

U.S. 2018 Farm Bill Overview

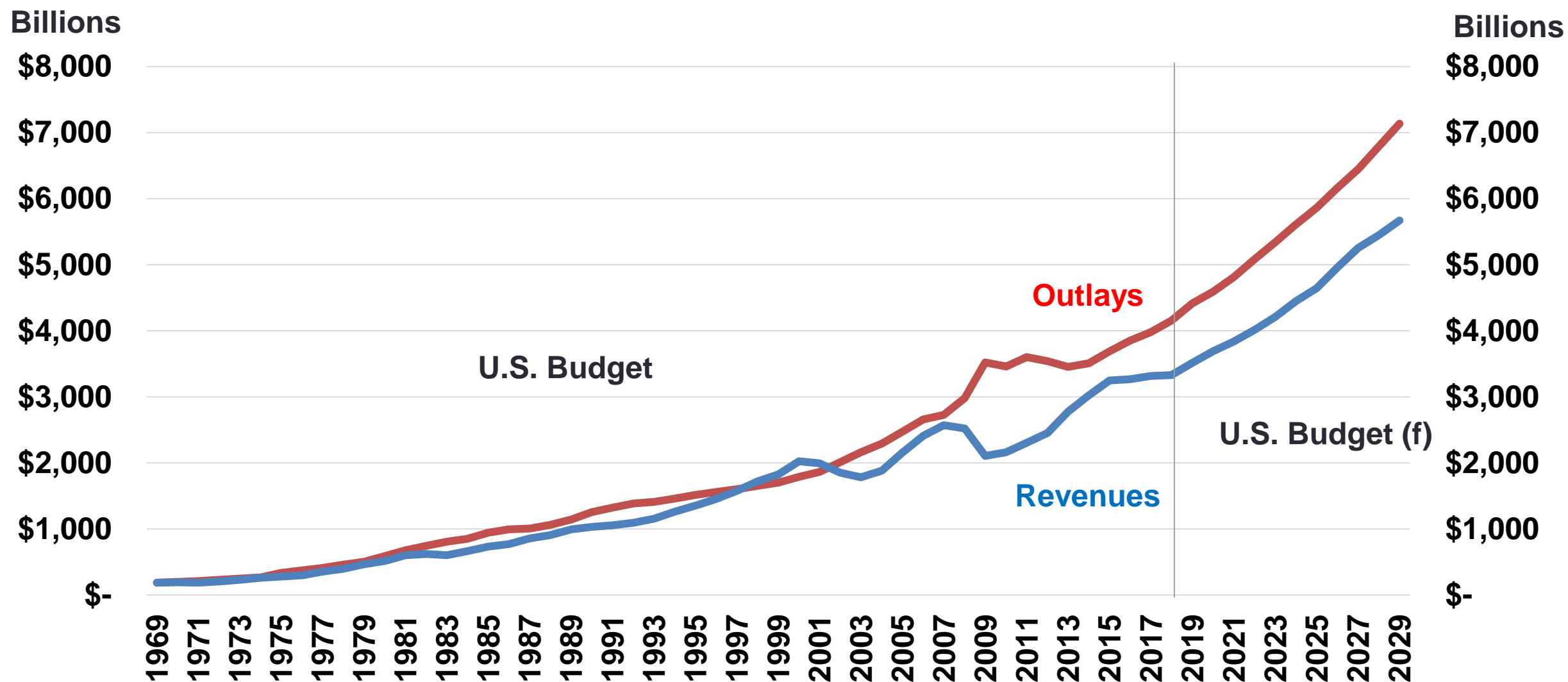
Robert Johansson
Chief Economist, USDA
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Agenda

- **U.S. farm policy context**
- **Overview of the Farm Bill process**
- **What will it cost?**
- **What's new in the 2018 law?**
- **Concluding remarks**

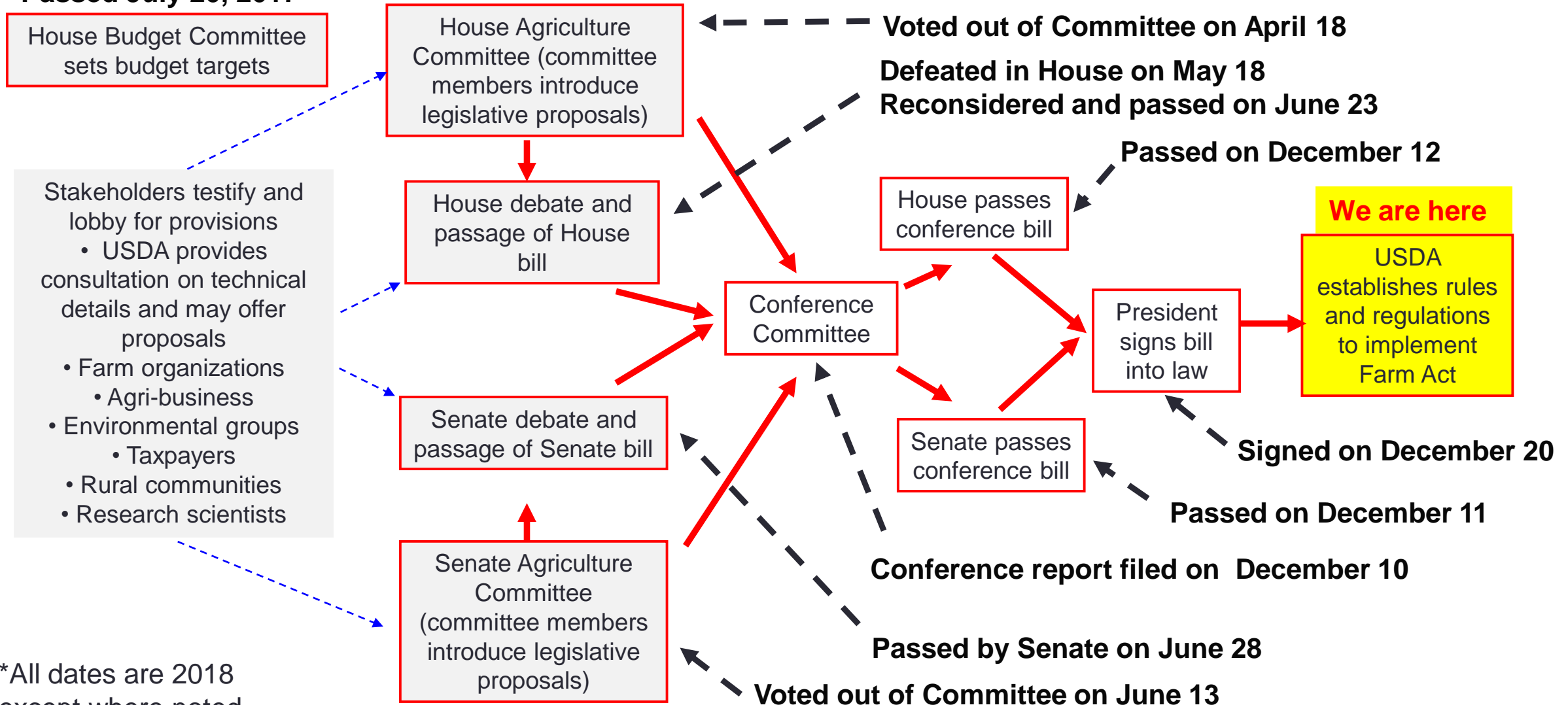


Context: Continued budget pressures limit funds for Farm Bill



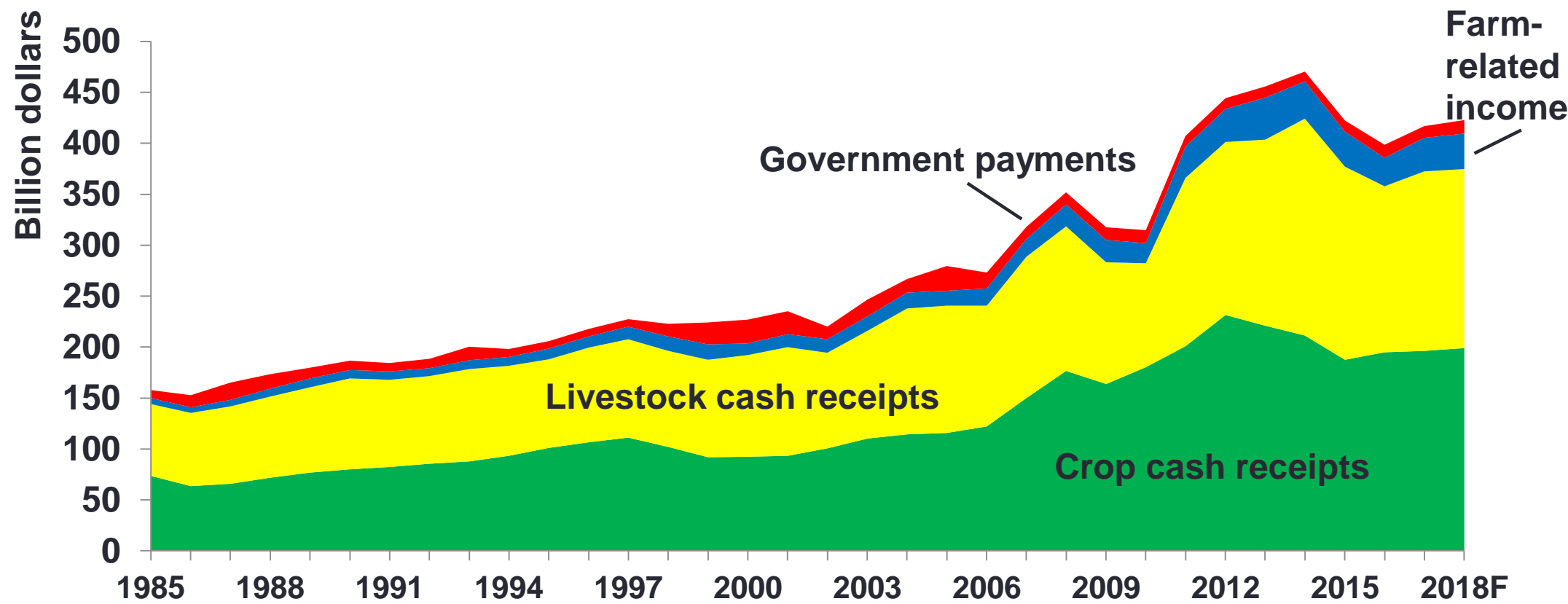
What's happening with the Farm Bill?

Passed July 20, 2017



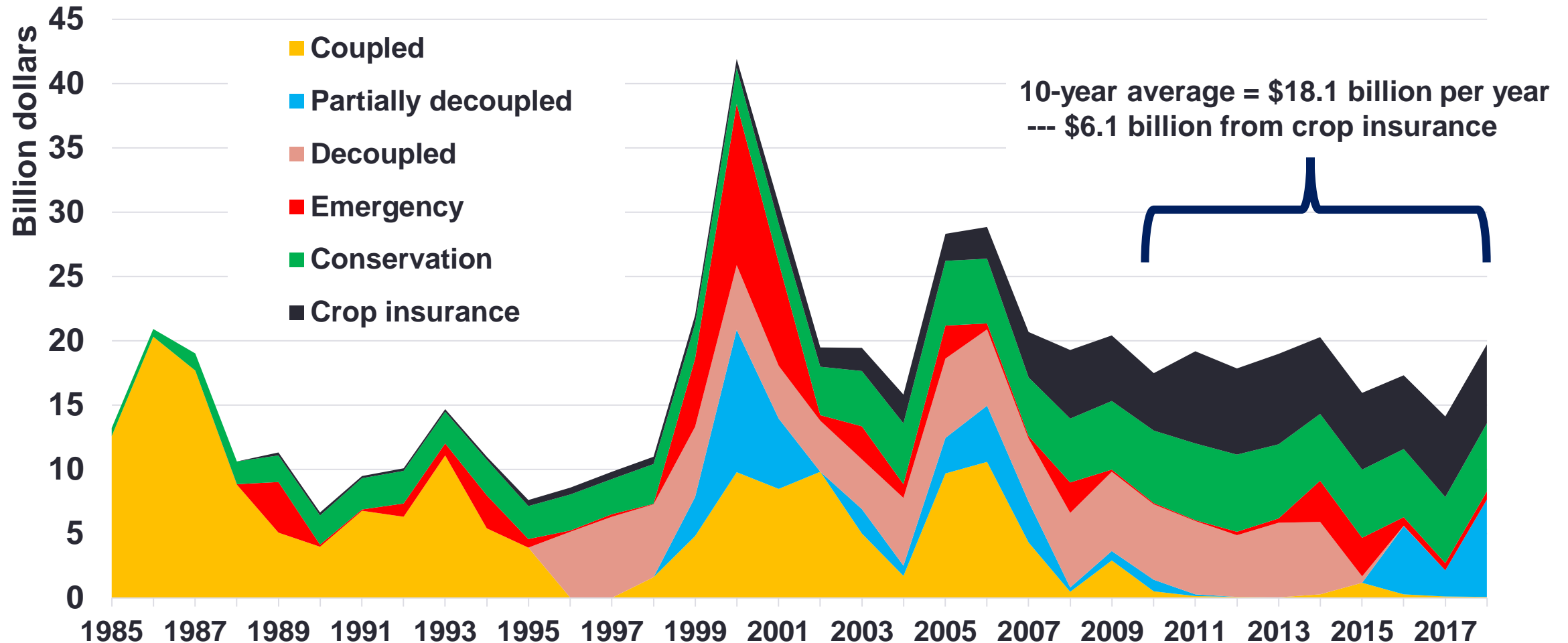
*All dates are 2018
except where noted

Government payments make up only a small share of farm gross cash income



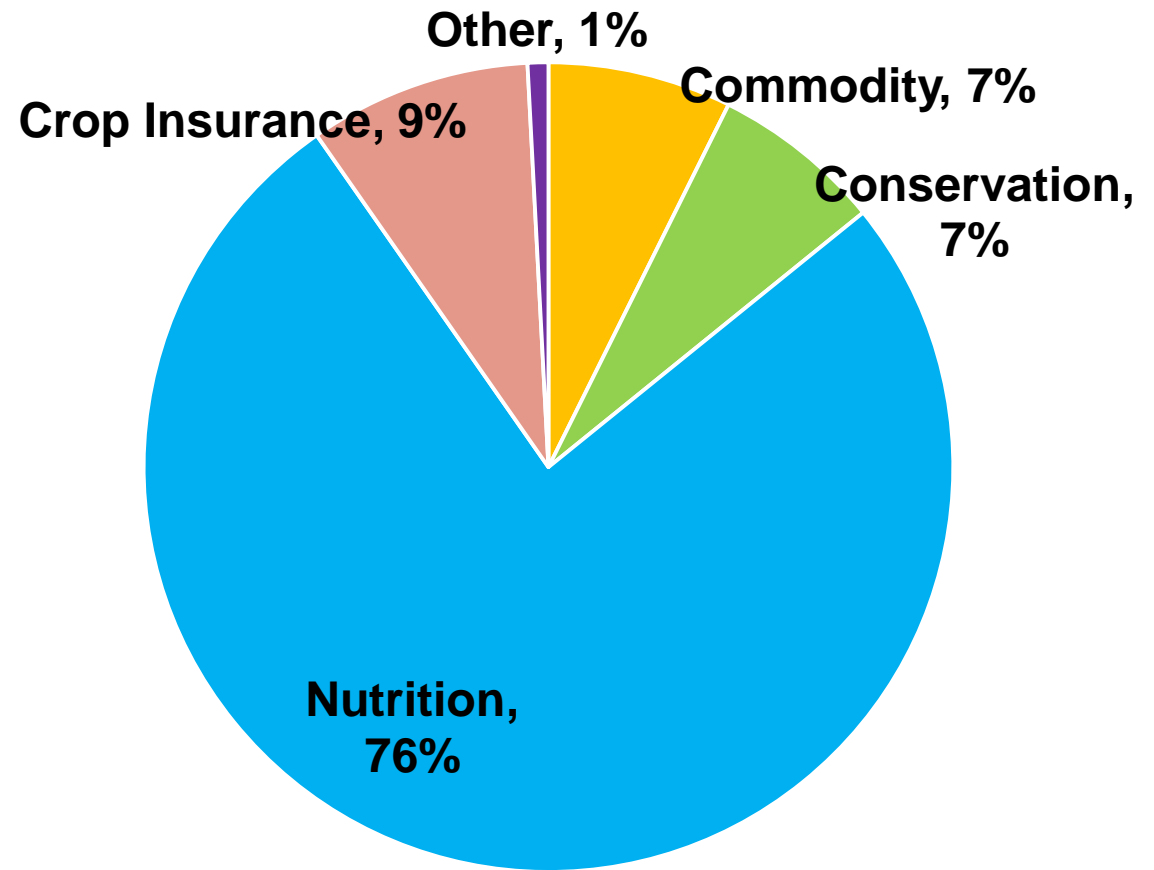
Note: Crop insurance net indemnities included in farm-related income.
Source: *Farm Income Data*, Updated November 2018. Economic Research Service, USDA.

Characteristics of US farm programs changing over time; crop insurance increasing in importance



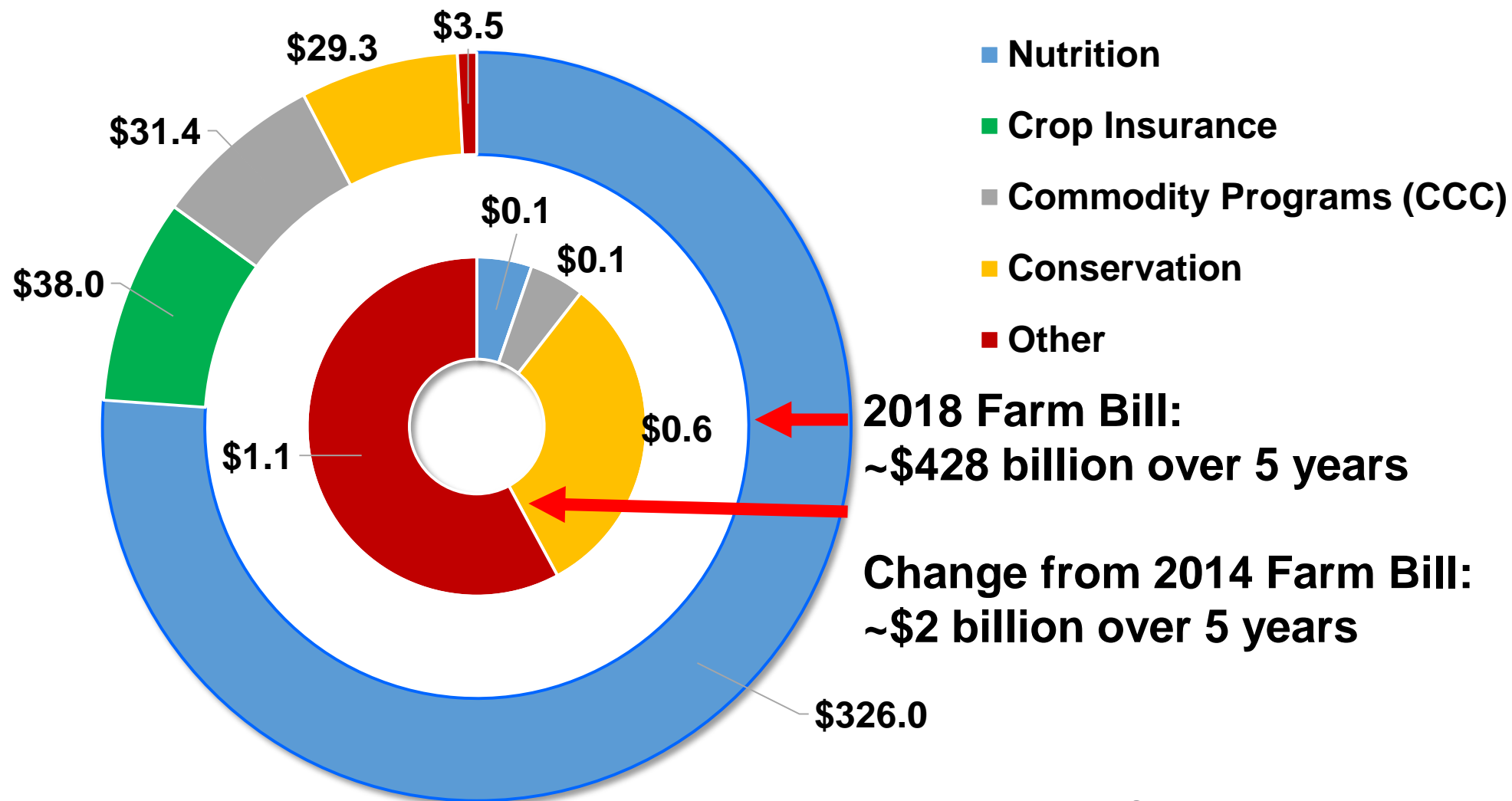
2018 Farm Bill: 4 titles dominate projected outlays

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

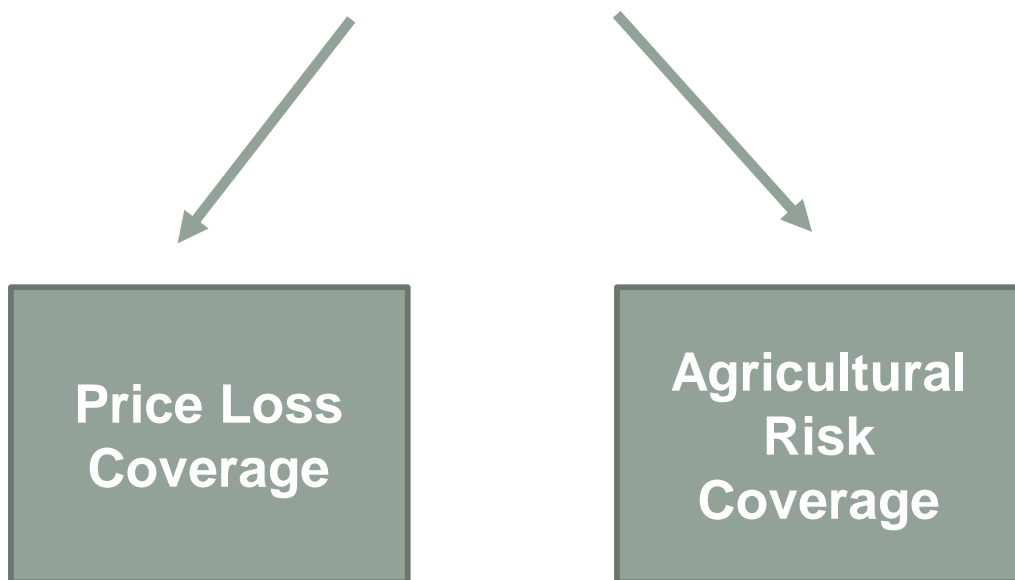
Projected outlays for 2019-2023 vary little between the 2014 Farm Bill and 2018 Farm Bill



Title I Commodities

Producer Choice: PLC or ARC

Title I: Commodities



Election holds until 2121 then annual decision between ARC and PLC

No generic base acres with introduction of seed cotton as a covered commodity

- **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).

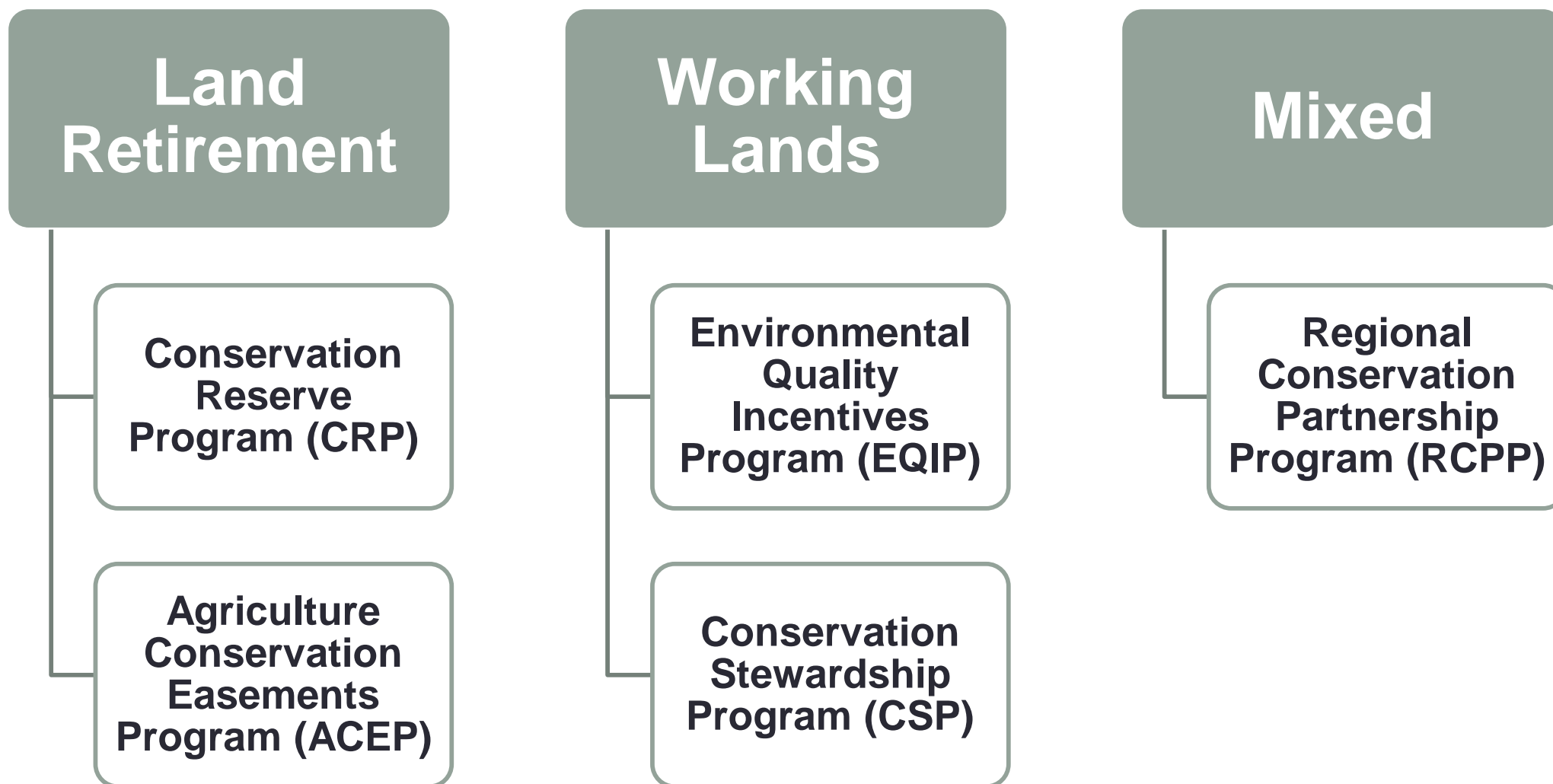
New name for dairy risk management program but very similar to 2014 Farm Bill

| MPP-Dairy— 2014 Farm Bill | Dairy Margin Coverage (DMC)— 2018 Farm Bill |
|---|--|
| Coverage: \$4/cwt - \$8/cwt | Coverage: \$4/cwt - \$9.50/cwt |
| Premiums begin at \$4.50/cwt | Premiums begin at \$4.50/cwt |
| Payments calculated bimonthly | Payments calculated monthly |
| Minimum of 25% of production history must be covered | No minimum production coverage |
| Producer must choose between Livestock Gross Margin (LGM) insurance and MPP | No restriction on LGM and DMC participation |

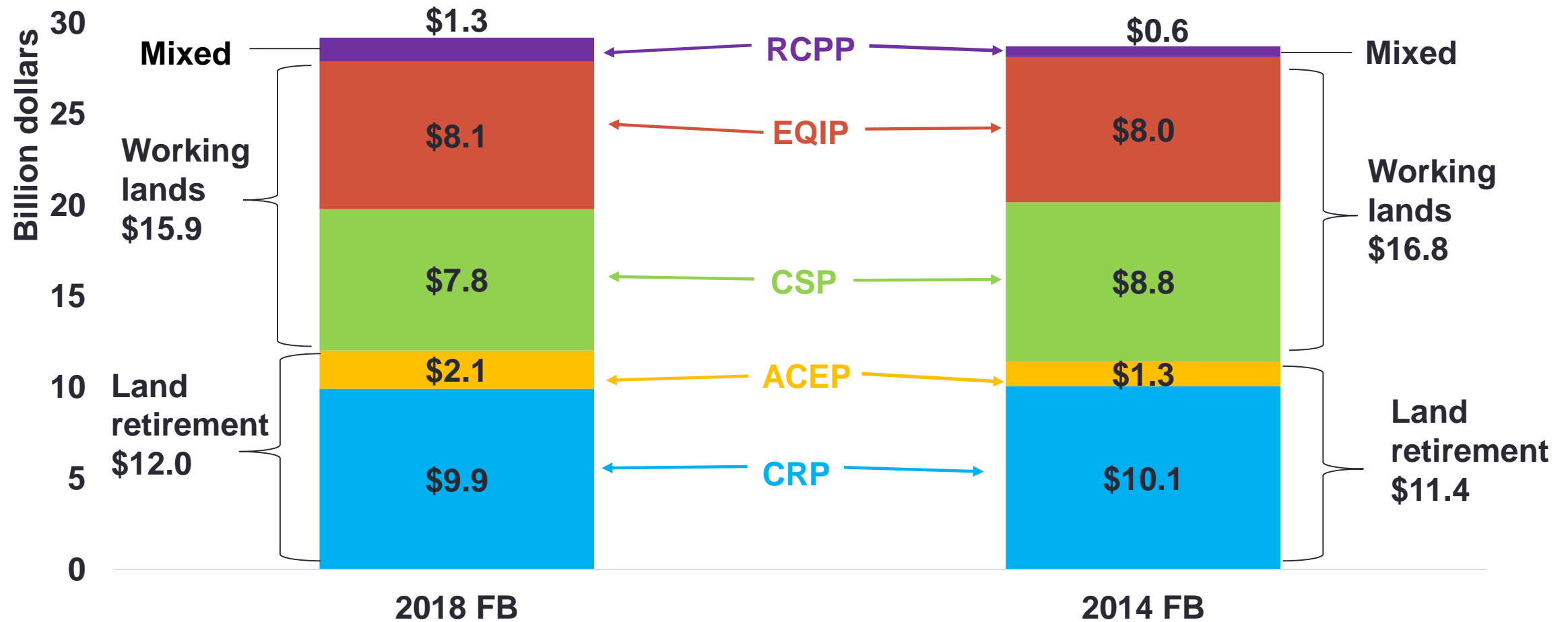
Evolution of U.S. dairy policy



Conservation Title continues primary programs and compliance requirements

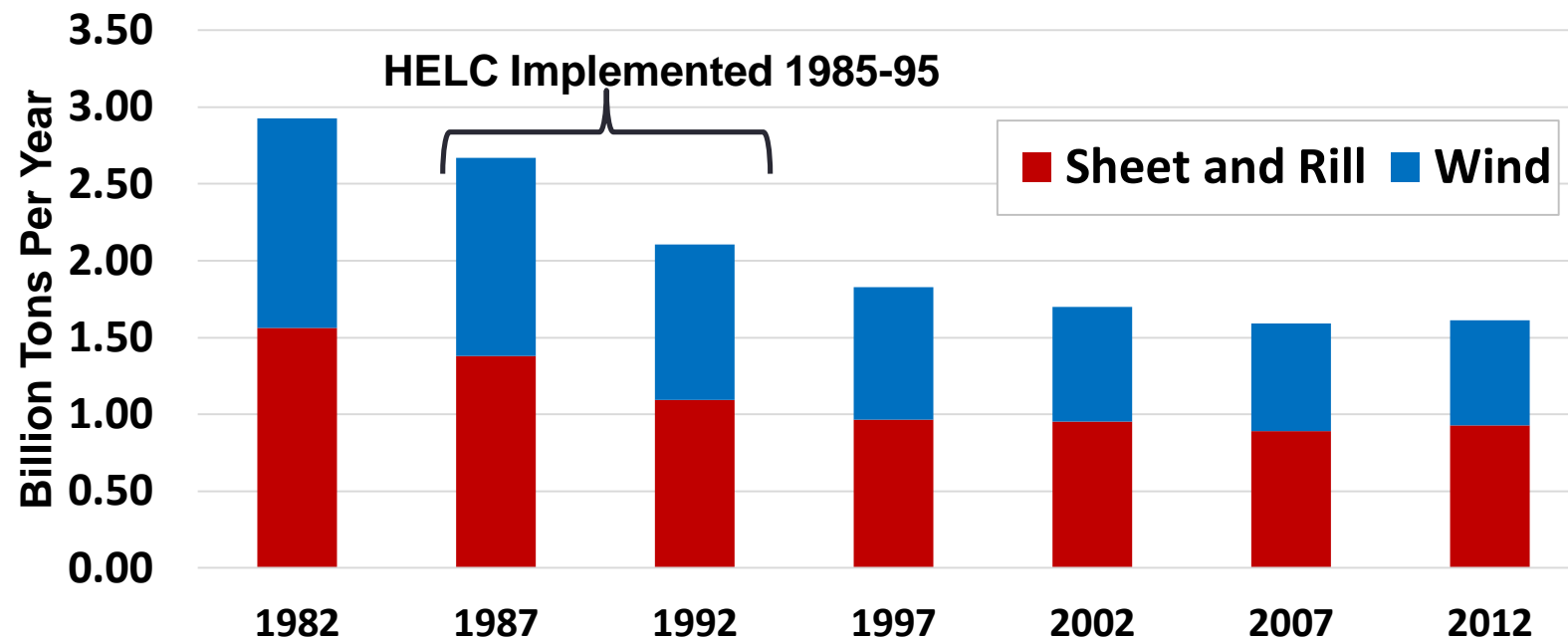


Conservation spending projections show small adjustments



Soil erosion declined sharply during HELC implementation, but... How much of the reduction was *caused* by HELC?

Soil erosion on cultivated cropland, 1982-2012

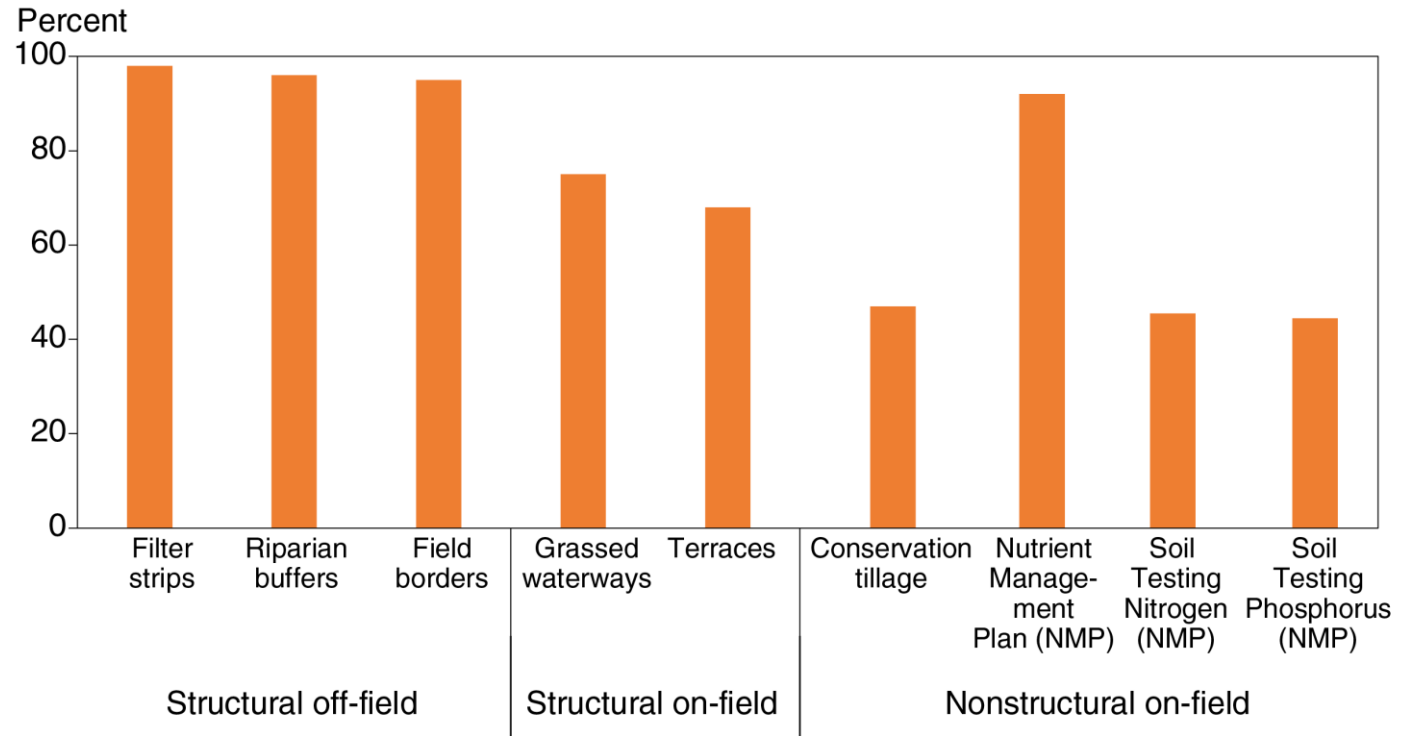


- Previous ERS research: *up to 25 percent of 1982-1997 soil erosion reduction could have been due to HELC*
- Soil erosion also reduced on land not subject to HELC

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

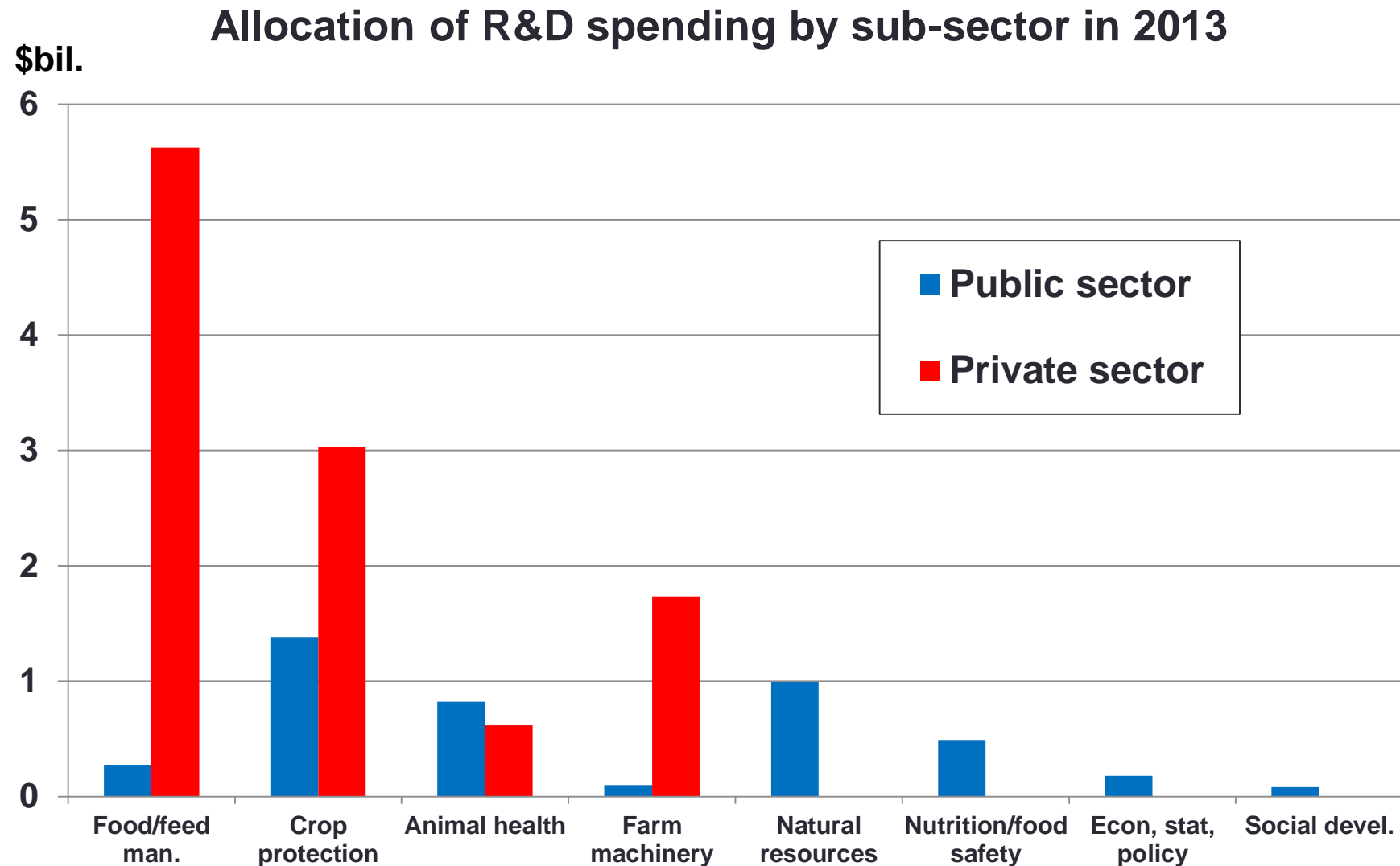


Note: Conservation payment could come from Federal, State, or local sources. While USDA is the largest single source of conservation payments, many agricultural States also have conservation payment programs.

Source: USDA, Economic Research Service (ERS) analysis using data from ERS and USDA, National Agricultural Statistics Service, Agricultural Resource Management Survey, 2009-12.

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.**

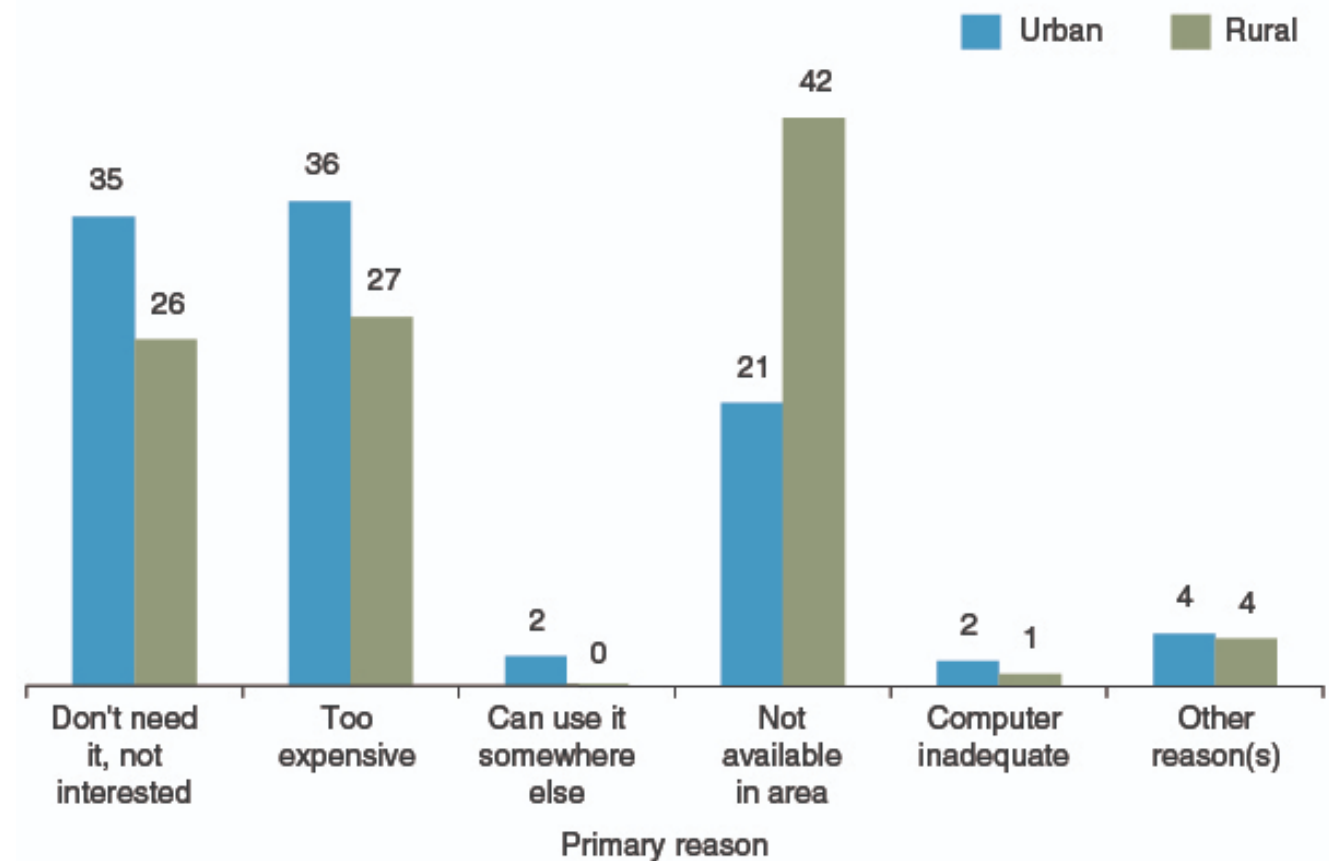


Rural Development Title focuses on medical and digital services

- 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

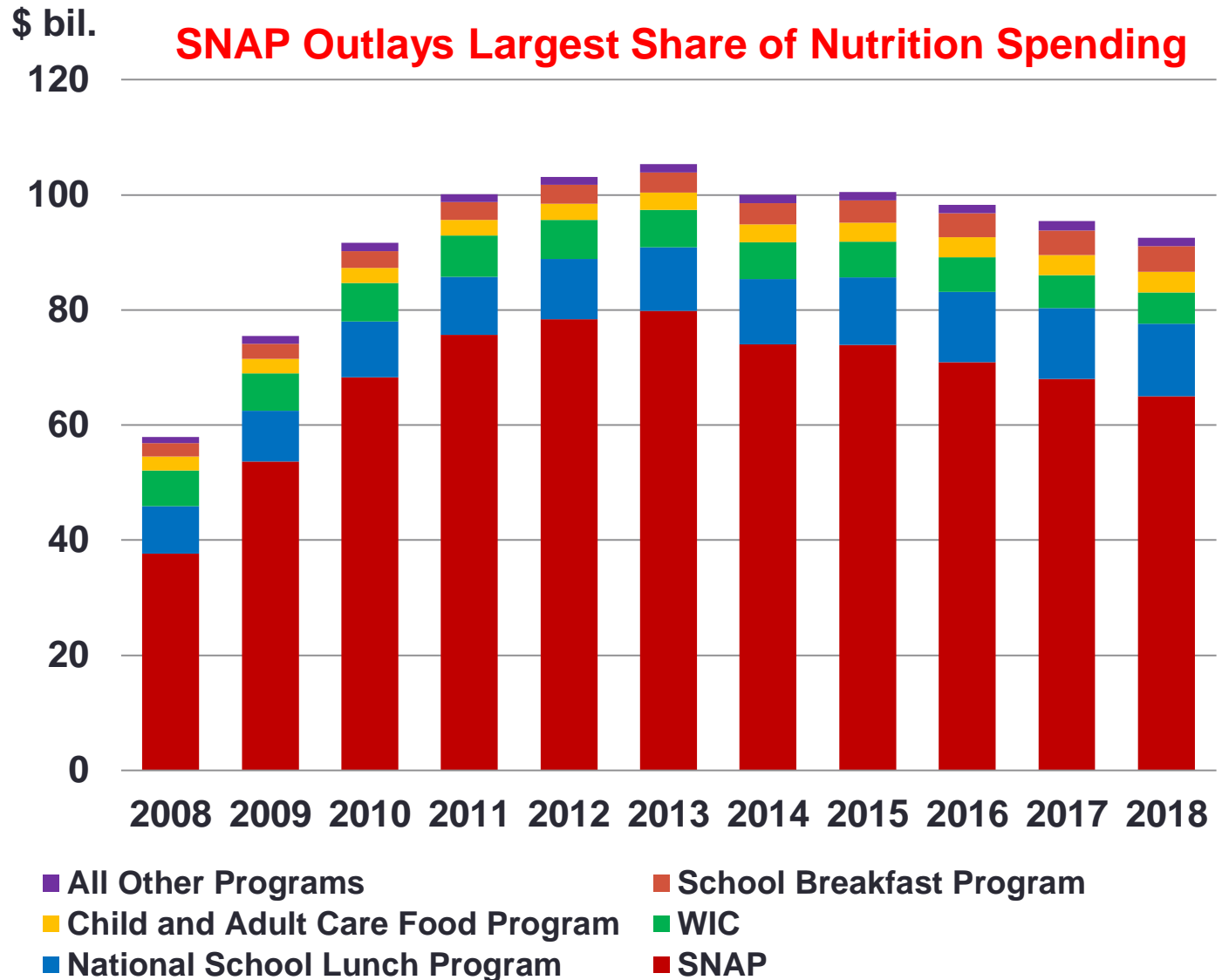
Percent of nonbroadband households



Source: USDA, Economic Research Service using data from Bureau of Census, Current Population Survey.

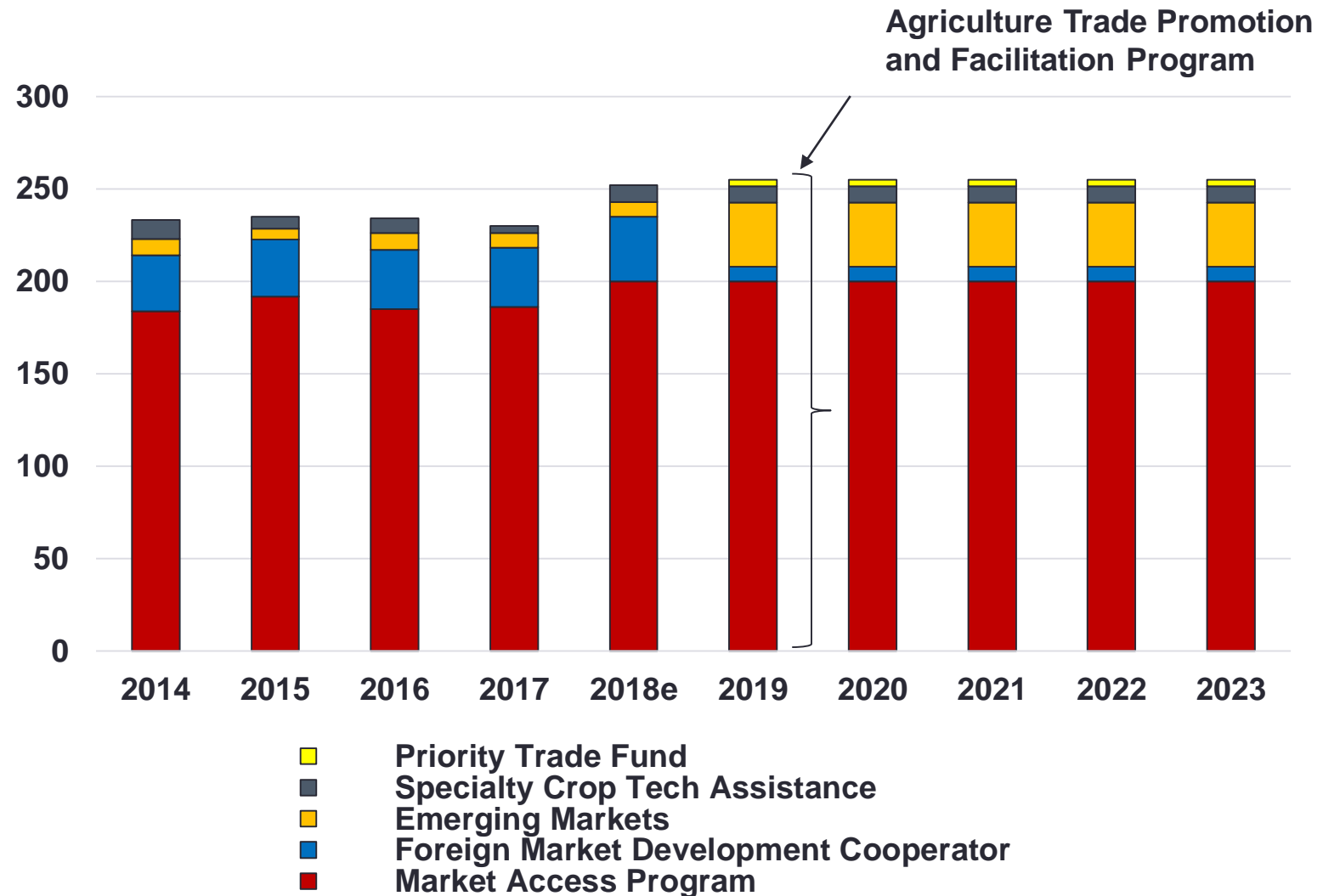
Few changes to Nutrition Title

- 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



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.ers.usda.gov/agriculture-improvement-act-of-2018-highlights-and-implications/>
 - <https://www.usda.gov>
 - <https://www.congress.gov/115/bills/hr2/BILLS-115hr2enr.pdf>