

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Senate farm bill proposal assumes current crop-price conditions

With the passage of the 2012 Farm Bill by the Senate on Thursday, the pressure shifts to the House to complete legislation before the election recess this fall and the expiration of the 2008 Farm Bill in September. This is a switch from the last time around when the 2008 Farm Bill was essentially written by the House Agriculture Committee and the Senate was left to react to the House's provisions.

Whether the first chamber out with a farm bill controls the eventual shape of the legislation this time remains to be seen. The muted reaction of House ag leaders would suggest that the Senate's version may prevail with the House amending some of the details.

As DTN's Chris Clayton reports, House Agriculture Committee Chair Frank Lucas responded to the Senate passage of the farm bill saying, "Although there will be differences between the Senate approach and our own. I hope my colleagues are encouraged by this success when we meet on the 11th [of July] to consider our own legislation."

Clayton also wrote, "House Ag [Committee] Ranking Member, Colin Peterson...said the Senate Agriculture Committee Members did an excellent job in getting bipartisan support, Peterson said, he's 'not on board with everything they've done' but was confident differences would be worked out in the eventual conference negotiations."

These comments are interesting because they do not draw a line in the sand by identifying provisions of the Senate legislation they would not accept. One of the concerns in the House will be to find ways to make the program more responsive to Southern crops like rice and peanuts whose producers have said that the Senate provisions leave them with a weaker safety net than the one provided to farmers of Midwest row crops.

It would be surprising if the House does not adopt some of the major features of the Senate legislation that have been seen as inevitable. The Senate Farm Bill titled the "Agriculture Reform, Food, and Jobs Act of 2012" (<http://www.gpo.gov/fdsys/pkg/BILLS-112s3240es/pdf/BILLS-112s3240es.pdf>) runs almost 1100 pages and begins with the elimination of direct payments, counter-cyclical payments, and the average crop revenue election program (ACRE), the latter being a central feature of the House legislation in 2008.

The elimination of these programs is the result of several factors: 1) these three programs represent a pool of money that can be used both to fund deficit reduction targets and to provide funding for new programs the Senate wants to see enacted; 2) in a time period of high prices, it has increasingly been difficult to justify \$5 billion in direct payments to farmers who

are experiencing record or near-record incomes; and 3) most farmers did not elect to enter the ACRE program, leaving it with few supporters.

As expected, the vehicle used to provide support to farmers is crop/revenue insurance with a Supplemental Coverage Option (SCO) that "shall offer producers the opportunity to purchase coverage in combination with a ...[crop insurance policy] that would allow indemnities to be paid to a producer equal to all or part of the deductible under the policy or plan of insurance, if sufficient area data is available." The government would provide a 70 percent supplement of the cost of the premiums for this program.

Numerous amendments were proposed in the Senate and some were accepted. One of the amendments that was accepted reduces the premium subsidy to farmers with adjusted gross incomes over \$750,000 (\$1.5 million for a couple) by 15 percent. In addition the Senate approved a limit on marketing loan gains (LDPs) of \$75,000.

The Senate also made changes to the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps, cutting \$4.5 billion over ten years.

Crop insurance for organic crops was continued. In addition the Secretary of Agriculture was ordered to "study the feasibility of including popcorn as a covered commodity by 2014; and...if the Secretary determines it to be feasible, shall designate popcorn as a covered commodity."

Much of what is in the commodity section of the Senate proposal implicitly assumes that recent farm-price levels will prevail into the foreseeable future. This extrapolation of today's conditions into the infinite future (read tenure of the next farm bill) is not uncommon. As a result—and borrowing from the tendency sometimes attributed to Army Generals—modifications in expiring farm bills tend to be tailored to the farm economic conditions of the very recent past (i.e. refight the last 'war'). This farm bill go-around appears not to be an exception.

If farm prices during the next 5 to 6 years are not a repeat of last two or three but rather return to much lower levels, the identified savings and adequacy of the "safety net" of the Senate proposal will be severely tested.

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