The State of the 2018 Farm Bill
By Ben Brown
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Time is quickly running out for the Agricultural Adjustment Act of 2014, more commonly known as the 2014 farm bill, which is set to expire on September 30, 2018- right as the fiscal years turns for the federal government. Several programs covered by the 2014 farm bill will cease to have funding immediately including energy, trade, conservation programs. The diary program is covered through the end of the calendar year, which if a new farm bill is not passed before then, it is possible to see headlines that read “Dairy Cliff Approaching”. The permanent legislation, which stems from 1938 and 1949, would become the law for dairy policy and prices similar to other commodities, but it is especially catastrophic for the dairy industry and was treated with extreme urgency in 2013 when the “Dairy Cliff” approached ahead of the eventual passage of the 2014 bill. The House of Representatives calendar is looking especially tight as the chamber is only in session four weeks before the September deadline, including the long August recess where members go back home to campaign ahead of the primaries and general elections. However, there has been substantial progress already this year as both the House of Representatives and the Senate were able to pass versions of the farm bill through their respective chambers. The Senate passed their bill on June 28 by a vote of 86-11, a large bipartisan vote in today’s political standards and one that might give them extra advantage over the House in conference committee. The House of Representatives passed their bill with a vote of 213-211, a narrower vote that saw all Democrats strongly opposed. The next step in the process is for both chambers to agree to go to conference with each other to mend out the differences. On July 18, the House voted strongly in favor of the conference committee motion and the Senate is expected to do the same in the next week. The conference committee will consist of 47 conferees- 31 from the House, 15 from the Senate and one chair. The House has already named its conferees. Congressional members representing Ohio include Marcia Fudge- District 11 and Bob Gibbs- District 7. It is a possibility Senator Sherrod Brown will be a conferee from the Senate Agriculture Committee. This article points out the differences between the House and Senate versions of the farm bill for the four main titles: Commodities, Conservation, Nutrition and Crop Insurance.

Nutrition

Nutrition is not the first title that appears in either bill, but it is by far the largest- representing around 80% of the total farm bill budget. The Congressional Budget Office projects the 2018 farm bill will cost about 3% more than the 2014 farm bill did with the inclusion of the new cotton program and expansion of the dairy program that were included in the Bipartisan Budget Act of 2018 passed in February. The nutrition title is expected to spend about the same amount as the previous bill, but the way the money is spent differs between the House and Senate version. Similar to 2014, a major sticking point in this farm bill will be the nutrition title, only instead of an urgency to cut the federal budget as was the case in 2012, 2013 and 2014, this farm bill negotiation will center around overhauling the federal welfare programs that include the Supplemental Nutrition Assistance Program (SNAP). In 2013, the House and Senate entered the conference committee negotiations with the House proposing 40 billion in cuts to SNAP and the Senate proposing 4 billion in SNAP, in 2018 the two chambers will enter the discussions with differences in recipient work requirements. Paul Ryan, the House Speaker, has make entitlement reform a priority almost his entire time in Congress along with Tax Reform. He was able to get the tax reform in the Tax Cuts and Jobs Act passed late last year. He has made mention several times that the SNAP reform will be the last pillar in the Republican Better Way Campaign that has guided the House leadership the last two years. President Trump has also supported adjustments to the SNAP program and advocated that a new program should include a path to prosperity for recipients. In the House version, legislators made changes to the work requirements for SNAP recipients and expanded the criteria for those that would fall under the guidelines. Past farm bills have also included work requirements for a subset of SNAP recipients, but the rules have often been unenforced. The Senate did not include any expanded work requirements in their version and passage of a conference bill that includes expanded work requirements is unlikely in the Chamber given the strong opposition by Democrats. All House Democrats voted against the House version because of the work requirements, and Senate Republicans hold a 51-49 majority in the Senate, where 60 votes will be needed to avoid a filibuster. The large question that remains is if President Trump and House Leadership would accept a conference bill that does not include the expanded work requirements. In late June, the administration stopped just short of threatening to veto a bill without the expanded requirements signaling that passage of a bill this summer is important to the administration to lift spirits in the agricultural sector that is facing falling commodity prices. A possible compromise could be an increase to the enforcement of work requirements of those that already fall under the existing rule and not raise the working age to include older adults or those with young children.

Other sticking points between the two bills within the nutrition title are programs aimed at addressing the Opioid Crisis harming communities across the country. The Senate provides 185 million dollars targeting older adults with special difficulties including substance abuse. The Senate bill also launches a "produce prescription" pilot program funded at $4 million a year. All small in participants and dollars compared to the SNAP program.

Commodities
Most of the commodity title looks the same as the 2014 version. Unlike in 2014 when there was large differences in a commodity safety net, the 2018 versions appear to be similar in context. The House does allow for an increase in Price Loss Coverage (PLC) reference prices when the reference price for a specific commodity is 85% below the 5 year marketing year average price. Soybeans will be the largest beneficiary to this adjustment, as their marketing year price has not fallen below the reference price of $8.50 during the four years the PLC program has existed. The Senate was expected to adjust the Agricultural Risk Coverage Program (ARC), and Senators Brown (OH) and Thune (SD) introduced a bipartisan bill outlining changes to the program, but most contents were left out of the final Senate version of the farm bill. The Brown/ Thune bill would have caused strong regional differences in the commodity title similar to 2014. Both versions of the farm bill do make changes to the Dairy Risk Assistance Program by introducing new coverage levels at $8.50 and $9.00.

The big challenge for the conference committee in relation to commodity programs will be what to do about payment limitations. History would suggest that payment limitations will be one of the last things negotiated in conference committee. Payment limitations are hard to sort out as checking to make sure all farms follow the guideline takes time and resources, two things not usually available at a local Farm Service Agency office. Tighter payment limitations also tend not to fix the situation they were designed to address as there are legal ways a farm can make itself qualified for payments on paper. Senator Chuck Grassley (IA) has continued to advocate for payment limitations and will likely be a conferee. The House farm bill loosens the guideline for what is considered an active farmer to include first cousins, nieces and nephews. It also exempts the Marketing Loan program and the Loan Deficiency Payments from the $125,000 payment limitation cap. As reminder, a single farmer or farm entity can only collect $125,000 in total commodity or crop insurance payments for all crop except peanuts. Peanut farmers can qualify for another $125,000 in payments from the peanut programs. The Senate version aims at tightening the means testing used to determine if a farm is eligible for payments at $700,000 instead of $900,000.

Payment limitations could be a larger issue than expected given the difference in the two chambers and the inclusion of expanded work requirements in the House SNAP program. The feeling of a double standard might be felt for those that support the SNAP program.

Conservation

Conservation could also be a hard title to iron out the differences between the two chambers. The Conservation Reserve Program (CRP), launched in the early 1980s, is currently at its lowest acreage cap of 24 million acres. The CRP program takes land out of production and puts it to conservation use by providing producers with a payment not to produce. It gets its origins from the set aside program in the days of Eisenhower and Truman. In periods of declining commodity programs is it popular to increase the cap on CRP acres, taking land out of production and putting upward pressure on commodity prices. In periods of high commodity prices, CRP acreage is lowered to encourage production and put downward pressure on commodity prices. In 2014, after a period of relatively high commodity prices Congress voted to lower the cap to its current amount. Given that commodity prices are relatively low compared to cost of production now, both Chambers increased the CRP acreage cap. The Senate version moves the cap to 25 million acres and reduces the per acre payment rate to 88.5 % of the county rental rate to pay for the increase in acres. The House version increases CRP acreage to 29 million acres, but reduces the payment rate to 80% of the county rental rate. This is a large difference in acres and will need to be decided before a final bill can pass. A CRP rate of 29 million acres would likely cause increases in commodity prices, but would also increase cost to tax payers. The House version also includes a step down re-enrollment rate of 20% at each enrollment of the same parcel of land. Meaning that the second time the land is enrolled in CRP, the payment rate would only be 60% of the county rental average instead of 80%.

Other differences in the House and Senate versions include the House eliminating the Conservation Stewardship Program (CSP) to expand the Environmental Quality Incentive Program (EQIP). The Senate also makes changes to CSP by capping enrollment at 8.8 million acres down from 10 million. The Senate would also change the percentage of EQIP funds designated for livestock operations to 50% instead of 60%. Some of the changes for these programs are to free up money for other areas of the title and some are aimed at increased responsiveness to producers within the entire conservation title.

The House bill funds Regional Conservation Partnership Programs, which includes the Western Lake Erie Partnership Program, at $25 million a year. The Senate bill funds the programs at $200 million. Senator Brown's bill for a Soil Health Protection Program is also included in the Senate version but not in the House version. This bill could help with cost shares for users of cover crops.

Crop Insurance

Within the crop insurance title there is little change from the 2014 farm bill, but does include one provision that is a high priority for Senate Majority Leader Mitch McConnell (KY). The Senate version includes a provision that makes hemp a qualified commodity for crop insurance coverage. Senator McConnell has taken an active role in this farm bill to ensure that this provision makes it to the final bill. Senate Agriculture Committee Chairman Senator Roberts (KS) has already said that McConnell will be a member of the Senate conferees.

The Senate bill clarifies the conditions when cover crops are considered good farming practices along with expanded deadlines and rates. The bill also reduces rates for whole farm insurance coverage for new, beginning and disadvantaged farmers. The House version instead includes the study of grain sorghum rates and yields for insurance policies and a study aimed at crop damage research from hurricanes. The House bill also removes the crop insurance education funds that were used to provide county level education on crop insurance policies.

Summary

The House and Senate have taken large steps to increase the likelihood that a new farm bill is passed before the September 30, 2018 deadline. However, the two bill differ in certain titles, the two largest being nutrition and conservation. The House bill also removes the entire Energy title. Payment limitations for commodity payments will be one of the larger disagreements between the two chambers related to commodity programs. The House has voted to conference with the Senate and named its conferees. The Senate is expected to do the same in the next week. The conference committee took four months in 2013 to get to a final bill that was acceptable by both chambers. Given the timeline between now and the deadline, four months this time around would mean that Congress would have to pass an extension of the 2014 version to avoid reverting to the permanent legislation with ruled roughly 80 years ago. The clock is ticking.

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