

## PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

### Drought and passage of the 2012 Farm Bill

As we consider the shape of the 2012 Farm Bill and the likelihood of getting it through the House of Representatives, we are reminded of one of the sayings of Yogi Berra: “It ain’t over ‘till it’s over.” As we write this column, there are only 8 legislative days left before the August recess. By the time most of you read this, members of the House will back in their districts looking for votes.

Add in a worsening drought in more than half of all of the counties in the US, pressure from those calling for elimination or modification of the Renewable Fuels Standard (RFS), cattle producers without drought protection, and a number of programs that either saw their authorization end September 30, 2011 or will see it end this September 30 and you have a recipe for indigestion for a lot of farmers and ranchers.

The quickest route to passing a farm bill would be for House leadership to take House Agriculture Committee Chair Frank Lucas at his word that he could be ready for the committee’s bill to go to the House floor on short notice so that the 2012 Farm Bill could be scheduled for consideration in the remaining work days before the August recess.

If the House then passed a farm bill, the Conference Committee could use August to reconcile the differences between the House and Senate versions and have a bill ready for vote ahead of the September expiration of the 2008 Farm Bill. If indeed Congress is enjoying its August recess by the time you read this column, you will know whether this scenario is underway or never got off the starting blocks.

As of the July 16, 2012 Crop Progress report, only 18 percent of pasture and range acreage was reported to be in good or excellent condition while 54 percent was reported to be in poor or very poor condition. Last year 46 percent of pasture and range acres were reported to be in good or excellent condition.

With deteriorating conditions, cattle producers would benefit from several programs that expired last year—including the Livestock Forage Disaster Program, and the Livestock Indemnity Program. The timely passage of the 2012 Farm Bill would add some certainty for cattle producers as they go into the fall.

To help cattle producers in the meantime, the USDA recently announced that it was opening up some Conservation Reserve Program (CRP) acreage to haying and grazing. While that will help some, the

drought that is responsible for poor pasture and range conditions also affects CRP acres.

In addition, the drought has renewed interest in the Supplemental Revenue Insurance Program (SURE), a program that was left out of the Senate version of the farm bill. SURE provides disaster protection for a wider range of farmers and situations than those covered by the crop insurance program.

The deteriorating of this year’s corn crop has provided the rationale for opponents of ethanol and the RFS to call on Congress to relax the amount of ethanol that has to be blended into gasoline, at least for this year. On the other side, ethanol producers note that ethanol is currently in surplus and even without a change in the RFS, fewer bushels of corn will be used for ethanol in the coming year. They also remind people that ethanol production only uses the starch in corn and the vast majority of the protein, mineral, and oil feed value is still available for animals in the form of dried distiller’s grains.

We would be remiss if we did not remind our readers that if we had reserve stocks in place, the impact of the drought on the users of grains and oilseeds would be lessened—we would not be on the edge of a cliff caught between supplies that might be adequate to pull us through to next year and inadequate supplies that will send over the edge and prices into the stratosphere. That being said, farmers who end up watching their crops wither for the lack of moisture will still need protection for yield loss.

Given that the drought has added to the importance of getting a farm bill in place to provide farmers and ranchers with the planning security they need, House members in agricultural districts may get an earful when they go back home during the August recess. It will be interesting to see if Congress is spurred to action when they reconvene in September.

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Corn yields do not have to drop to 1988 levels to cause greater than 1988 market havoc

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