

**GENERAL SESSION I**  
***The 2012 Farm Bill***

**Max Fisher** serves as Ranking Member Pat Roberts' Chief Economist for the Senate Committee on Agriculture, Nutrition & Forestry. Prior to working for Senator Pat Roberts, Max worked for the Farm Service Agency where he conducted economic analysis related to the formulation and administration of farm programs. He holds a Bachelor's degree in Agribusiness from Kansas State University and a Master's degree in Agricultural Economics from Texas A&M University. Max's family farms by St. John, Kansas.

**Bart Fischer** is the Chief Economist of the House of Representatives Agriculture Committee in Washington, D.C.



## 2012 Farm Bill

2012 Risk and Profit Conference  
August 16, 2012, Manhattan, KS

Bart Fischer  
Chief Economist  
House Agriculture Committee



## Outline



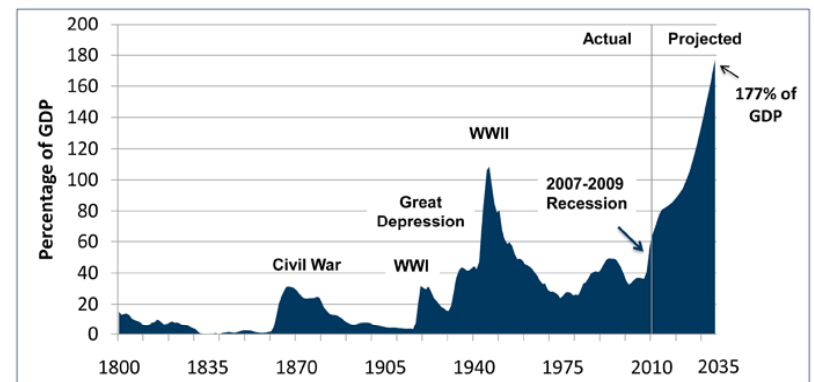
- ➔ *Budget Issues*
- ➔ *2012 Farm Bill Components*
- ➔ *Analysis & Results*
- ➔ *Path Forward*

## Budget Issues

## Budget



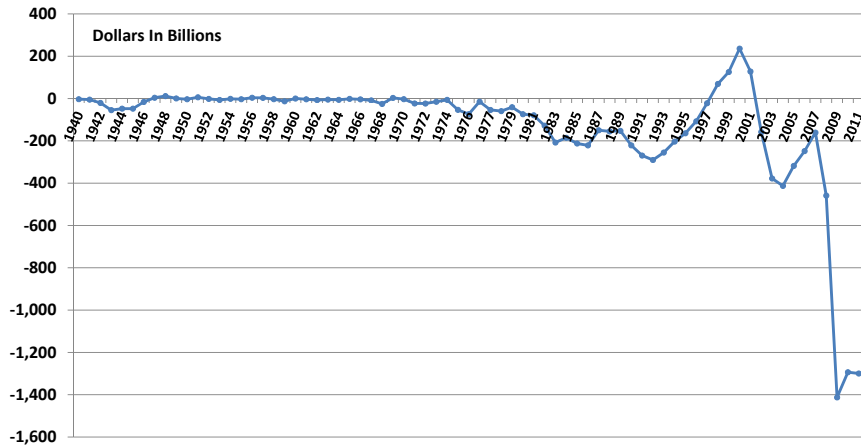
### Federal Debt Held by the Public as a Share of GDP



SOURCES: Data from the Peter G. Peterson Foundation's Long-Term Model of the Federal Budget, Baseline Assumptions; the Congressional Budget Office, *Long-Term Budget Outlook: June 2009*; and the Office of Management and Budget, *The Budget of the United States Government, Fiscal Year 2013: February 2012*. Compiled by PGPF.  
NOTE: Debt held by the public refers to all federal debt held by individuals, corporations, state or local governments, and foreign entities.

# Budget

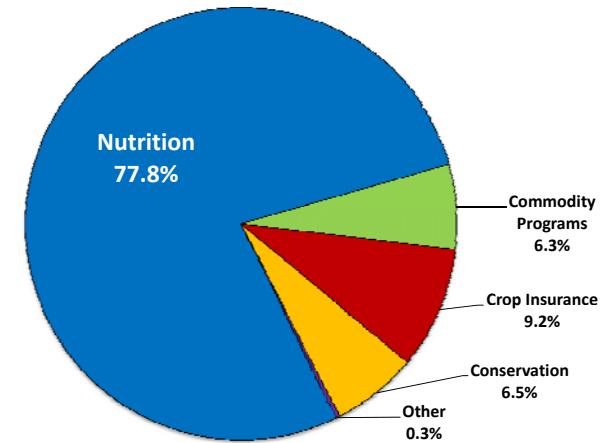
## Federal Deficit 1940-2011 (2005 Dollars)



Source: OMB

# March 2012 Baseline

## Farm Bill Mandatory Spending, FY2013-22



Source: Based on CBO March 2012 Baseline

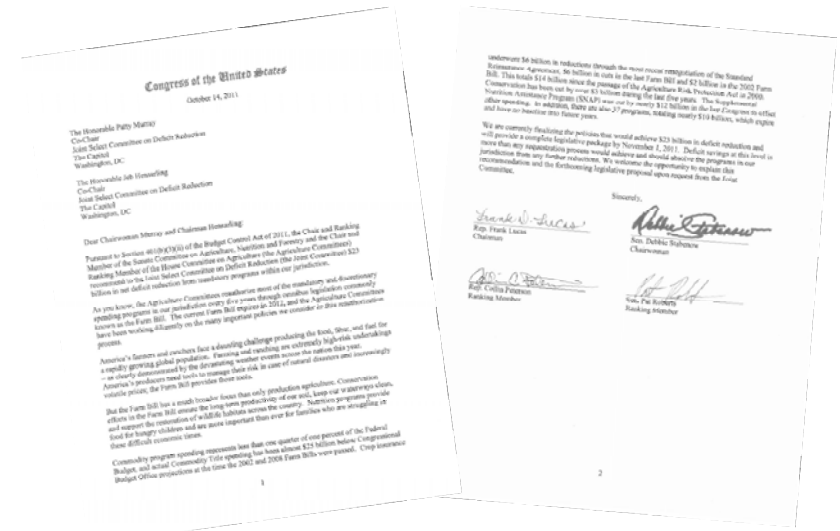
# Budget Proposals

## Budget...



- Debt Commission
- House Budget
- Biden Group
- Gang of Six
- McConnell Proposal

# Select Committee Proposal



**\$23 BILLION IN SAVINGS**

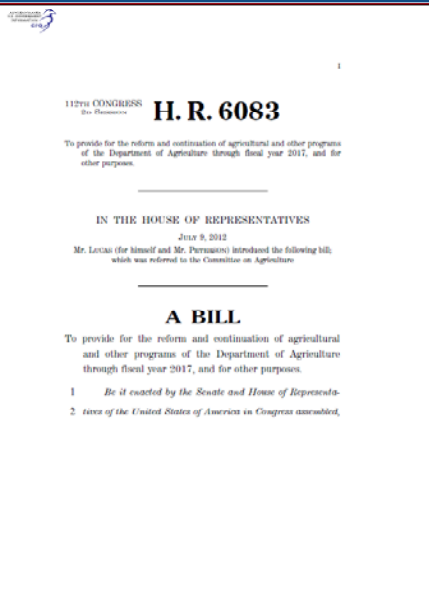
# Farm Bill Markup



**House Agriculture Committee**

**July 11, 2012**

**Passed 35 - 11**



# 2012 Farm Bill Components

# Farm Bill Score



Outlays in Million \$

New Title	Description	Change 2013-22	Percent Change	New Total 2013-22	Baseline Share
I	Commodities	-23,584	-37.5%	39,360	4.1%
II	Conservation	-6,148	-9.6%	57,919	6.0%
III	Trade	0	0.0%	3,411	0.4%
IV	Nutrition	-16,075	-2.08%	756,034	78.9%
V	Credit	0	0.0%	-2,665	-0.3%
VI	Rural Development	105	420.0%	130	0.0%
VII	Research, Extension, and Related Matters	546	255.1%	760	0.1%
VIII	Forestry	4	44.4%	13	0.0%
IX	Energy	0	0.0%	750	0.1%
X	Horticulture	435	40.3%	1,515	0.2%
XI	Crop Insurance	9,523	10.5%	100,390	10.5%
XII	Miscellaneous	50	n/a	50	0.0%
<b>Total -- House Farm Bill</b>		<b>-35,065</b>	<b>-3.5%</b>	<b>957,668</b>	

# Title 4 – Nutrition

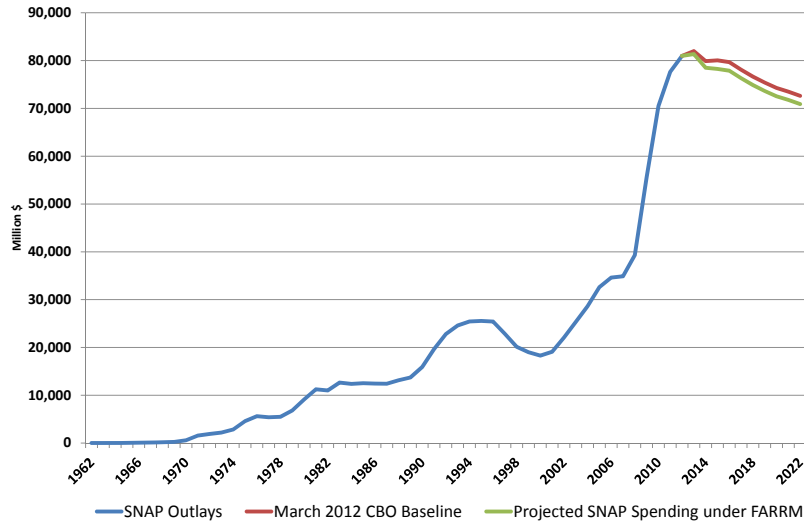


## Most significant nutrition reforms...

- ➔ **Standard Utility Allowance (SUA) interaction with the Low Income Home Energy Assistance Program (LIHEAP)**
  - **\$4.5 billion reduction**
- ➔ **Restrict “categorical eligibility” to only those households receiving cash assistance from SSI, TANF, or a state-run general assistance program.**
  - **\$11.5 billion reduction**

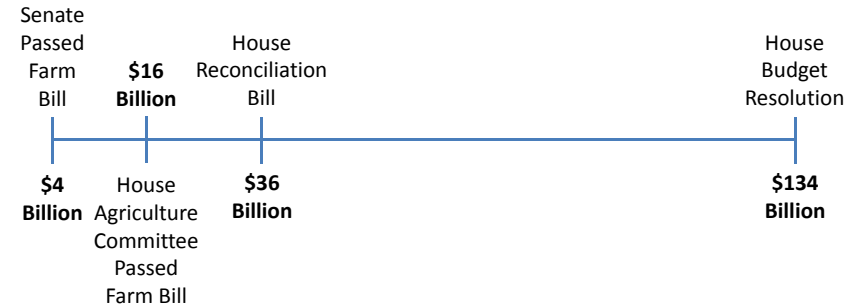
# Title 4 – Nutrition

Historic and Projected SNAP Outlays, by Fiscal Year



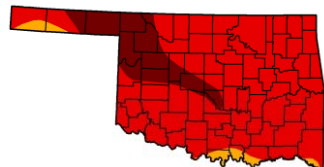
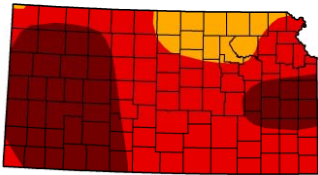
# Title 4 – Nutrition

## Bridging the Great Divide on Nutrition...



# Title 11 – Crop Insurance

## DO NO HARM TO CROP INSURANCE!



# Title 11 – Crop Insurance

## Do no harm but improve where possible...

- ➔ **Supplemental Coverage Option (SCO)** – An area-wide crop insurance product that can be purchased in addition to individual buy-up coverage. Designed to cover a portion of the crop insurance deductible (eligibility described in Title 1 below).
- ➔ **Coverage by practice** – Beginning with the 2014 crop year, producers who grow a crop on both dry land and irrigated land may elect a different coverage level for each production practice.
- ➔ **70% Yield Plug** – For all crop years within a producers 10-year APH the yield plug is increased to 70% of the applicable transition yield.
- ➔ **New Policy Studies** – FCIC is required to conduct studies for policies on biomass sorghum, sweet sorghum energy crops, and poultry catastrophic disease outbreaks.



# Title 11 – Crop Insurance



## Do no harm but improve where possible...

- ➔ **Enterprise Units** – Makes the premium subsidy for enterprise units permanent.
- ➔ **Information Sharing** – Requires FSA to provide an authorized agent or an approved insurance provider (AIP) information that may assist in insuring the producer.
- ➔ **Authority to Correct Errors** – Authorizes AIPs and agents to correct unintentional errors to ensure accuracy of all insurance information.
- ➔ **Cotton** – Cotton producers are ineligible for Title 1 programs but may purchase an enhanced area-wide crop insurance product (STAX) with a \$0.6861/lb reference price.

# Title 1 – Commodities



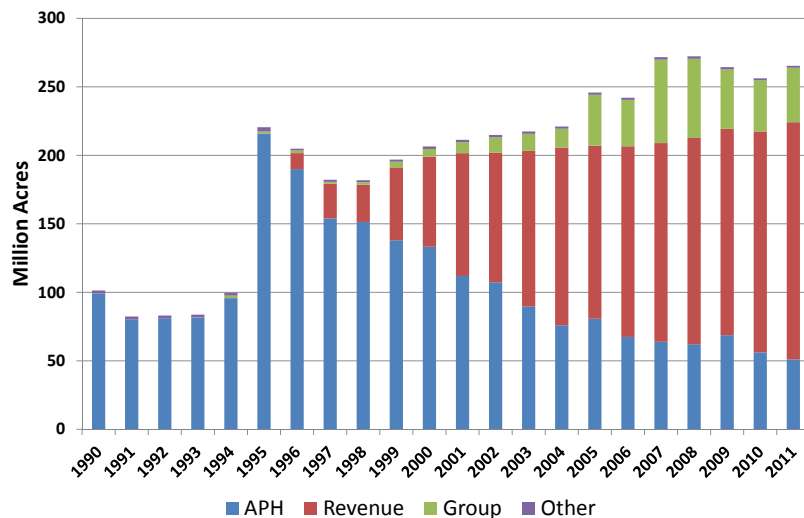
## If crop insurance is the cornerstone of the safety net, then what is the role of Title 1 going forward?

- ➔ Wide-spread calls to eliminate Direct Payments, even though they are (1) the most bankable, (2) the most trade-compliant, and (3) the direction in which much of the rest of the world is heading.
- ➔ For all the merits of crop insurance, it does not perform well under multiple years of price decline.
- ➔ Many assume that high prices are here to stay. How do we avoid the scenario from late 1990s and avoid ad hoc disaster assistance? Title 1 should provide multi-year price protection thereby complementing crop insurance.
  - **Common Complaint:** CCPs don't help if I don't have a crop to sell. Not only that, if I have a short crop, it drives prices higher making it even worse.
- ➔ Should the government be in the business of covering shallow losses and if so, then how?

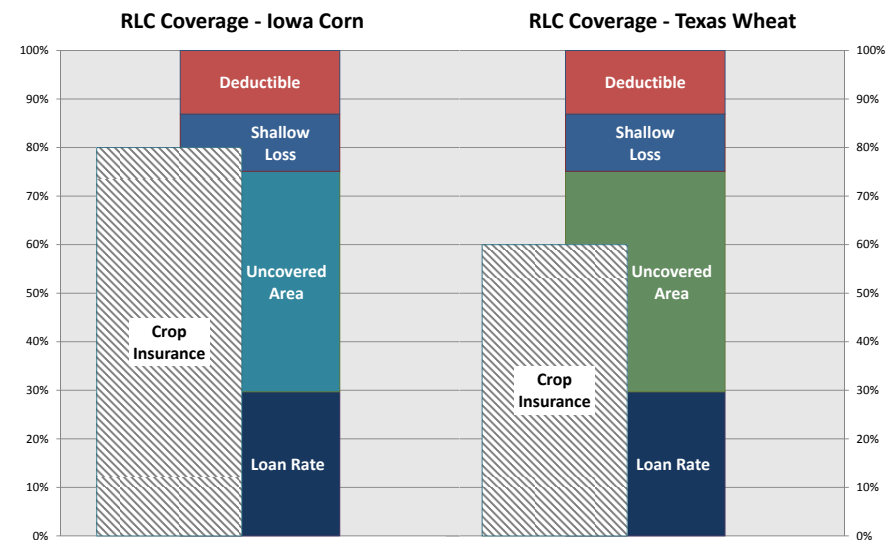
# Title 1 – Commodities



## Exponential Growth in Revenue Protection Insurance



# Shallow Loss Programs



# Title 1 – Commodities



## Farm Risk Management Election

- ➔ *Producer Choice Between 2 Options:*
  1. *Price Loss Coverage (PLC)*
  2. *Revenue Loss Coverage (RLC)*
- ➔ *Recognizes that agriculture across the United States is not monolithic. It allows the producer more flexibility for choosing a program that works best in his/her area under his/her production practice.*
- ➔ *Producers remain eligible for marketing loans, the terms of which are unchanged except in the case of cotton.*
- ➔ *Full planting flexibility is provided. Payments are made on planted acres not to exceed base – approach taken under ACRE in 2008 FB and ensures new acres are not added to the program in a time of deficit reduction.*

# Title 1 – Commodities



## Price Loss Coverage:

- ➔ *Payments will be made when the effective price is less than the reference price.*
- ➔ *The effective price is the greater of the Midseason Price and the National Loan Rate.*
- ➔ *Payments will be the product of:*
  1. *The difference between the reference price and the effective price,*
  2. *The payment yield established for the former counter-cyclical payment (one-time update at 90% of 5-year planted acre average), and*
  3. *85% of planted acres not to exceed base acres.*

# Title 1 – Commodities



## Reference Prices:

Reference Price	Units	2008 Farm Bill	2011 JSC Farm Bill Proposal	2012 HAC Farm Bill
Wheat	\$/bu	4.17	5.50	5.50
Rice	\$/cwt	10.50	13.98	14.00
Corn	\$/bu	2.63	3.64	3.70
Oats	\$/bu	1.79	2.40	2.40
Barley <sup>1</sup>	\$/bu	2.63	3.64	4.95
Sorghum	\$/bu	2.63	3.87	3.95
Cotton	\$/lb	0.7125	n/a	n/a
Peanuts	\$/ton	495	534	535
Soybeans	\$/bu	6.00	8.31	8.40
Other Oilseeds	\$/cwt	12.68	16.65	20.15
Dry Peas	\$/cwt	8.32	10.97	11.00
Lentils	\$/cwt	12.81	16.90	19.97
Small Chickpeas	\$/cwt	10.36	13.66	19.04
Large Chickpeas	\$/cwt	12.81	17.40	21.54

<sup>1</sup> The Barley reference price for the 2008 Farm Bill and 2011 JSC Farm Bill Proposal used the USDA Feed Barley Price. The 2012 HAC Farm Bill uses the USDA All-Barley Price.

# Title 1 – Commodities



## Revenue Loss Coverage:

- ➔ *Payments will be made when actual crop revenue for a county is less than the revenue loss coverage trigger for a county.*
- ➔ *Actual crop revenue is the product of average planted acre yield and the higher of the Midseason Price or the National Loan Rate.*
- ➔ *The revenue loss coverage trigger is 85% of the Benchmark Revenue.*
  - ➔ *Benchmark Revenue is the product of the 5-year Olympic average price and 5-year Olympic average yield. In establishing the Benchmark Revenue, the national average prices shall be used (but price may not fall below the reference prices given above), and the actual planted acre yields shall be used (but may not fall below 70 percent of the RMA t-yield).*



## Revenue Loss Coverage:

- ➔ *Payments will be the product of:*
  1. *The difference between the revenue loss trigger and the actual crop revenue and*
  2. *The payment acres (85 percent of planted acres not to exceed total base)*
  
- ➔ *The maximum payment cannot exceed the product of:*
  1. *10 percent of the benchmark revenue and*
  2. *The payment acres*



## Other issues:

- ➔ *Growers electing Price Loss Coverage (PLC) are eligible to purchase the Supplemental Coverage Option (SCO), an area-wide crop insurance product.*
  
- ➔ *Livestock Disaster: Maintains livestock disaster assistance policies provided in the 2008 Farm Bill. Provides coverage retroactively to fiscal year 2012.*
  
- ➔ *AGI and Payment Limits: lowers the permissible AGI level to \$950,000. Sets payment limits at \$125,000, maintaining separate limit for peanuts.*

# Analysis & Results

## AFPC Rep Farm Analysis



### Analysis of Alternative Policy Options...

- ➔ *AFPC's 64 representative crop farms with FAPRI January Baseline Prices*
  - *Very similar to March CBO Baseline Prices*
  
- ➔ *Characteristics of Kansas Representative Farms*

	County	Corn	Wheat	Beans	Sorghum	Total
KSCW2000	Sumner	200	1200	400	200	2000
KSCW4500	Sumner	675	2700	675	450	4500
KSNW4000	Thomas	1000	1500	0	500	3000
KSNW5500	Thomas	2050	1820	130	500	4500

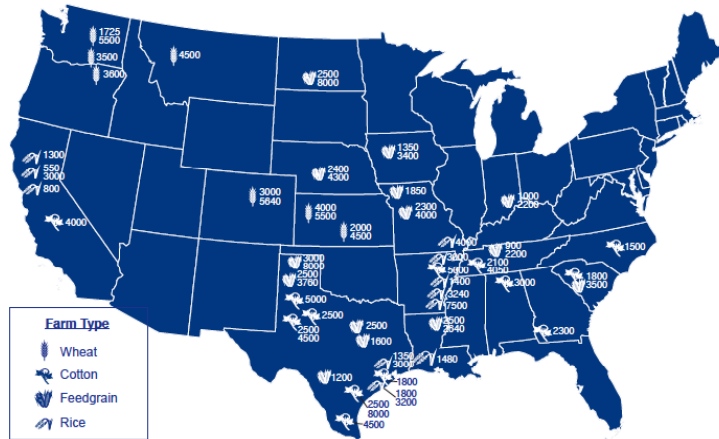


# AFPC Rep Farm Analysis



## 64 Representative Farms Across the U.S.

The numbers and icons represent the location, type, and acreage of the various AFPC representative crop farms.

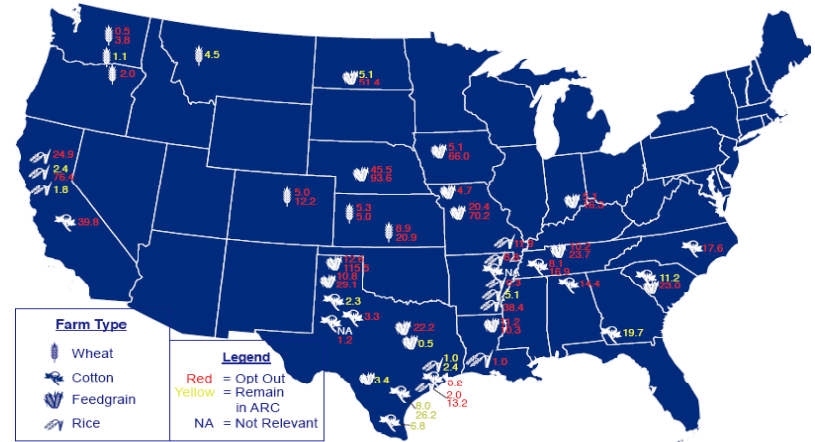


# AFPC Rep Farm Analysis



## Analysis of Senate Options...

The numbers represent the benefit in terms of average 2013-2017 annual NCFI in (\$1,000) from choosing the option indicated by the color over the other option.

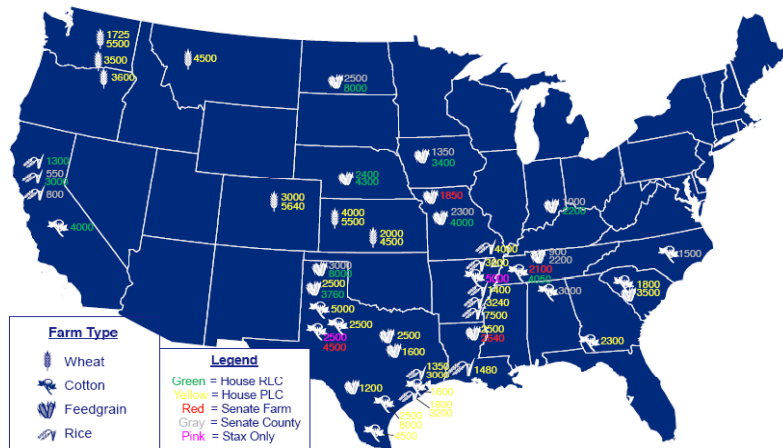


# AFPC Rep Farm Analysis



## Comparing Title 1 Programs...

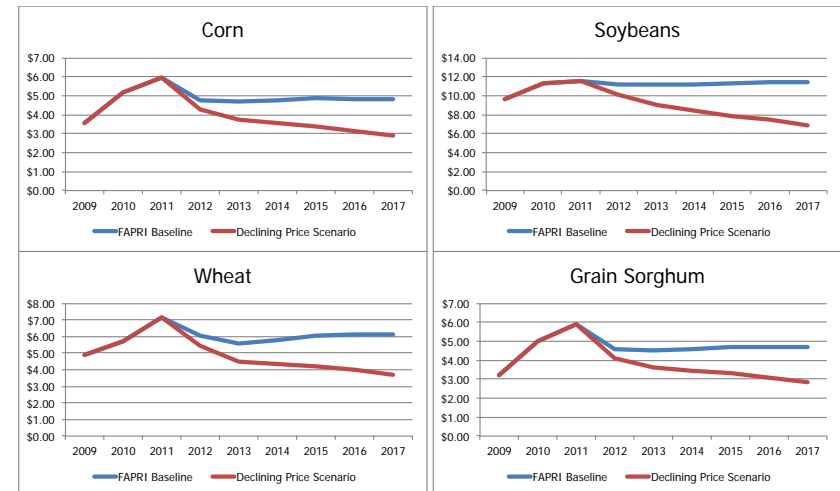
The color represents the option with the highest average annual Title 1 government payments. The number represents the acreage of the AFPC representative farm.



# AFPC Rep Farm Analysis

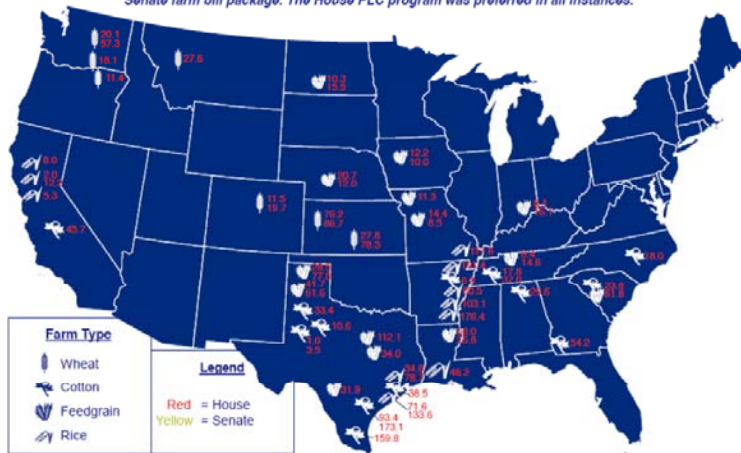


## Declining Price Scenario...



## Declining Price Scenario...

The numbers represent the benefit in terms of average 2013-2017 annual NCFI in (\$1,000) from choosing the House PLC program over the most preferred plan from the Senate farm bill package. The House PLC program was preferred in all instances.



## Declining Price Scenario...

Representative Farm Type	Number of Farms	Estimated Average Annual Loss in Crop Receipts Due to Declining Prices (\$1,000)	Average Annual Percent of Lost Receipts Offset by Government Payments (i.e., ARC, RLC, PLC, STAX, SCO, and LDPs/MLGs) from each of the Farm Bill Options			
			Senate ARC Indiv.	Senate ARC County	House RLC	House PLC
<b>All 64 Farms</b>	64	527.2	15%	16%	16%	43%
<b>Feedgrain/Oilseed</b>	23	557.1	14%	14%	14%	37%
<b>Wheat</b>	11	245.8	16%	15%	13%	59%
<b>Cotton</b>	16	608.7	16%	15%	20%	35%
<b>Rice</b>	14	642.9	16%	17%	18%	48%

## Path Forward

## Farm Bill Process

### Factors Impacting Farm Bill Process...

- ➔ Will Farm Bill expiration on September 30, 2012, require an extension of current law?
- ➔ Will the current drought increase pressure to move Farm Bill forward?
- ➔ Are there sufficient work days prior to farm bill expiration, the election, and the end of the year?
- ➔ How will sequestration and other "fiscal cliff" issues affect the farm bill?
- ➔ Chairman Lucas is focused on finishing a Farm Bill this year.

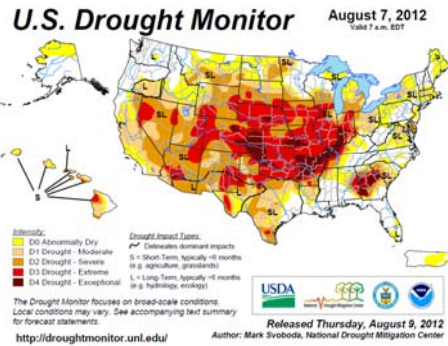


# Disaster Assistance

## "Agricultural Disaster Assistance Act of 2012"

August 2, 2012

Passed House: 223 - 197



### H. R. 6233

#### AN ACT

To make supplemental agricultural disaster assistance available for fiscal year 2012 with the costs of such assistance offset by changes to certain conservation programs, and for other purposes.

1. Be it enacted by the Senate and House of Representatives
2. Inss of the United States of America in Congress assembled,

# "Fiscal Cliff" Issues

	Cost of Renewal (Fiscal Years)		
	2013	2013-2014	2013-2022
2001/2003/2010 Tax Cuts	\$110 billion	\$340 billion	\$2.8 trillion
AMT Patches	\$125 billion	\$225 billion	\$1.7 trillion
Jobs Measures	\$115 billion	\$150 billion	\$150 billion
Doc Fixes	\$10 billion	\$30 billion	\$270 billion
The BCA Sequester	\$65 billion	\$160 billion	\$980 billion
Tax Extenders	\$30 billion	\$60 billion	\$455 billion
Health Care Reform Taxes	\$25 billion	\$50 billion	\$420 billion
Net Interest	n/a	n/a	\$1.2 trillion
<b>TOTAL</b>	<b>~\$500 billion</b>	<b>~\$1 trillion</b>	<b>\$8.1 trillion</b>

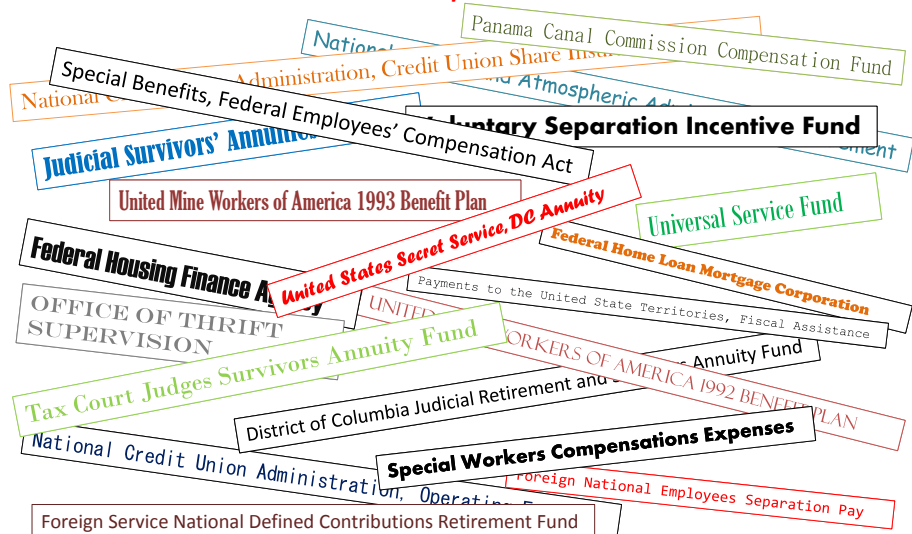
Source: The Committee for a Responsible Federal Budget.

# Sequestration - Timeline

- **August 16, 2011:** Deadline to assign Members to the Select Committee.
- **September 16, 2011:** Select Committee must hold its first meeting.
- **Between September 30, 2011 and December 31, 2011:** House and Senate must vote on a balanced budget amendment.
- **October 14, 2011:** Deadline for Authorizing Committees to submit recommendations to Select Committee
- **November 23, 2011:** Deadline for Select Committee to issue report/findings/CBO estimates.
- **December 2, 2011:** Select Committee must submit bill language to Congress.
- **December 9, 2011:** Deadline for Authorizing Committees to report out Select Committee Bill. Cannot be amended and Authorizing Committee could vote it down, but it would still go to the floor.
- **December 23, 2011:** Deadline for Congress to consider Select Committee Bill
- **January 15, 2012:** Sequestration process would be announced if the Joint Select Committee recommends less than \$1.2 trillion.
- **January 2, 2012:** Select Committee is terminated.
- **January 2, 2013:** If triggered, sequestration would begin.

# Sequestration

## About 200 Accounts Exempt:



# Sequestration



## Exempt Agriculture Programs

- ➔ Farm Credit Administration Operating Expenses Fund.
- ➔ Farm Credit System Insurance Corporation, Farm Credit Insurance Fund.
- ➔ Conservation Reserve Program.
- ➔ Prior Legal Obligations – Federal Crop Insurance Corporation Fund.
- ➔ Supplemental Nutrition Assistance Program.

# House Schedule



ERIC CANTOR MAJORITY LEADER  
HOUSE CALENDAR

December 2012  
112th Congress, Second Session

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3 Votes postponed until 6:30 p.m.	4 D.C. Work Week	5 D.C. Work Week	6 Last votes no later than 5:00 p.m.	7 No Votes	8 Hanukkah Begins
9	10 No Votes	11 Votes postponed until 6:30 p.m.	12 D.C. Work Week	13 D.C. Work Week	14 Last votes no later than 3:00 p.m.	15
16	17	18	19	20	21	22
23	24	25 Christmas Day Federal Holiday	26	27	28	29
30	31 New Year's Eve					

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# Conclusion



- ➔ The Farm Bill has passed the Senate and the House Agriculture Committee.
- ➔ Chairman Lucas is proud of the bipartisan bill passed out of the Committee and believes it will provide a fiscally responsible safety net for producers.
- ➔ Chairman Lucas is focused on completing the Farm Bill this year.
- ➔ A multitude of factors will impact the timing of final Farm Bill passage.

# Thanks!

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House Agriculture Committee

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