

# **Farm Bill 2007**

## **H.R. 2419**

### ***Farm, Nutrition, and Bioenergy Act of 2007***



**Wes Harris**

# Farm Bill 2007

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- 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

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



# Scorecard

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



# Scorecard

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- **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

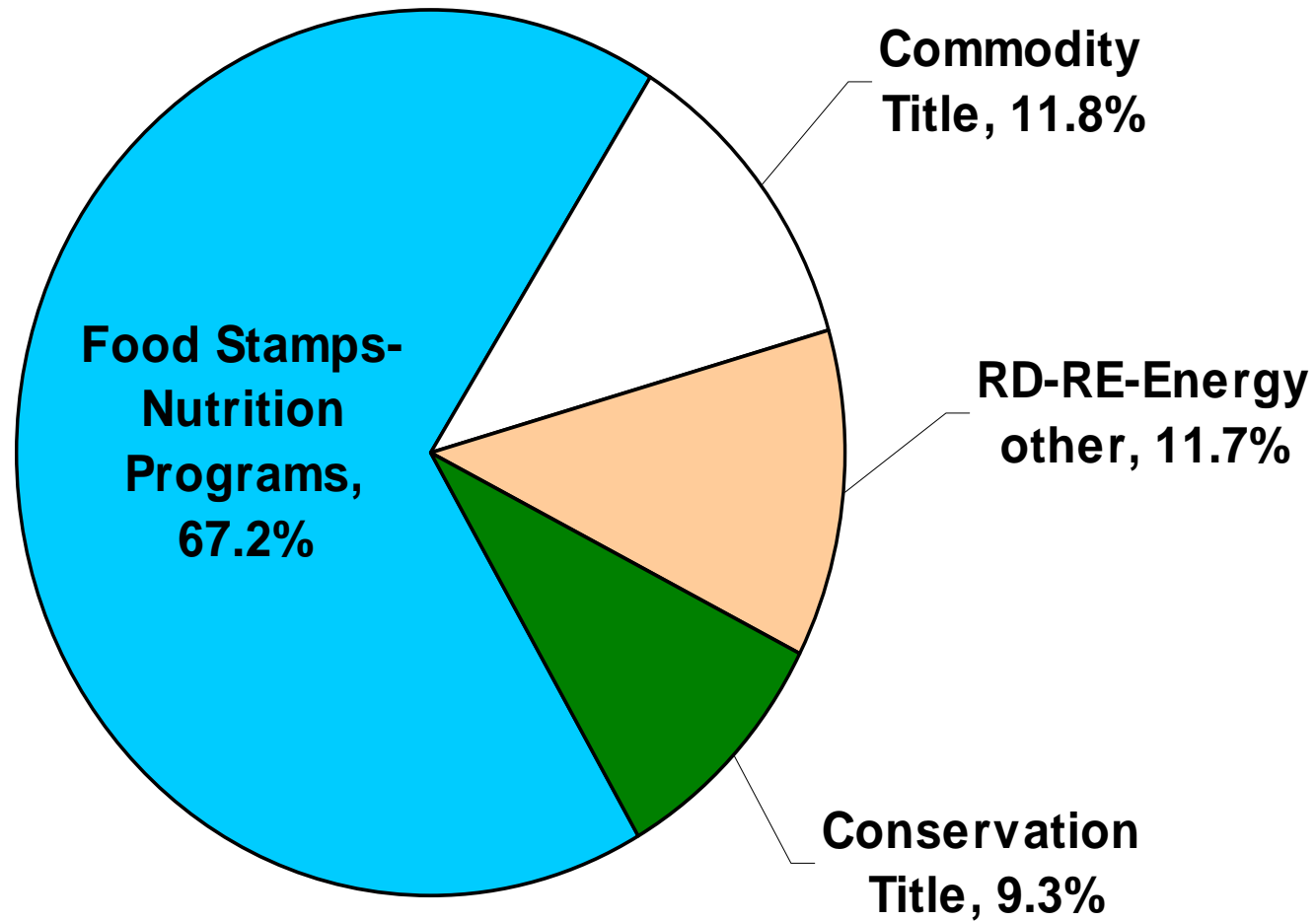
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- **Status Quo:**
  - **Peanuts**
  - **Rice**
  - **Forestry**
  - **CRP**
- **On Deck:**
  - **Permanent Disaster Program**



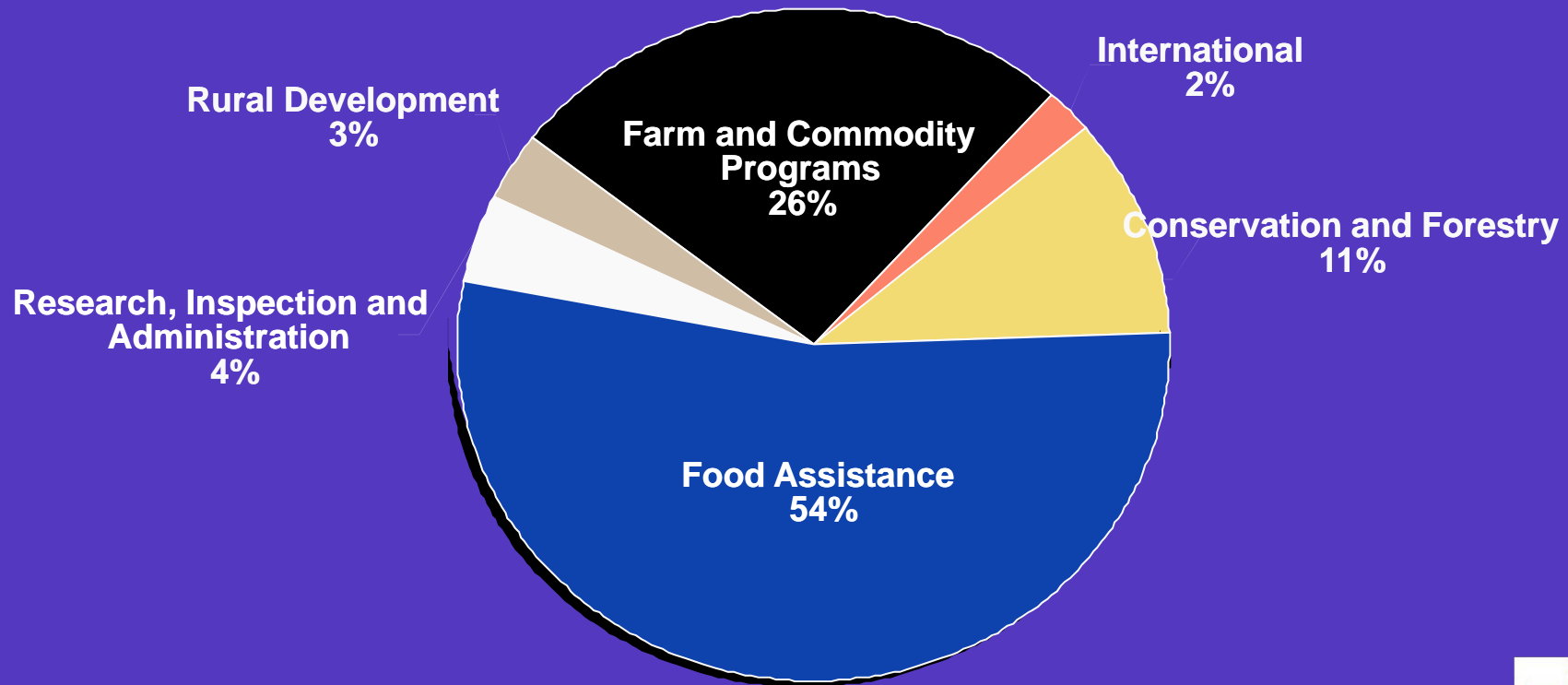
# Farm Bill 2007 Budget \$286 Billion



Source: House Committee On Agriculture

# USDA Budget

## FY 2006 Budget Outlays



# Aggregate Funding for the 2007 Farm Bill

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**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

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- 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

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



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



2007 Farm Bill - Farm Bill Extension Act of 2007  
amended: Food, Nutrition, and Bioenergy Act of 2007



# 1996 Farm Bill Titles

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**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

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**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**



# HR 2419 Farm Bill Titles (2007)

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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

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# HR 2419 Title I

## Commodity Programs

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

<b>Commodity</b>	<b>2007 Target</b>	<b>2002 Target</b>	<b>2007 Loan</b>	<b>2002 Loan</b>
<b>Wheat (bu)</b>	<b>\$4.15</b>	<b>\$3.92</b>	<b>\$2.94</b>	<b>\$2.75</b>
<b>Corn (bu)</b>	<b>\$2.63</b>	<b>\$2.63</b>	<b>\$1.95</b>	<b>\$1.95</b>
<b>Cotton (lb)</b>	<b>\$0.70</b>	<b>\$0.724</b>	<b>\$0.52</b>	<b>\$0.52</b>
<b>Soybeans (bu)</b>	<b>\$6.10</b>	<b>\$5.80</b>	<b>\$5.00</b>	<b>\$5.00</b>
<b>Peanuts (ton)</b>	<b>\$495.00</b>	<b>\$495.00</b>	<b>\$355.00</b>	<b>\$355.00</b>

# Revenue Counter-Cyclical Program

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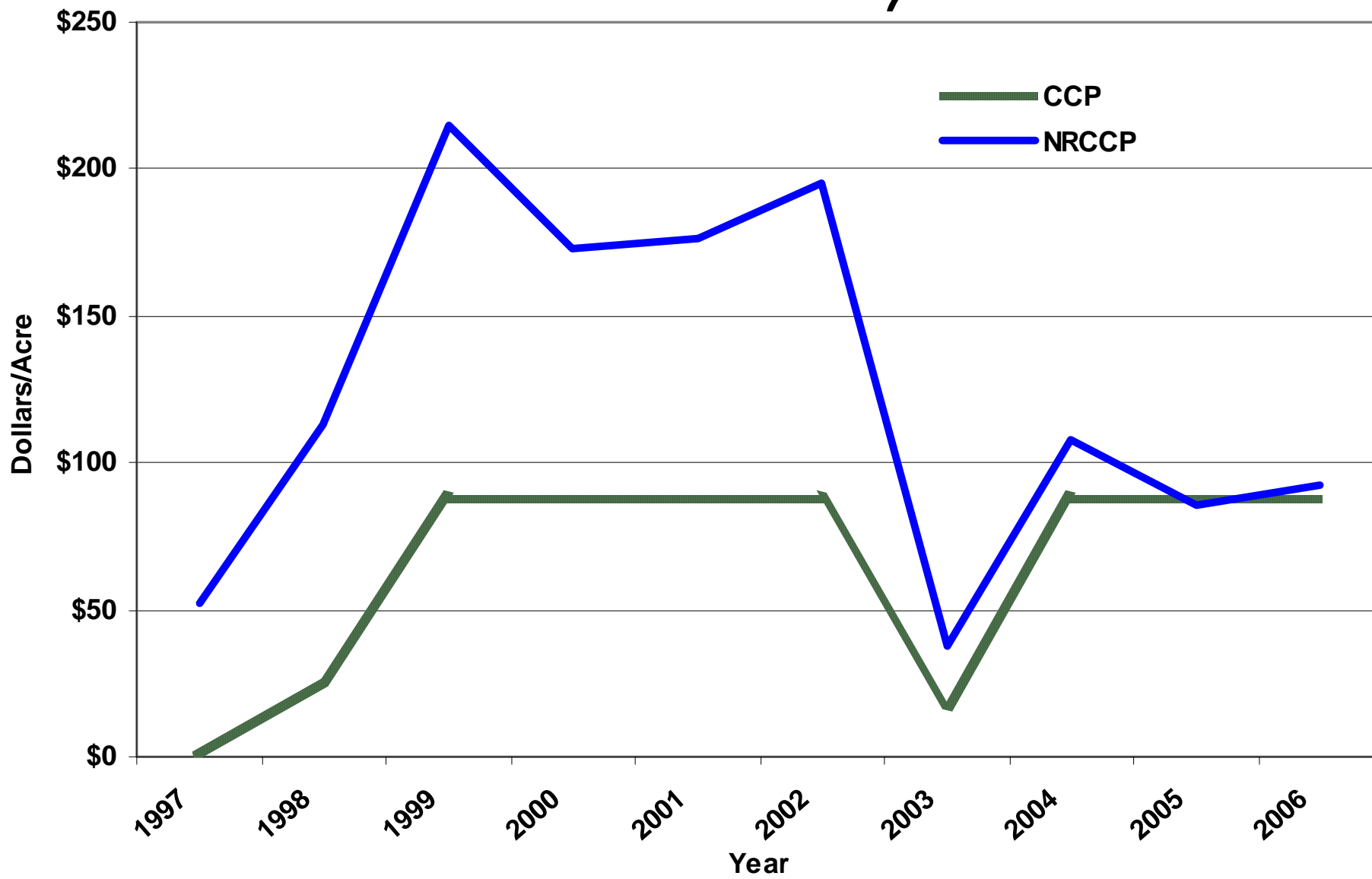
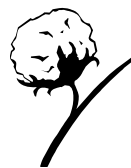
- Payments triggered when the actual national revenue per acre is less than the national target revenue per acre
- Target revenues based on 2007 target prices (cotton)
- Producers have option for each covered commodity



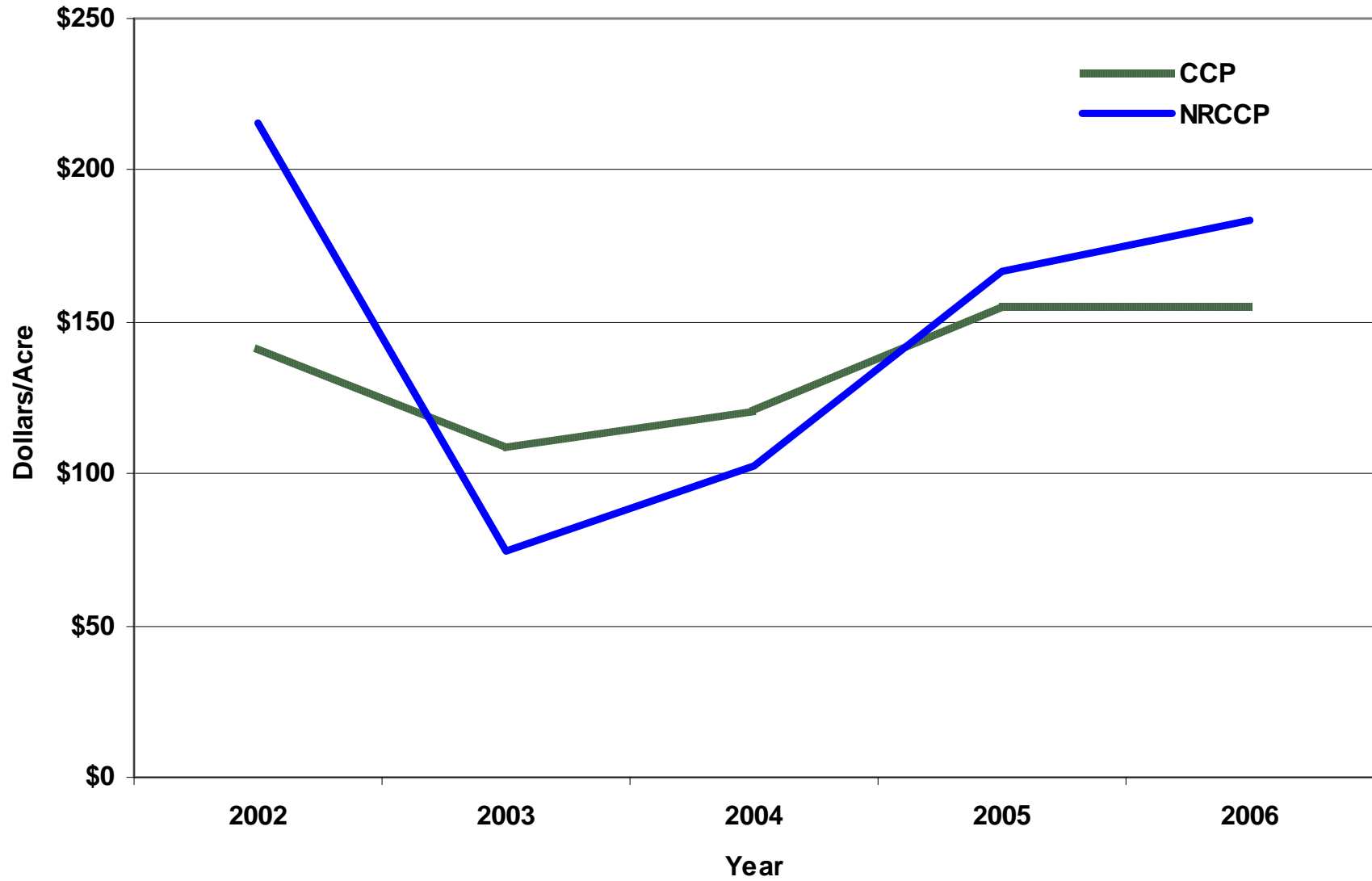
# Revenue Counter-Cyclical Program Rates

<b>Commodity</b>	<b>National Target Revenue per acre</b>	<b>National Payment Yield per acre</b>
<b>Wheat</b>	<b>\$149.92</b>	<b>36.1 bu</b>
<b>Corn</b>	<b>\$344.12</b>	<b>114.4 bu</b>
<b>Cotton</b>	<b>\$496.93</b>	<b>634 lbs</b>
<b>Soybeans</b>	<b>\$231.87</b>	<b>34.1 bu</b>
<b>Peanuts</b>	<b>\$683.83</b>	<b>1.496 tons</b>

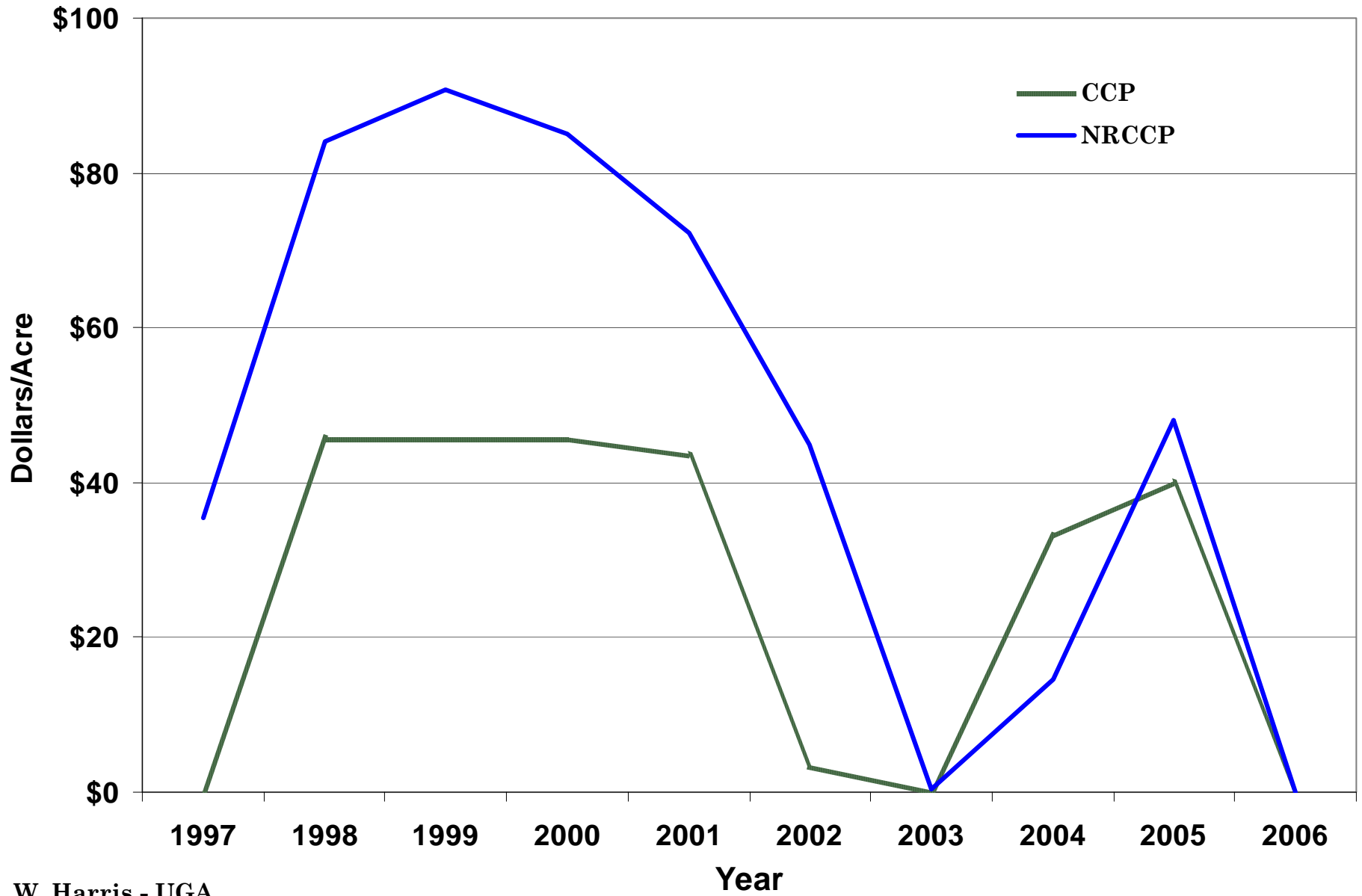
# COTTON



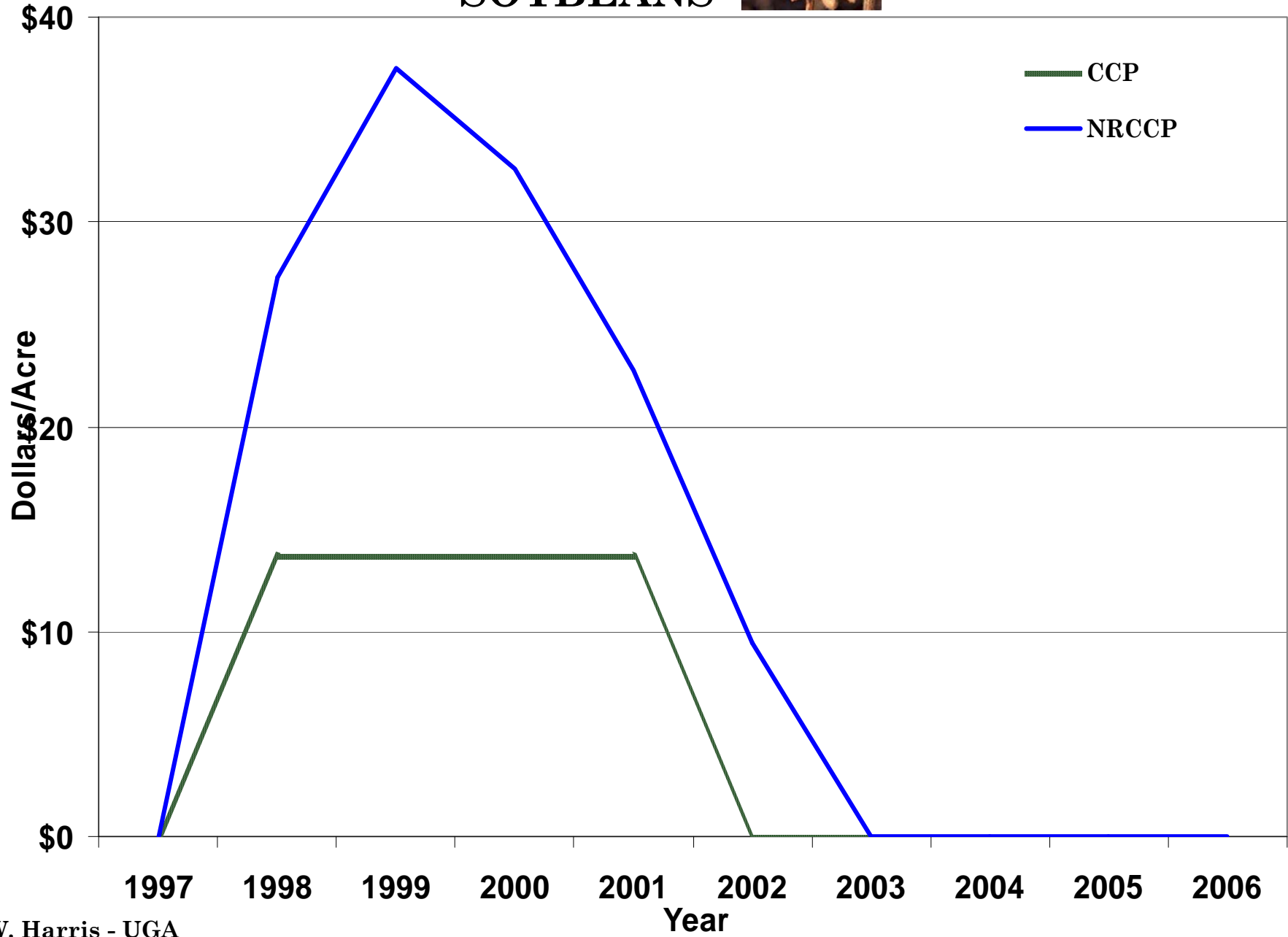
# PEANUTS



# CORN



# SOYBEANS



# Timing of Direct Payments

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- Advance payment: up to 22% of total must specify month from Dec – Sept 2008 – 2011. Final payment in Oct
- 2012: no advance available



# Timing of Counter-Cyclical Payments

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- 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)

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- **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

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- Peanut Environmental Resource Stewardship (PERS) Program – Terry Everett (R-AL) amendment placed en bloc on floor



# HR 2419 Title II

## Conservation - PERS

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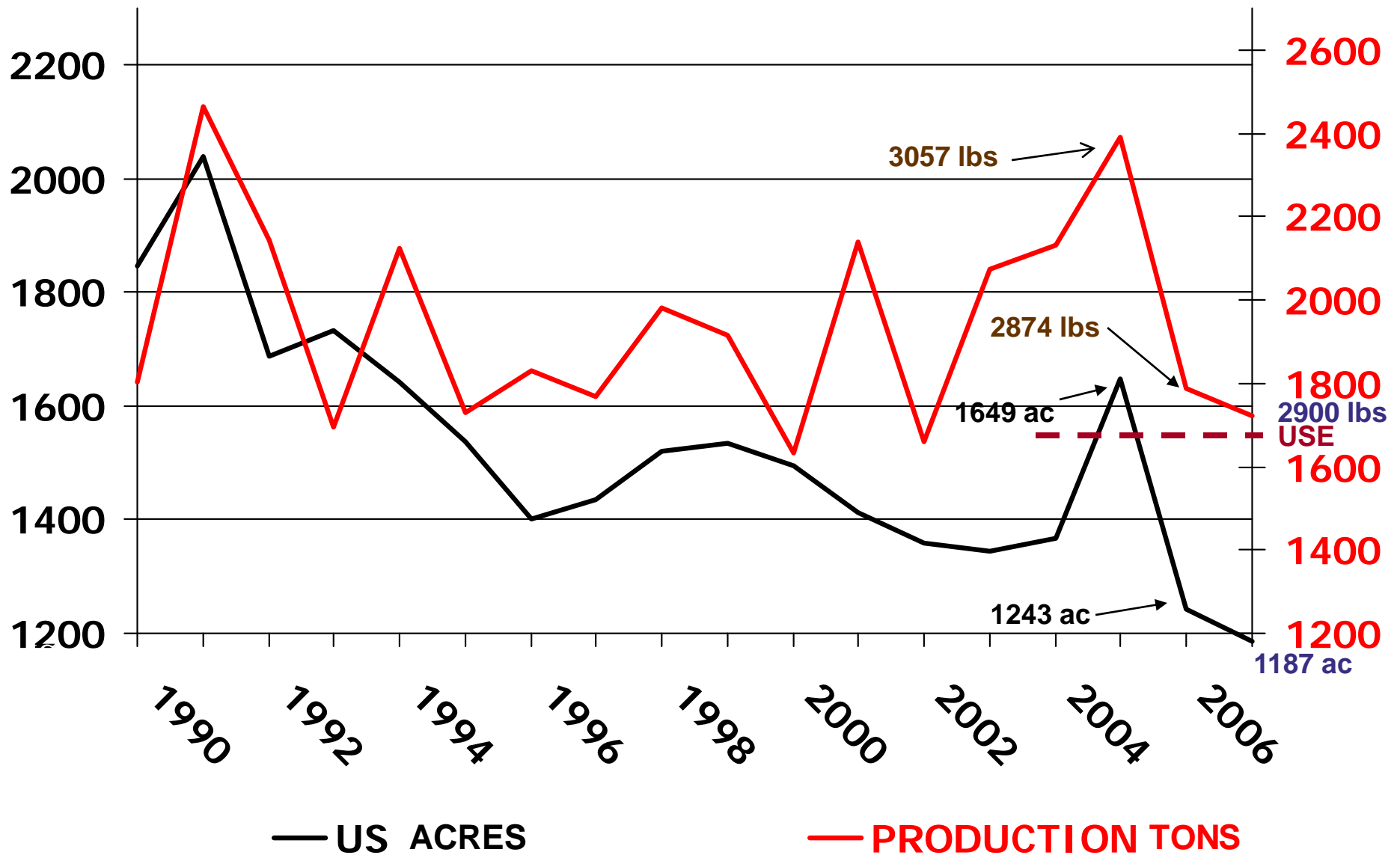
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SEC. 2504. Pilot Program for Four Year Crop Rotation for Peanuts.

- 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



# HR 2419 Title III

## Trade

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- 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

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- 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

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- \$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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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



# HR 2419 Title VI

## Rural Development

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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



# HR 2419 Title VII

## Research

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- Each Program Office will have Director that will be 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

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- 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

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- 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

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- 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

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- 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

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- High priority initiatives for research related to bioenergy and biobased products



# HR 2419 Title VIII

## Forestry

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- **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

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- **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

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- 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

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- 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

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- **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)**



# HR 2419 Title IX

## Energy

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- 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

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- **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

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- **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

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- **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

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- **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

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- **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

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- **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

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- 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

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- **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

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- **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

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- **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

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- 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

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- **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

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- **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**



# HR 2419 Title XI

## Miscellaneous Provisions

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- 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

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- **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**

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- 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

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- 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:
  - o \$200 per crop per county
  - o Maximum \$600 per producer per county
  - o Maximum total of \$1800 per producer



# HR 2419 Title XI

## Miscellaneous Provisions

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- 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

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- 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

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- 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

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- Senate Mark Up in September
- Senate Passage in October
- Conference: 2 weeks ?????
- Target Adjournment: October 26<sup>th</sup>
- President signs in November



# Senate Ag Committee

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- 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

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- **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

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- 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

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- 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

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

## **POLITICAL REALITIES**



# Fall Back

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

## *Agricultural Adjustment Act of 1949*





# Agricultural Assistance

## P.L. 110-28

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- 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

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- 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

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- 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

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- 95% Cap calculation:

$$\text{Production} = (600)(200)(.52) = \$62,400$$

$$\text{CI} = (600)\{(670*0.65)-200\}(0.52) = \$73,632$$

$$\text{Disaster assistance} = \underline{\underline{\$30,925}}$$

$$\text{Total} = \$166,957$$

$$\text{Normal value} = (600)(670)(0.52) = \$209,040$$

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

All benefits allowed



# Agricultural Assistance

## P.L. 110-28

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- 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



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# FARM BILL & WTO BASICS



# What a Farm Bill Does

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## 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

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- 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

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## **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

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## 4. Must address “permanent law” provisions of the Agricultural Act of 1949.

- 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**

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**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

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- **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

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- **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

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- **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**



## Programs Under HAC Jurisdiction

Status as of May 15, 2006

*\*\* May or may not be included in farm bill.  
(Crop Insurance often has its own bill)*

Baseline Funding  
Available to  
Continue Program?

Permanent  
Authorization—  
Prog Automatically  
Continues?

1. Food Stamps	YES	no
2. Most Commodity Programs	YES	no
a. Milk Income Loss Contracts	no	no
b. Peanut Storage Costs	no	no
3. Most Conservation Programs	YES	no
a. Small Watershed Rehab Prog.	no	YES
b. Ag Management Asst. Prog.	no	YES
4. Trade Programs	YES	no
5. Crop Insurance **	YES	YES
6. Research: Init. Fut. Ag & Food Sys **	YES	YES
7. Renewable Energy Program	no	YES
8. Most Rural Development Programs	no	YES <sub>10</sub>

*\*\* Supporters of a program would like a "YES" in both columns.*

# WTO Issues for Farm Bill

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- **Brazil-US Cotton Case**
- **Current US WTO Proposal**
- **US Commodity Program Variability**
- **Consumer-supported Commodities**



# US Domestic Program Classification: The Boxes

<b>Exempt/Green Box</b>	<b>Program</b>
<b>Minimal, decoupled, commodity non-specific</b>	<b>AMTA pmts, disaster pmts</b>
<b>Resource retirement &amp; environment</b>	<b>CRP, soil &amp; water conservation, EQIP</b>
<b>Domestic food aid</b>	<b>Food Stamps, WIC</b>
<b>General services</b>	<b>ARS, ERS, APHIS, inspection &amp; marketing, Extension, cooperative conservation operations</b>

# US Domestic Program Classification: The Boxes

<b>AMS/Amber Box</b>	<b>Program</b>
Market Price Support	Dairy, Sugar
Non-exempt direct payments	Market loans: LDPs, forfeitures, user pmts
Other non-exempt	Storage pmts, commod loan interest subsidies
Non-product Specific	Irrigation, grazing, crop ins, state credit, MLA/CCP
Blue Box: pmts under production limits	Deficiency payments in 1995

# Brazil-US Cotton Case

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- 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.



# U.S. WTO Domestic Program Limitations & Commitments: Reported & Proposed, \$B

<b>Billion US\$</b>	<b>Permitted</b>	<b>2001</b>	<b>Proposed</b>
<b>Total</b>	<b>49.1</b>	<b>21.5</b>	<b>22.6</b>
<b>Amber Box</b>	<b>19.1</b>	<b>14.4</b>	<b>7.6</b>
<b>De minimis</b>			
<b>Non-product specific</b>	<b>10</b>	<b>6.6</b>	<b>5</b>
<b>Product specific</b>	<b>10</b>	<b>0.2</b>	<b>5</b>
<b>Blue Box (CCP)</b>	<b>10</b>	<b>NA</b>	<b>5</b>
<b>Green Box</b>	<b>Unlimited</b>	<b>50.7</b>	<b>Unlimited</b>

# US Commodity Program Variability

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- **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

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- 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.

