 Agenda

• U.S. farm policy context

• Overview of the Farm Bill process

• What will it cost?

• What’s new in the 2018 law?

• Concluding remarks
Context: Continued budget pressures limit funds for Farm Bill
What’s happening with the Farm Bill?

Passed July 20, 2017
House Budget Committee sets budget targets

Stakeholders testify and lobby for provisions
- USDA provides consultation on technical details and may offer proposals
- Farm organizations
- Agri-business
- Environmental groups
- Taxpayers
- Rural communities
- Research scientists

House debate and passage of House bill
House Agriculture Committee (committee members introduce legislative proposals)

Senate debate and passage of Senate bill
Senate Agriculture Committee (committee members introduce legislative proposals)

Conference Committee

President signs bill into law
House passes conference bill
Senate passes conference bill

We are here
USDA establishes rules and regulations to implement Farm Act

Voted out of Committee on April 18
Defeated in House on May 18
Reconsidered and passed on June 23
Passed on December 12
Signed on December 20
Passed on December 11

Conference report filed on December 10
Passed by Senate on June 28
Voted out of Committee on June 13

*All dates are 2018 except where noted
Government payments make up only a small share of farm gross cash income

Note: Crop insurance net indemnities included in farm-related income.
Source: *Farm Income Data*, Updated November 2018. Economic Research Service, USDA.
Characteristics of US farm programs changing over time; crop insurance increasing in importance

10-year average = $18.1 billion per year
--- $6.1 billion from crop insurance

Data: USDA, fiscal year.
2018 Farm Bill: 4 titles dominate projected outlays

1. Commodity Policy
2. Conservation
3. Trade
4. Nutrition
5. Credit
6. Rural Development
7. Research, Extension, and Related Matters
8. Forestry
9. Energy
10. Horticulture
11. Crop Insurance
12. Miscellaneous

5-yr total = $428 billion

Data: CBO 2018 Farm Bill score.
Projected outlays for 2019-2023 vary little between the 2014 Farm Bill and 2018 Farm Bill.

- **2018 Farm Bill:** ~$428 billion over 5 years
- **Change from 2014 Farm Bill:** ~$2 billion over 5 years

**Note:** Chart in billions of dollars

Source: CBO
Title I Commodities
Producer Choice: PLC or ARC

Title I: Commodities

- **PLC payments** are made on historical base acres when the price of a historical covered commodity is below the statutory reference price.

- **ARC payments** are made on historical base acres when the average county revenue for a historical covered commodity is below a benchmark revenue guarantee.

- **ARC and PLC are decoupled from actual production.** Payments are not dependent on production of the historical commodity or any commodity.

- **Covered commodities** include wheat, corn, sorghum, barley, oats, rice, soybeans, peanuts, canola, crambe, flaxseed, mustard, rapeseed, safflower, sesame, sunflower, chickpeas, dry peas, lentils, and seed cotton (added 2018).

Election holds until 2121 then annual decision between ARC and PLC

No generic base acres with introduction of seed cotton as a covered commodity
New name for dairy risk management program but very similar to 2014 Farm Bill

<table>
<thead>
<tr>
<th>MPP-Dairy—2014 Farm Bill</th>
<th>Dairy Margin Coverage (DMC)—2018 Farm Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums begin at $4.50/cwt</td>
<td>Premiums begin at $4.50/cwt</td>
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<tr>
<td>Payments calculated bimonthly</td>
<td>Payments calculated monthly</td>
</tr>
<tr>
<td>Minimum of 25% of production history must be covered</td>
<td>No minimum production coverage</td>
</tr>
<tr>
<td>Producer must choose between Livestock Gross Margin (LGM) insurance and MPP</td>
<td>No restriction on LGM and DMC participation</td>
</tr>
</tbody>
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Evolution of U.S. dairy policy

Market price support → MPS + Income support (MILC) → Risk management (MPP, DMC) → No MPS or MILC in 2014 Act
Conservation Title continues primary programs and compliance requirements

**Land Retirement**
- Conservation Reserve Program (CRP)
- Agriculture Conservation Easements Program (ACEP)

**Working Lands**
- Environmental Quality Incentives Program (EQIP)
- Conservation Stewardship Program (CSP)

**Mixed**
- Regional Conservation Partnership Program (RCPP)
Conservation spending projections show small adjustments

Source: CBO baseline projections, April 2018 and January 2019.
Soil erosion declined sharply during HELC implementation, but…
How much of the reduction was **caused** by HELC?

- Previous ERS research: *up to 25 percent* of 1982-1997 soil erosion reduction *could have been due* to HELC
- Soil erosion also reduced on land not subject to HELC

Source: USDA-ERS with data from USDA-NRCS
Voluntary conservation programs support environmental “additionality”

- Voluntary programs deliver “additional” conservation or environmental improvement if the practice would not otherwise have been adopted.

- “Additionality” is a key measure of conservation program performance.

The percentage of program participants who would not have adopted a practice without a conservation payment varies by practice

- Structural off-field
- Structural on-field
- Nonstructural on-field

Note: Conservation payment could come from Federal, State, or local sources. While USDA is the largest single source of conservation payments, many agricultural States also have conservation payment programs.

Research Title prioritizes funding for public R&D

- New Agricultural Advanced Research and Development Authority (AGARDA) will focus on basic and long-term research not supported by industry.

- Provides support for international capacity-building partnerships.

Source: USDA-ERS
Rural Development Title focuses on medical and digital services

- Prioritizes program funding for projects that address substance abuse disorders
- Expands focus on providing and enhancing high-speed broadband and other digital services to underserved communities, including to support adoption of precision agriculture
- Requires reinstatement of the Under Secretary for Rural Development position

Lack of availability is the most cited reason by rural households for not having in-home broadband service

Percent of nonbroadband households

<table>
<thead>
<tr>
<th>Primary reason</th>
<th>Urban</th>
<th>Rural</th>
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<tbody>
<tr>
<td>Don't need it, not interested</td>
<td>35</td>
<td>26</td>
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<tr>
<td>Too expensive</td>
<td>36</td>
<td>27</td>
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<tr>
<td>Can use it somewhere else</td>
<td>2</td>
<td>0</td>
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<tr>
<td>Not available in area</td>
<td></td>
<td>42</td>
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<tr>
<td>Computer inadequate</td>
<td>2</td>
<td>1</td>
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<td>Other reason(s)</td>
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Few changes to Nutrition Title

- Funding is increased for SNAP employment and training program; no changes to work requirements

- A proposed rule is in process for stricter work requirements for able-bodied adults without dependents

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SNAP Outlays Largest Share of Nutrition Spending

<table>
<thead>
<tr>
<th>Year</th>
<th>All Other Programs</th>
<th>School Breakfast Program</th>
<th>Child and Adult Care Food Program</th>
<th>WIC</th>
<th>National School Lunch Program</th>
<th>SNAP</th>
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Trade Title increases and consolidates funding for market promotion

- Consolidates market development programs to enhance effort to build new markets for U.S. agriculture and food products

- Expands international technical assistance and extension programs to improve trade and address global food insecurity

Data: CBO budget projections Mar 2016-Apr 2018; Agriculture Improvement Act of 2018.
Concluding Remarks

• 2018 Farm Bill is largely a continuation of the 2014 law in terms of policy orientation and expenditure levels
  • Largest share of expenditures help poor people purchase food
  • Commodity support continues to emphasize risk management and income support
  • Conservation, research, and rural development remain key elements of U.S. agricultural policy

• USDA is in the process of implementing the new law
  • Will be holding listening sessions with stakeholders, developing program rules and outreach plans

• Useful websites:
  • https://www.usda.gov
  • https://www.congress.gov/115/bills/hr2/BILLS-115hr2enr.pdf