
#### P.L. 110-28

- **Livestock Compensation Program**
  - **Adult Beef** = $10.66 per hd
  - **Non-adult Beef (>500 lbs)** = $8.00 per hd
  - **Adult Dairy** = $27.72 per hd
  - **Non-adult Dairy (>500 lbs)** = $8.00 per hd
  - **Sheep** = $2.67 per hd
  - **Goats** = $2.67 per hd

*Subject to Rule*
FARM BILL & WTO BASICS
What a Farm Bill Does

1. Authorizes Programs:
   - Provides USDA the authority to operate programs using provisions specified in the bill.
   - For most programs, the authority to operate is temporary (e.g. 2002 through 2007 crops).
   - A few programs have permanent authority to operate (i.e., until changed).

2. Funds Ag Committee Programs:
   - Provides upfront ALL of the funds needed to provide benefits for an Ag Committee “Mandatory” program during its authorized life. Funding can be (a) whatever amount turns out to be needed under specified provisions OR (b) a fixed annual amount.
   - These “Mandatory” programs and funding under Ag Committee jurisdiction are not subject to enactment of a new law every year—as with the “Discretionary” programs and funding of the Appropriations Committees.
What a Farm Bill Does

3. Authorizes the Appropriation of Funds for Appropriation Committee Programs.
   - Not all programs authorized in a farm bill are Ag Committee mandatory programs with Ag Committee funding. Some are programs authorized for management and funding by the Appropriations Committee. Here, the Ag Committee authorizes the program and a funding level but it is then up to the Appropriators as to whether or not to fund the program.
   - “Discretionary” programs are funded one year at a time; their operation and funding levels are reviewed each year by the appropriators.
What a Farm Bill Does

3. Authorizes the Appropriation of Funds for Appropriation Committee Programs. (cont.)
   - Discretionary funding generally covers salaries and expenses of USDA agencies and offices, building costs, most rural development programs, and most research programs.
   - Enactment of an Ag Appropriations Act (or a continuing resolution) is needed each year for USDA to operate.
   - Before funds are appropriated, the appropriation is supposed to be authorized but this does not always occur.
What a Farm Bill Does

   - Outdated commodity provisions of the 1949 Act (including acreage allotments and marketing quotas based on 1950s farm-level production and parity-based loan rates) would become effective if no new farm bill or extension were enacted.
   - So far, the route has been to suspend the 1949 act for the years covered by a farm bill.
   - Periodic attempts to repeal the 1949 Act have, to date, been unsuccessful.
The Agriculture Committee Writes a Farm Bill for Programs Under Its Jurisdiction

House Ag Committee’s PRIMARY JURISDICTION:
Commodity Programs
Conservation Programs (mandatory & appropriated)
Crop Insurance Programs
Agricultural Trade Programs
Rural Development Programs (Appropriated funding)
Agricultural Research (Appropriated funding)
Foods Stamps & Selected Other Nutrition Programs
Forestry
The Agriculture Committee Writes a Farm Bill for Programs Under Its Jurisdiction

- House Ag Committee DOES NOT HAVE JURISDICTION for:
  - School lunch and other child nutrition (Senate Ag)
  - Immigration
  - Taxes
  - Trade Laws
The CBO Baseline: The Major Farm Bill Funding Source

- The CBO Baseline is a projection of future program costs for the next 10 fiscal years assuming that most current laws and policies continue indefinitely (i.e., the remaining years of authorization and beyond).
- The CBO baseline covers all federal government spending and receipts.
- In constructing Ag Committee baselines, CBO analysts incorporate current and projected market conditions, economic trends, and USDA decisions.
- As market conditions change, baseline levels may change, too.
Baseline

- Current estimates are that CBO will come in at $60 (Title I & II)
- This compares to the CBO figure of $104 Billion for the six year 2002 Farm Bill
- The differences come in mandatory programs and lower appropriations for discretionary Farm Bill authorizations
<table>
<thead>
<tr>
<th>Programs Under HAC Jurisdiction</th>
<th>Baseline Funding Available to Continue Program?</th>
<th>Permanent Authorization—Prog Automatically Continues?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status as of May 15, 2006</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>May or may not be included in farm bill. (Crop Insurance often has its own bill)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Food Stamps</td>
<td>YES</td>
<td>no</td>
</tr>
<tr>
<td>2. Most Commodity Programs</td>
<td>YES</td>
<td>no</td>
</tr>
<tr>
<td>a. Milk Income Loss Contracts</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>b. Peanut Storage Costs</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>3. Most Conservation Programs</td>
<td>YES</td>
<td>no</td>
</tr>
<tr>
<td>a. Small Watershed Rehab Prog.</td>
<td>no</td>
<td>YES</td>
</tr>
<tr>
<td>b. Ag Management Asst. Prog.</td>
<td>no</td>
<td>YES</td>
</tr>
<tr>
<td>4. Trade Programs</td>
<td>YES</td>
<td>no</td>
</tr>
<tr>
<td>5. Crop Insurance **</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>6. Research: Init. Fut. Ag &amp; Food Sys **</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>7. Renewable Energy Program</td>
<td>no</td>
<td>YES</td>
</tr>
<tr>
<td>8. Most Rural Development Programs</td>
<td>no</td>
<td>YES&lt;sub&gt;10&lt;/sub&gt;</td>
</tr>
</tbody>
</table>

**Supporters of a program would like a “YES” in both columns.**
WTO Issues for Farm Bill

- Brazil-US Cotton Case
- Current US WTO Proposal
- US Commodity Program Variability
- Consumer-supported Commodities
## US Domestic Program Classification: The Boxes

<table>
<thead>
<tr>
<th>Exempt/Green Box</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal, decoupled, commodity non-specific</td>
<td>AMTA pmts, disaster pmts</td>
</tr>
<tr>
<td>Resource retirement &amp; environment</td>
<td>CRP, soil &amp; water conservation, EQIP</td>
</tr>
<tr>
<td>Domestic food aid</td>
<td>Food Stamps, WIC</td>
</tr>
<tr>
<td>General services</td>
<td>ARS, ERS, APHIS, inspection &amp; marketing, Extension, cooperative conservation operations</td>
</tr>
<tr>
<td>AMS/Amber Box</td>
<td>Program</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>Market Price Support</td>
<td>Dairy, Sugar</td>
</tr>
<tr>
<td>Non-exempt direct payments</td>
<td>Market loans: LDPs, forfeitures, user pmts</td>
</tr>
<tr>
<td>Other non-exempt</td>
<td>Storage pmts, commod loan interest subsidies</td>
</tr>
<tr>
<td>Non-product Specific</td>
<td>Irrigation, grazing, crop ins, state credit, MLA/CCP</td>
</tr>
<tr>
<td>Blue Box: pmts under production limits</td>
<td>Deficiency payments in 1995</td>
</tr>
</tbody>
</table>
Brazil-US Cotton Case

- Step 2 ended 8-2006, Export credits reformed administratively.
- WTO: Direct payments not Green Box: Fruit & vegetable planting prohibition
  -- More challenges?
  -- Re-categorization to Amber, non-commodity specific? Exceed $19.1B limit.
- Commodity-specific limit exceeded with low world cotton prices: Issue for all marketing loan programs.
<table>
<thead>
<tr>
<th>Billion US$</th>
<th>Permitted</th>
<th>2001</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>49.1</td>
<td>21.5</td>
<td>22.6</td>
</tr>
<tr>
<td>Amber Box</td>
<td>19.1</td>
<td>14.4</td>
<td>7.6</td>
</tr>
<tr>
<td>De minimis</td>
<td>10</td>
<td>6.6</td>
<td>5</td>
</tr>
<tr>
<td>Non-product</td>
<td>10</td>
<td>0.2</td>
<td>5</td>
</tr>
<tr>
<td>Product specific</td>
<td>10</td>
<td>NA</td>
<td>5</td>
</tr>
<tr>
<td>Blue Box (CCP)</td>
<td>10</td>
<td>NA</td>
<td>5</td>
</tr>
<tr>
<td>Green Box</td>
<td>Unlimited</td>
<td>50.7</td>
<td>Unlimited</td>
</tr>
</tbody>
</table>
US Commodity Program Variability

- Payments determined by world price.
- FAPRI 12/2005 study: 42% chance US will exceed $19.1B over 2006-14 period under continuation of 2002 Farm Bill.
- Counter cyclical payment $7.6B maximum could exceed proposed $5B Blue Box limit.
Consumer-supported Commodities

- Dairy and Sugar must be considered in AMS reduction, if not budget reduction.
- These are not just Market Access issues.
- Cutting AMS will have disproportionate impact on farm income vs. budget cuts.
- How reductions are made has broad policy implications.