Posted ByKeith GoodOn May 7, 2012

Farm Bill Issues

Daniel Malloy reported on Friday evening at the Atlanta Journal-Constitution Online that, Tim Burch's family farm in southwest Georgia has been buoyed by federal farm subsidies in years when cotton and peanut prices have plummeted.

That safety net is threatened this year, Burch said, as Congress moves forward on a new farm bill, aiming for tens of billions of dollars in cuts by remaking the federal subsidy system. The result earned bipartisan support in a Senate committee last month, but a group of Southern senators including Georgia Republican **Saxby Chambliss** refused to back the bill, saying it's a raw deal in particular for peanut and rice farmers**.**

In a phone interview last week, Burch, of Baker County, said a new proposed insurance plan would be **inadequate**.

The *AJC* article explained that, for peanuts, Chambliss and others are pushing a program to pay farmers if prices drop too low.

Most of the crops covered in the insurance program such as corn and soybeans are traded on the Chicago Mercantile Exchange, making prices easy to establish and insure against. Peanuts are not traded on the exchange and thus are more exposed to wild price swings. Also, Chambliss said many peanut farmers will switch crops depending on what prices look like for the coming year. That skews results for an insurance program that measures coverage based on farmers crop yields over a five-year period.

There is very little benefit to peanut farmers that is available under that proposal, Chambliss said.

Mr. Malloy added that, Cotton producers will be covered by a new program developed by the National Cotton Council that Chambliss described as a crop insurance plan on steroids, brought about in part by an international trade dispute with Brazil.

Last week's article pointed out that, **A companion bill has yet to emerge in the Republican-controlled House, and it likely will be much different**. The farm bill includes spending on nutrition programs such as food stamps, which House Republicans have shown far more eagerness to cut than farmer payments.

Republican Rep. **Jack Kingston** of Savannah pointed out that nutrition programs have grown into the vast majority of agriculture spending and thus should bear more of the cuts.

If they don't get the food welfare portion of the farm bill reformed, I'm going to vote no, said Kingston, who presides over agriculture spending on the Appropriations Committee. Because its getting out of control.

The House will likely be a friendlier audience for his [Chambliss] concerns. Chambliss said he is in frequent contact with House Agriculture Committee Chairman **Frank Lucas**, R-Okla., about the plight of the peanut, and he expects his concerns to be reflected in the House product, the AJC article said. Kingston said the Senate opposition means the House Southerners would maybe have a little more leverage, a little more influence.

Also on the nutrition issue, a news release Thursday from **Rosa L. DeLauro**(D., Conn.) stated that, [Rep. DeLauro] led a panel discussion this morning on the importance of anti-hunger programs critical for Connecticut children, families and seniors. The panel, held in New Haven, focused on the impact proposed cuts to food stamps and other critical programs would have in Connecticut and across the nation and what actions their supporters need to take to prevent those cuts. Over 405,000 people rely on food stamps in Connecticut alone.

The release quoted Rep. DeLauro, who is a Member of the House Agriculture Appropriations Subcommittee that, In times when families are struggling day in and day out, our **food security policies are even more vital**. That is why I am fighting in Congress against proposals that would devastate our federal anti-hunger and public health programs.

With respect to the necessity of getting a Farm Bill passed, Erik Wasson observed yesterday at The Hills On the Money Blog (Nine tasks Congress cant avoid) that the Farm Bill ranked number seven in his list of nine pieces of must-pass legislation that Congress just can't wait to approve.

Mr. Wasson stated that, Authority to pay for farm subsidies, conservation programs, and food stamps expires at the end of September when the 2008 farm bill runs out. Congress will either have to pass a new five-year farm bill or extend the old bill and neither will be easy in the House, where fiscal conservatives want to see deep cuts. Agriculture Secretary **Tom Vilsack** told The Hill that House demands for $200 billion in cuts, most notably achieved by block granting the food stamp program to the states, is the biggest obstacle to the farm bill. The Senate Agriculture Committee in late April reported a bill over the objections of southern senators concerned about cuts to rice and peanut subsidies. The Senate Agriculture bill achieves **$24 billion in deficit reduction**, mostly through eliminating direct payments to farmers and replacing them with new crop insurance measures. The deficit reduction is less than the White House hoped for. Senate Democrats say they will bring the bill to the floor even though there is no timeline for action yet in the House.

A news release Friday from the American Soybean Association (ASA) stated that, In a letter to Senate Majority Leader **Harry Reid**(D-Nev.) and Minority Leader **Mitch McConnell**(R-Ky.) this week, the [ASA] and stakeholder groups from across agriculture urged the Senate to bring the *Agriculture Reform, Food and Jobs Act of 2012*, more commonly known as the Farm Bill, to the floor for consideration as **quickly as possible**.

Meanwhile, an update posted on Friday at the National Sustainable Agriculture Coalition (NSAC) blog provided a more detailed look at the safety net polices contained in Title I of the Senate passed measure.

The NSAC update indicated that, The main storyline of the commodity title emerging from Senate Agriculture Committee markup of the 2012 Farm Bill is the elimination of direct payments and counter and the creation of a new replacement program to be known as Agriculture Risk Coverage (ARC) payments. ARC builds on and replaces the Average Crop Revenue Election (ACRE) program option from the last farm bill. ARC would cover wheat, corn, sorghum, barley, oats, rice, soybeans, other oilseeds, pulse crops (dry peas, lentils, chickpeas), peanuts, and possibly popcorn.

The marketing loan program would continue without change, including the possibility of the government making loan deficiency payments if prices should fall to low levels.

Cotton would be given its own special program known as Stacked Income Protection Plan(or STAX). Just prior to markup, a target or reference price for cotton and an acreage cap were both removed from the plan.

The NSAC update went on to discuss a variety of Title I issues, including: ARC Basics, Flexibility, Payment Caps, AGI, Conservation Requirements, Commodity and Crop Insurance Funding, Whole Farm Revenue Insurance, and Organic Crop Insurance.

University of Illinois Agricultural Economist **Nick Paulson** indicated on Friday at the *farm doc daily* blog (Estimates of Regional Shifts in Commodity Program Support: IL Corn and Soybeans) that, The Farm Bill recently passed by the Senate outlines some major changes to programs included in the

Commodity Title. As expected, the direct, counter-cyclical, and ACRE programs were replaced by a revenue program referred to as Ag Risk Coverage (ARC).**This shift towards a risk-based program has implications for the relative impact on crop producers across the country**. In general, while the expected overall levels of support for producers will decline due to budget cuts, **moving from** a program which provides fixed payments to farmers which are proportional to productivity levels (direct payments) to a program which provides support when revenue declines from an historical average benchmark (ARC)will tend to favor producers in areas of higher crop yield risk. Today's post estimates this effect for Illinois corn and soybean producers by comparing support levels under the direct payment program to the expected payments from the Senates county-level ARC program.

After his analysis, Dr. Paulson stated that, Expected payments from the county-level ARC program outlined in the Senates Farm Bill are estimated to be **smaller** than direct payments received by corn and soybean producers throughout Illinois. The estimates also indicate **a relative shift in support** from areas/crops with higher productivity and lower yield risk to areas/crops with higher yield risk. Thus, while all Illinois corn and soybean producers should expect lower levels of support over the next Farm Bill period, the magnitude of this effect will vary across the state. This result is expected given the shift from a program that provides payments which are proportional to average productivity to a program which provides both yield and price risk protection over time.

In other news, Tom Lutey reported on Friday at the Billings Gazette (Mont.) Online that, Two decades earlier his [farmer Justin Downs] grandfather, frustrated with this earth, signed a 10-year contract with the U.S. government agreeing not to farm it in exchange for a check. Thousands of farmers did the same with their untillable and vulnerable land, conscripting it to the Conservation Reserve Program. Grain prices were low and the CRP assured at least some profit. By letting the land go to grass, the government also created wildlife habitat, and in some cases avoided problems like soil erosion into waterways.

Commodities prices are now sizzling. Farmers like Downs are taking land out of CRP and the program is being cut back from 39 million acres nationwide in 2008 to 25 million acres. The Senate version of the 2012 farm bill would give the program a $6 billion trim. That version passed out of the Senate Agriculture Committee last week. Similar cuts are expected in the House version that is progressing more slowly.

The article noted that, The conservation program doesn't make as much sense now, Downs said. Payments haven't kept up with market prices.

Meanwhile, the editorial board at The Des Moines Register recently opined that, Farmers who sign up for crop insurance, however, are not required to participate in soil and water conservation programs. In other words, taxpayers protect farmers from risk of participating in the market economy while people who live downstream must accept the consequences of those irresponsible farmers who push their land to the limit.

Farm organizations and their supporters insist that great strides have been made in protecting soil and water quality. But while many farmers are good stewards of the land, the evidence in the aggregate is that we are, to coin a phrase, losing ground. The federal government plays a major role in agriculture, and in exchange it is not too much to ask that all farmers who benefit should be good stewards of the land.

More specifically on crop insurance issues, Mike Becker, assistant vice president for federal affairs for the National Association of Professional Insurance Agents, noted in a column yesterday that, The National Association of Farm Service Agency County Office Employees is an organization that represents employees of the Farm Service Agency.

NASCOE has been engaging in an active lobbying campaign urging federal regulators and legislators to remove private-sector insurance agents from crop insurance and replace them with FSA employees, which would be a terrible move.

Mr. Becker stated that, The federal government sold crop insurance until nearly 30 years ago. Because the program was unsuccessful under direct federal involvement, Congress decided to partner with the private sector.

Farmers were given a choice of dealing with a government employee or a private-sector crop insurance agent.

Farmers nearly abandoned the federal government option and bought their crop insurance through the private sector. The federal option was quickly phased out.

Jim Spencer reported late last week at the Minneapolis Star-Tribune Online that, The sugar program passed out of the Senate Agriculture Committee unscathed on April 26 with the support of Sen. **Amy Klobuchar**, D-Minn. The senator has said current sugar policy has a positive impact on Minnesota's economy.

Last week, another attempt to change the sugar policy failed, as **the U.S. Trade Representative's office spurned an effort to include sugar in the Trans Pacific Partnership (TPP) trade negotiations**. Associations representing some of America's biggest food processors including Minnesota-based giants Cargill, General Mills and Land O'Lakes were pushing the trade office to eliminate tariffs on sugar produced by TPP countries.

Kevin Bogardus reported on Saturday at The Hills Energy and Environment Blog that, **An ardent critic of federal agriculture subsidies has enlisted one of K Streets premier firms to do battle on this year's farm bill**.

The Environmental Working Group Action Fund the 501(c)4 affiliate of the Environmental Working Group(EWG) **has signed up Mehlman Vogel Castagnetti to lobby on the legislation**.

And recent articles noted that Rep. Adrian Smith(R., Neb.), Rep. Mo Brooks(R., Ala.) and Sen. Tim Johnson(D., S.D.) all recently met with constituents to discuss Farm Bill related issues.

In developments impacting animal agriculture, Dana Flavelle reported on Friday at the Toronto Star Online that, Canada's largest fast food chain has toughened its stance on animal welfare issues amid growing pressure from advocacy groups and consumers.

Tim Hortons Inc. announced Friday it would boost the number of eggs it wants to buy from farmers that use bigger, better cages for their hens.

The 4,000-plus restaurant chain also called on the pork industry to end the practice of confining pregnant sows to **gestation stalls**, saying it would give preference to suppliers who have clear plans to phase them out.