Agriculture Improvement Act of 2018: Summary

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KEY: FY = Fiscal Year; Secretary = Secretary of Agriculture. The first number in the title line is the April 2018 baseline outlay spending for FY2019-23; the second number is the 2018 farm bill change from baseline. The budget numbers are summarized in Figures 1 and 2 (page 9).

TITLE I – COMMODITIES ($31.4 billion; +$0.101 billion)

Agriculture Risk Coverage (ARC)-County, ARC-individual, and Price Loss Coverage (PLC) are reauthorized. New program election by crop and Farm Service Agency (FSA) farm will be made for 2019 and 2020 crop years; then, starting with 2021 crop, program election can be changed each year. Failure of all producers of a FSA farm to make a unanimous election for the 2019 crop means no program payments to farm for the 2019 crop, and all the farm's producers are defaulted for the 2020-2023 crops to the same coverage as in 2015-2018 for the covered commodity.

Owners of base acres will have a 1-time opportunity to update PLC payment yields using the following formula: [(90% times average 2013-2017 yield of a covered commodity on a FSA farm) times the ratio of (average US 2008-2012 yield of a covered commodity divided by its average US 2013-2017 yield, but not less than 90% nor greater than 100% of the US yield ratio)]. Yields are per planted acre. Updated PLC yields are first used for the 2020 crop. If a farm's yield is less than 75% of average county yield for a covered commodity in any year, then 75% of the 2013-2017 average county yield will be the farm's yield for that year. Average payment yield for seed cotton per planted acre equals (2.4 times average yield for upland cotton per planted acre). Oilseeds designated after enactment of the farm bill will have payment yields equal to 90% of average yield per planted acre over the most recent 5 years.

ARC county yields will be adjusted for trends. The trend adjustment cannot exceed crop insurance adjustment per year. Yield floor (plug yield) is raised to 80% from 70% of the county transitional yield. Insurance yield data is the first priority source of data for ARC yields. A separate irrigated and non-irrigated yield will be calculated in each county.

For ARC, up to 25 counties may be divided into 2 administrative units. Eligible counties are larger than 1,400 square miles with more than 190,000 base acres. Preference is given to counties with greater variation in climate, soils, and expected productivity between the 2 administrative units.

The reference price has an escalator option that results in an effective reference price used to calculate ARC and PLC payment rates. The effective reference price equals the higher of (a) the reference price stated in the farm bill (statutory reference price) for the covered commodity or (b) the escalator option of 85% of the Olympic average price of the covered commodity for 5 most recent crop years (excludes high and low price), but (c) cannot exceed 115% of the statutory reference price. The effective reference price will be used in ARC revenue guarantee calculations beginning with the 2019 crop year. Reference price for temperate japonica rice equals (1) effective reference price established for long grain rice, multiplied by the ratio of average market year price of medium grain rice to average market year price of all rice, both averages for the 2012-2016 years.

No ARC or PLC payments can be received for the 2019-2023 crop years if all base acres on a farm for 2009-2017 were entirely planted to grass and pasture, including idle or fallow land. All base acres and payment yields on the farm are preserved.

Nonrecourse marketing assistance loans are extended through 2023. Loan rates are increased for corn and grain sorghum ($2.20/bu.), soybeans ($6.20), wheat ($3.38/bu.), barley (2.50/bu.), oats ($2.00/bu.), extra-long staple cotton ($0.95/lb.), long and medium grain rice ($7.00/cwt.), dry peas ($6.15/cwt.), lentils ($13/cwt.), small chickpeas ($10/cwt.), large chickpeas ($14/cwt.), and raw cane sugar (19.75 cents/lb.). [ASIDE: started as a provision in the House farm bill to increase the loan rate only for extra-long staple cotton.] Secretary is given authority to adjust the marketing loan program to minimize forfeitures. Loan rate for base quality upland cotton is the simple average of adjusted prevailing world price for 2 immediately preceding market years, except its loan rate cannot decline more than 2%/year nor be lower than $0.45/lb. nor higher than $0.52/lb.

Renames dairy Margin Protection Program (MPP), Dairy Margin Coverage (DMC) Program. DMC provides eligible dairy producers milk-feed cost margin coverage between $4/cwt. and $9.50/cwt. for the first 5,000,000 pounds of participating production (i.e., tier 1 production). Premiums are reduced for margins that currently exist, including a premium of $0 for the $4 margin, and are specified for the new margins of $8.50, $9.00, and $9.50. For production over 5,000,000 pounds (i.e., tier 2 production), producers can elect coverage between $4 and $8. Operations can cover between 5% and 95% of production history. Production history is the highest production in 2011, 2012, or 2013. Premiums are increased for tier 2 production, especially for higher coverage levels. Any operation that signs up in 2019 and commits to maintaining their coverage decisions through 2023 will receive a 25% discount on their premium each year. The Secretary is required to repay each dairy that participated in MPP-dairy during calendar years 2014-2017 part of the difference between total MPP-dairy premiums and payments. Repayment is (1) 75% of the difference if taken as a credit toward DMC premiums or (2) 50% of the difference if taken as cash. Dairy operations are permitted to participate in both DMC and Livestock Gross Margin for Dairy insurance (LGM) on the same milk production. All restrictions between DMC and any Federal Crop Insurance product are removed. Dairies that were locked out of the revised 2018 MPP-dairy program due to LGM participation are allowed to retroactively participate in MPP-dairy for the months during 2018 they were excluded. A study of feed costs is required; the difference in feed value of corn silage vs. corn is specifically mentioned. Monthly price reports are to be revised to include prices for high-quality alfalfa hay in the top 5 milk producing states. A Milk Donation Program is established to encourage dairy organizations to donate milk through food banks and similar organizations. Class I skim milk price formula is adjusted.

Livestock Indemnity Program (LIP) is amended to cover (1) death or sale loss as a result of diseases caused or transmitted by a vector that cannot be controlled by vaccination or other acceptable management practices, and (2) death of unweaned livestock due to adverse weather.

Sets Noninsured Crop Assistance Program (NAP) payment limits at $125,000 for catastrophic coverage and $300,000 for additional coverage. Service fee for NAP is increased to smaller of (1) $325 per crop per county or (2) $825 per producer per county, but cannot exceed $1,950 per producer. Authority for additional NAP coverage (also called, NAP buy-up) is made permanent.

Current “actively engaged” requirements to qualify as a farm program payment entity is retained. Amends definition of family member to include first cousins, nieces, and nephews. Retains adjusted gross income (AGI) eligibility limit of $900,000. Retains $125,000 limit on PLC plus ARC payment per payment entity summed across all crops except peanuts (has its own $125,000 limit). Removes marketing loan gains and loan deficiency payments from the $125,000 payment limit.

Suspension of permanent price support authorities is extended through 2023.

TITLE II – CONSERVATION ($28.715 billion; +$0.555 billion)

Increases Conservation Reserve Program (CRP) cap from 24 to 27 million acres by FY 2023, including 8.6 million acres for continuous practices and 2 million for grasslands. Contract length is 10 to 15 years, after which the land is eligible for reenrollment, with some exceptions. A proportional, historic acreage allocation by State is included for a portion of acres eligible for enrollment. Not less than 40% of continuous CRP acres are be devoted to CLEAR (Clean Lakes, Estuaries, and Rivers Initiative). Flexibility for haying and grazing is increased. Limits cost-share payments to actual cost of practice installation and may not exceed 50% of seed cost. Soil rental rates for general and continuous enrollment are respectively limited to 85% and 90% of the county average; but the Secretary is required to account for potential impact on the local farmland rental market. Authorizes incentive payments for continuous practices and forest management. Amends rental rate calculations to allow for state and Conservation Reserve Enhancement Program (CREP) partner input and to maintain incentives for specific practices or areas like wellhead protection zones.

Creates a pilot program for CLEAR practices that use 30-year contracts in order to measure demand for longer-term CRP contracts. Also creates a pilot Soil Health and Income Protection Program. Uses 3, 4, or 5 year agreements.

Combines the Conservation Stewardship Program (CSP) and Environmental Quality Incentives Program (EQIP) under the same chapter, but the programs' authorization remain separate with distinct purposes.

Requires Secretary to manage CSP to enhance soil health to the maximum extent feasible. Removes current acre-based funding method and $18/acre national average payment rate. Conservation activities supported by CSP now include advanced grazing management and comprehensive conservation planning. Secretary can allocate State funding for organic and transition to organic production. Establishes a new Grassland Conservation Initiative within CSP for cropland for which base acres have been maintained by Secretary under section 1112(d)(3) of *Agricultural Act of 2014* (7 U.S.C. 9012(d)(3)). Producers are provided a 1-time election to enroll such land beginning with FY 2019. Statute specifies an annual payment rate of $18/acre. Limits enrollment in the Grassland Conservation Initiative to 1 time for a length of 5 years. Early contract termination under the Initiative is allowed at any time without penalty, and all land enrolled during a crop year is considered planted to an agricultural commodity during that crop year.

Maintains EQIP's role of helping agriculture producers meet Federal, state and local regulatory requirements. Allows Secretary to provide water conservation and system efficiency payments to certain entities eligible for implementing water conservation or irrigation practices under a watershed-wide project, such as states and irrigation districts. Reduces EQIP's livestock allocation to 50% from 60%, clarifies that livestock activities include grazing practices, and increases EQIP's wildlife allocation to 10% from 5%.

For the Agricultural Conservation Easement Program (ACEP), narrows existing limitation on nonagricultural uses to those that negatively affect agricultural and conservation values. Expands cost-share and program eligibility. Prioritizes water quality improvement on wetland reserve easements (WRE). Land enrolled in Agricultural Land Easement (ALE) may simultaneously be enrolled in CRP.

Increases mandatory funding for Regional Conservation Partnership Program (RCPP) to $300 million/year (from $100 million/year) for FY 2019-2023 while eliminating the contribution of 7% of covered program funding. Covered programs now include EQIP, CSP, ACEP, CRP, Healthy Forest Reserve Program, and Watershed Act. Highlights water quality and quantity issues.

Provides $50 million in mandatory funding to the Voluntary Public Access-Habitat Incentives Program to encourage farmers and ranchers to open their land to public recreation.

Provides $50 million in annual mandatory funds for the Watershed Protection and Flood Prevention Program.

Codifies Working Lands for Wildlife model of conservation partnership between the Departments of Agriculture and Interior to provide regulatory predictability under the Endangered Species Act of 1973 for the purpose of carrying out working landscape conservation activities involving species conservation.

Provides $75 million of mandatory funds for a feral swine eradication and control pilot program for FY 2019-23.

Maintains current conservation compliance requirements for highly erodible land and wetlands.

TITLE III – TRADE ($1.809 billion; +$0.235 billion)

Consolidates Market Access Program, Foreign Market Development Cooperator Program, Emerging Markets Program, and Technical Assistance for Specialty Crops under one Agricultural Trade Promotion and Facilitation section. However, intent is to maintain the unique functions of each program. Provides mandatory CCC funds of $255 million annually for export programs through FY 2023, with at least $200 million for the Market Access Program.

Establishes an International Agricultural Education Fellowship Program to assist eligible countries in developing school-based agriculture and youth extension programs.

Increases limit on US funds for Global Crop Diversity Trust (preserves genetic resources for food crops) from 25% to 33% of total funds contributed from all sources, capped at $5.5 million/year.

TITLE IV – NUTRITION ($325.922 billion; +$0.098 billion)

Although work requirements for eligibility for Supplemental Nutrition Assistance Program (SNAP) benefits were little changed, a large number of provisions focus on employment and training activities and opportunities for those receiving SNAP benefits.

Directs USDA to continue improving the SNAP electronic benefits transaction (EBT) system to be more compatible with online transactions, mobile payments, and farmer markets.

Requires the Secretary to establish a longitudinal database accessible for research to enhance SNAP's performance and design.

A number of provisions address incentives for SNAP participants to buy fruits and vegetables and encourage the sharing of information on which incentives and programs work best.

Authorizes pilot projects to incentivize fluid milk purchases for SNAP participants to test and evaluate methods that improve diet quality.

Eliminates performance bonus to states for low SNAP error rates.

A number of provisions address programs to direct current food wastes into programs that reduce food insecurity and hunger.

Authorizes a review of the thrifty food plan every 5 years.

TITLE V – CREDIT (-$2.205 billion; +$0.000 billion)

Increases the limit on direct ownership loans from $300,000 to $600,000, on guaranteed ownership loans from $700,000 to $1,750,000, on direct operating loans from $300,000 to $400,000, and on guaranteed operating loans from $700,000 to $1,750,000.

Increases overall loan authorization levels per Fiscal Year for ownership and operating Farm Loan Program loans to $10 billion from $4.226 billion.

Reduces current 3-year experience requirement under certain conditions to qualify for loans for young beginning farmers and military veterans.

Increases acreage limit exception for Farmer Mac from 1,000 to 2,000 acres.

Authorizes a study to analyze current capital standards of Farm Credit System institutions.

Expands list of persons eligible for State mediation programs.

TITLE VI – RURAL DEVELOPMENT ($0.98 billion; -$0.530 billion)

Issues addressed by multiple provisions are (1) broadband service; (2) healthcare, including substance abuse; (3) water quality, and (4) reducing cost of subsidies for government-provided loans and loan guarantees. The budget savings scored for this title come from reducing cost of interest credited to the Rural Utility Service Borrowers' Cushion of Credit accounts.

Two provisions address the determination of a “rural” area. One excludes prison populations incarcerated on a long-term or regional basis. The second excludes the first 1,500 individuals who reside in housing located on a military base.

TITLE VII – RESEARCH ($0.329 billion;+$0.365 billion)

Provides for a transfer of $185 million in Commodity Credit Corporation (CCC) funds to the Foundation for Food and Agriculture Research once it submits to Congress a detailed strategic plan for becoming self-sustaining.

Provides mandatory CCC funding for the Organic Agriculture Research and Extension Initiative, increasing to $50 million for FY 2023 and thereafter.

Provides $4 million/year in mandatory CCC funds along with authorization of appropriations of $10 million/year for competitive research and extension grants for an Urban, Indoor, and Other Emerging Agriculture Production Research, Education, and Extension Initiative.

Authorizes $10 million/year through FY 2023 for a Farm and Stress Assistance Network to provide grants for training programs and workshops for advocates and others who assist farmers in crisis.

Provides mandatory funding from CCC for scholarships for students at 1890 institutions who intend to pursue a career in food and agricultural sciences.

Increases the limit on indirect costs for agricultural research, education, and extension from 22% to 30% of total federal funds received, unless otherwise provided in law.

Adds the following priority research areas to the Competitive, Special, and Facilities Research Grant Act: (1) soil health; (2) tools that accelerate research in use of automation or mechanization for labor-intensive tasks in crop production and distribution; and (3) barriers to entry for young, beginning, socially disadvantaged, veteran, and immigrant farmers and ranchers.

Makes industrial hemp eligible for certain funding under existing research authorities.

The Secretary is directed to implement a strategy to accelerate development and use of automation and mechanization in producing or processing of specialty crops.

TITLE VIII – FORESTRY ($0.005 billion; +$0.000 billion)

Focus is forest landscape restoration. Provisions include authorization of (1) $20 million/year for a competitive grant program for financial and technical assistance to restore priority forest landscapes and (2) $80 million/year ($40 million increase) for the Collaborative Forest Landscape Restoration Program.

TITLE IX– ENERGY ($0.362 billion; +$0.109 Billion)

Reauthorizes a majority of the 2014 farm bill energy programs in the Energy title. Moves Biomass Research and Development Initiative to Title VII and Community Wood Energy Program to Title VIII. Repeals Repowering Assistance Program and Rural Energy Self-Sufficiency Initiative.

Several definitions used to determine eligibility for programs are expanded. "Biobased product" is amended to include "renewable chemicals." "Biorefinery" is amended to include facilities that convert renewable biomass into renewable chemicals, or an intermediate ingredient or feedstock of renewable biomass into any one or more, or a combination of biofuels, renewable chemicals, or biobased products. "Renewable Energy System" is amended to include systems that produce usable energy from a renewable energy source including distribution components necessary to move energy to initial point of sale, and other ancillary infrastructure such as storage systems.

Adds algae as an eligible material for the Biomass Crop Assistance Program.

Provides mandatory funding to Biobased Markets Program ($3 million/year over 5 years); Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance Program ($50 million in FY 2019 and $25 million in FY 2020); and Bioenergy Program for Advanced Biofuels ($7 million/year over 5 years).

Authorizes grants to educate rural business, communities, and utilities serving rural communities about biogas production.

TITLE X – HORTICULTURE ($0.772 billion; +$0.250 billion)

Provides $50/year in mandatory CCC funds beginning in FY 2019 and each year thereafter for the Local Agriculture Market Program (LAMP). LAMP is composed of the Farmers' Market and Local Food Promotion Program and value-added agricultural product market development grants. Highlights a new focus on regional partnerships to encourage multi-stakeholder approach to local food system development.

A number of provisions address organic production, including $24 million in mandatory CCC funding for FY 2019 through FY 2023 for the National Organic Certification Cost-Share Program.

Adds asexual reproduced plant material to the Plant Variety Protection Act.

Provides $500,000 of CCC funding for a multiple crop and pesticide use survey.

Authorizes a report on regulation of plant biostimulants to facilitate a regulatory framework.

Allows States to regulate hemp production based on a state or tribal plan. Stipulates several conditions, including the testing for THC concentration.

TITLE XI – CROP INSURANCE ($38.057 billion; -$0.047 billion)

Clarifies conditions for voluntary conservation practices, notably cover crops, to be considered good farming practices for crop insurance coverage. Defines cover crop termination as a practice that historically and under reasonable circumstances result in terminating growth of a cover crop.

Allows producers to establish a single enterprise unit by combining (a) enterprise units across counties or (b) enterprise units with basic units and optional units in one or more counties.

Continues to expand crop insurance in a variety of ways. (1) Directs research and development to improve existing policies or develop new policies for Whole Farm Revenue Protection, tropical storm or hurricane insurance, quality loss, citrus, hops, subsurface irrigation practices, grain sorghum, limited irrigation practices, rice irrigation practices, greenhouse, local foods, and batture land in the Lower Mississippi River Valley. (2) Requires data collected through the Noninsured Crop Disaster Assistance Program be provided for improving crop insurance coverage (3) Permits separate crop insurance policies for crops that can be both grazed and mechanically harvested on the same acres during the same growing season (separate policies independently indemnified for different causes of loss). (4) Creates a Specialty Crop Liaison in each regional office to focus efforts on developing contracts for specialty crops. (5) Allows hemp to be added to the list of insurable crops.

Codifies RMA practice of allowing producers to limit decrease in actual production history (APH) to not more than 10% of the prior crop year's APH, provided production decline is due to drought, flood, natural disaster, or other insurable loss. Actuarially sound premiums must be established.

Native sod acreage that has been tilled for the production of an insurable crop after the date of enactment of the 2018 farm bill is subject to a reduction in insurance benefits for not more than 4 cumulative years during the first 10 years after initial tillage.

Authorizes use of NASS and other data sources to reduce insurance waste, fraud, and abuse.

To facilitate use of Federal Crop Insurance Corporation (FCIC) data in administering FSA commodity programs, approved Insurance Providers (AIPs) must submit to FCIC APH yields used to establish insurable yields not later than 30 days after the applicable reporting date.

Requires FCIC to establish requirements for continuing education for loss adjusters and agents of AIPs, with conservation and agronomic practices specifically mentioned.

TITLE XII – MISCELLANEOUS ($1.259 billion; +$0.685 billion)

Establishes the National Animal Disease Preparedness and Response Program and National Animal Vaccine and Veterinary Countermeasures Bank. Foot and Mouth Disease is a priority.

Provides mandatory CC funding of $120 million for FY 2019 through 2022 and $30 million/year for FY 2023 and thereafter.

Directs the Secretary to conduct a feasibility study of the viability of a Livestock Dealer Trust for livestock dealer payment default.

Expands assistance and programs for socially disadvantaged farmers and ranchers, veteran farmers and ranchers, and beginning farmers and rancher, including mandatory CCC funds that increases to $50 million/year for FY 2023 and thereafter.

Directs the Secretary to establish an Office for Urban Agriculture and Innovative Production, including production that occurs indoors and on rooftops.

Directs the Secretary to establish the Under Secretary of Agriculture for Rural Development.

Three provisions address issues that in part relate to animals as pets. (1) Penalties are established for knowingly slaughtering a dog or cat for human consumption for interstate or foreign commerce. (2) A report to Congress is required on the volume of live dogs imported to the US. (3) The Secretary is authorized to enter into a memorandum of understanding with the head of other Departments to facilitate a grant program to assist victims of domestic violence and their pets. Expands federal domestic violence and stalking protections to include crimes targeting pets, horses, service animals and emotional support animals.

Authorizes $5 million/year for activities to improve the accuracy of the US Drought Monitor.

Directs the Secretary to conduct a study of food waste. Establishes a liaison position for food loss and waste reduction.

Authorizes a National Agriculture Imagery Program to annually acquire aerial imagery during the continental US agricultural growing seasons.

SOURCES:

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US Congress, Congressional Budget Office. Letter to Honorable K. Michael Conway, "Direct Spending and Revenue Effects of the Conference Agreement for H.R. 2, the Agriculture Improvement Act of 2018." December 11, 2018. . https://www.cbo.gov/system/files?file=2018-12/hr2conf_0.pdf

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Figure 1. Mandatory outlays by farm bill titles, Congressional Budget Office April 2018 baseline, billion $, US, 2019 - 2023 Fiscal Years

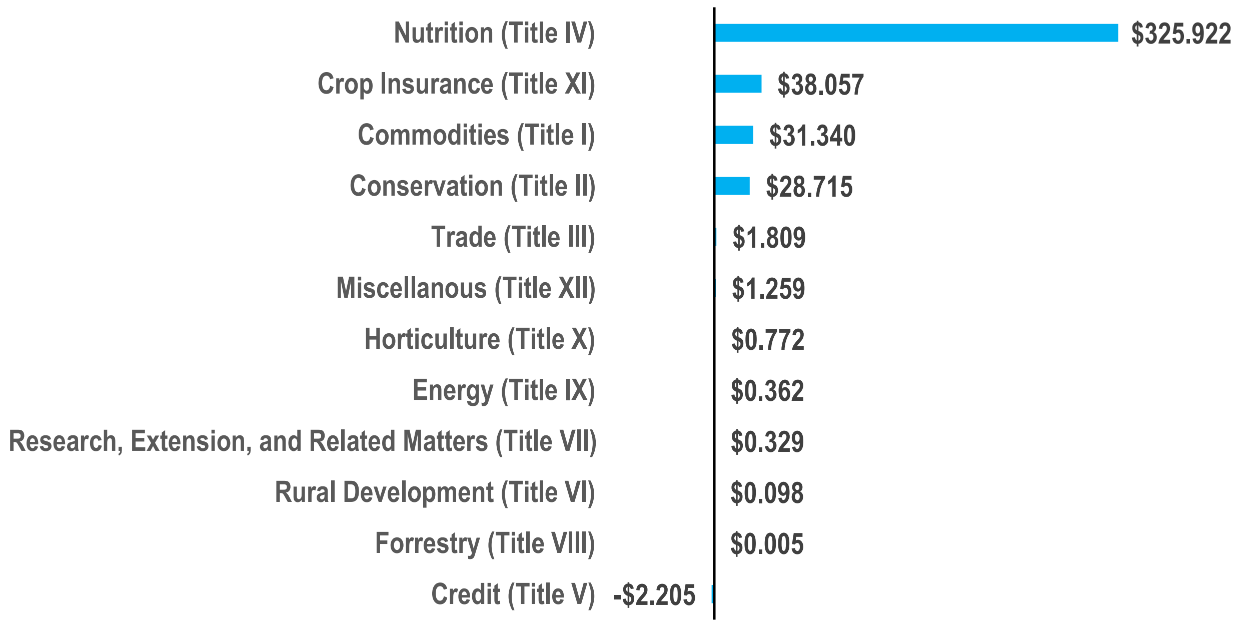

Figure 2. 2018 farm bill's estimated change in outlays from Congressional Budget Office April 2018 baseline, billion $, US, 2019 - 2023 Fiscal Years