FARM POLICY REVIEW & OUTLOOK FOR 2018 FARM BILL

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December 2017

2014 FARM PROGRAM ELECTION

- Budget pressures = elimination of direct payments and dispute over policy.
- Farmer election represented the regional dispute.
- Lower price environment for 2018 farm bill and potential for revising program election.

Figure 1. Percent of Base Acres Enrolled in ARC and PLC.

Source: Farm Service Agency
FARM PROGRAM REVIEW: ARC-CO

- Benchmark = 5-year Olympic average price & yield (drop high and low).
- Guarantee from 86% to 76% of benchmark.
- Payments on 85% of base.
- Key feature is the adjustment of price & yield components.

FARM PROGRAM REVIEW: PLC

- 2014 Farm Bill raised reference prices; deficiencies paid on 85% of base.
- Not all reference prices are the same; lack of transparency and equity.
- Peanut price trigger (not shown) has averaged 120% of MYA since 2002.
**FARM PROGRAM REVIEW**

- ARC-CO has averaged $36.17 per base acre.
- PLC has averaged $29 per base acre.
- Under current price scenarios, ARC unlikely to trigger payments; PLC likely to.

**OVERVIEW OF CROP INSURANCE**

- 2017 total liability was over $100b.
- Over 1m policies covering almost 300m acres insured.
- Loss ratio 0.28.
FARM BILL CONSERVATION TITLE

Reserve or Retirement
• CRP (1985): 10-15 year rental to reserve from production
• ACEP (1990): Easement purchased on land; wetlands, grasslands; farmland

Working Lands
• EQIP (1996): cost-share assistance for practices; meet or avoid regulation
• CSP (2002): 5-year contracts for maintaining and improving conservation
• RCPP (2014): works across programs; regional basis; private funding match

Compliance (1985)
• Determines eligibility for Federal assistance, including premium subsidy
• Highly Erodible Land w/ plan; no converting or farming on converted wetlands
• Significance: added in Eighties crisis; crop insurance removed 1996; reattached 2014

Outlook 2018.

SEVEN ISSUES FOR THE NEXT FARM BILL
**ISSUE #1: CBO BASELINE**

- Budget rules create “zero sum” effort
- Increases in baseline for program or title requires offsets elsewhere in the baseline (program, crop or title).
- CBO estimates spending for 10 years based on existing policy.

![CBO June 2017 Baseline Chart](chart.png)

**ISSUE #2: CROP INSURANCE**

- At roughly $6b per year, premium discount is a target.
- Admin./Heritage: save over $30b by capping discount, eliminating harvest price, AGI.
- Flake-Shaheen, save $24b from harvest price, rate of return and capping premium subsidies/AGI.

![Crop Insurance Map](map.png)

$750k AGI passed Senate 2012 and 2013 (66 and 59 votes, respectively)

House narrowly defeated crop insurance reform amendment 2013 (208 to 217)
ISSUE #3: REVISING ARC

- **Yield fixes:** trend yield instead of 5-year Olympic; use RMA yields.
- **Price fixes:** different moving average prices (3-year; 10-year).
- **Higher guarantee (e.g. 90%) and bigger coverage band (e.g. 15-20%).**

ARC & PLC IN THE BASELINE

- **Notable shift in Title I baseline from ARC to PLC.**
- **CBO assumes 82% of corn base takes PLC; low ARC payments.**
**ISSUE #4: COTTONSEED & DAIRY**

- Cotton removed in 2014 because of WTO dispute with Brazil.
- Demand that cottonseed be added to list of covered commodities at $15.00 cwt. ($0.15/lb.).
- Potentially $5.4 billion in baseline cost; what gets cut (corn, crop insurance, conservation, all of the above)?
- Dairy: seeking fixes to Margin Protection Program; feed cost calculation; premium; cost unknown.

**ISSUE #5: CRP AND CONSERVATION**

- 2014 Farm Bill reduced acreage cap to 24 million acres.
- Lower prices have increased interest in an increase to cap; wildlife and hunting interests are pushing.
- Previous high was from 2002 Farm Bill at 39.2m; Concerns about baseline and offset issues; impact on working lands programs.
- Problems with increasing rental rates in some areas competing with cash rents in low price environment.
ISSUE #6: SNAP

- Substantial increase in nutrition assistance particularly since 2008 recession; increases political pressure.
- Recent hearings raise concerns about error rates, fraud, etc.
- Signal another partisan SNAP fight?
- Congressional challenges in general, will this make it worse?

### SNAP: HISTORICAL BACKGROUND

- Helped farm programs in 1964; added to farm bill in 1973; spending is on food, which benefits farmers.
- Controversial amendment in 2013 and farm bill defeat in House (195 to 234).
- Strongest opponents of SNAP tend to oppose farm programs and crop insurance.
ISSUE #7: TAX & DEFICIT.

- Before the tax legislation, CBO estimated debt would increase from $15.5 trillion to $25.5 trillion by 2027.

- Statutory Pay-As-You-Go (PAYGO) would require offsets for tax bill; Congress would need to revise.

- Note: 2018 PAYGO estimate is $38 billion.