Agriculture Act of 2014

AgClips Summary

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After two years of bickering the U.S. House passed the Agriculture Act of 2014 251-166. It authorizes programs through 2018. What follows is only our interpretation, it is much abbreviated. Updates will be provided in Ag Clips. To sign up for Ag Clips contact corr@sarl.us.

Time was growing short, if not passed in January; the budget baseline could be lost. With the House rules requiring 3 days for a vote and the House Republicans going on retreat on Thursday, it had to be released Monday. Other than the original conference committee meeting in the fall, negotiations have been between Senators Stabenow and Cochran and Representatives Lucas and Peterson.

The two year struggle has not been kind on the legislation that provides nutrition policy, rural development funding and crop policy. Disputes continue on egg regulations, dairy policy, mandatory Country of Origin Labeling (mCOOL) and more. But negotiators did not believe that more time would help. As a result, several contentious issues were punted. Opponents bridged the spectrum from liberals who dislike nutrition program cuts and free-market conservatives who dislike government subsidies

It is important to note, that permanent law of 1938 and 1949 are not repealed.

Savings

While the Congressional Budget Office reports just 16.6 billion in 10 year savings, when cuts already made during the two year debate are factored in, the agreement generates about $23 billion in 10 year savings.

Eighty percent of the bill is in the nutrition title, 9 percent in crop insurance, 6% in conservation, 5% in commodity titles.

It will cost $956 billion over 10 years, while you will read in some reports that it is huge – please remember, that it is less than 1% of the Federal budget. We spend less than 1% of the federal budget for a food safety et and to support agriculture and rural communities. The **annual** defense budget is at least $689 billion, $732 billion **annually** goes to health care spending and we even spend $220 billion **annually** in interest on the national debt. Keep that in mind as you peruse what that $95.6 Billion dollars a year will do.

Nutrition Title

The $8 billion in savings comes from tightening a provision that allows states to give residents $1 a year in heating assistance to qualify for nutritional aid. This threshold will be raised to $20. This will reduce, but not eliminate, SNAP payments by about $90 monthly for about 850,000 households.

It *clarifies* the rules so that college students, lottery winners, and undocumented immigrants can't receive benefits. It allows states to create pilot programs to encourage food-stamp recipients to look for jobs. Ten states will be able to experiment with work requirements for SNAP beneficiaries. The bill would also use some f the savings to set up new nutrition programs.

Commodity/Insurance Programs

There will be a $4 billion annual savings from ending the direct payment system.
Commodity programs underwent major rewrites, replacing direct payments with greater insurance provisions - beginning with the Shallow Loss Program, which will be the first to respond when commodity prices fall, tapering off if there is a run of low prices. Historical acres at 85 percent of total base are to be used.

Farmers will have to make a one-time choice between traditional price supports –Price Loss Coverage or Agriculture Risk Coverage (revenue insurance protection) on a crop by crop basis. The government subsidizes over 60% of most crop-insurance premiums, and reimburses the private companies that administer the plans for some of their administrative and operating costs.

"'Reference prices' used in the bill to trigger payments are up sharply from current law. They would be $5.50 a bushel for wheat, $3.70 for corn and $8.40 for soybeans, $535/ton for peanuts, $11/cwt for peas, $19.97 for lentils, and $19.04/$21.54/cwt for small and large chickpeas/

Price loss coverage or agriculture risk coverage payments to a producer on a farm if base acres are 10 acres or less, except in the case of socially disadvantaged or limited resource farmers and ranchers.

There appears to be a compromise on payment limits and actively engaged requirements. The limits are capped at $125,000 per individual or $250,000 per couple, but caps within that total for Price Loss Coverage, Agriculture Risk Coverage or marketing loan deficiency payments have been removed.

The two (farm and nonfarm income) adjusted gross income limitation tests are replaced with a single $900,000 AGI limitation for certain commodity as well as conservation programs.

The compromise also changes restrictions on the 'actively engaged' provision. The criteria for management has been strengthened compared to current law, but the provision does not include a labor requirement that was in the earlier versions of the bill. Instead it directs the department of agriculture to define it.

With the disappearance of direct payments, I would suggest the cost of crop insurance will be the focus future farm bill debates.

Rep. Colin Peterson was most disappointed in two areas in the crop programs, the requirement to be actively engaged in farming was kicked up to the USA to deal with. He said "And frankly, I don't think you can ever accurately define what farmer is actively engaged. I mean, that's a very difficult thing to do, and I'm not sure the department will ever figure it out, but that's been shifted over to them." He was also disappointed that the program continues to use historical acreage. "I think it's a big mistake for us to continue to base the safety net on historical base acres. I think we should have updated that to planted acres. I think it's much more understandable to our friends that don't understand what we do in agriculture, said Peterson.

For the organic industry, the transition cost share is maintained, money is allocated for research, martketing and market reporting and there are new crop insurance provisions. The 5% higher premium is eliminated, and it mandates proper price usage for indemnity payments.

Cotton

Cotton will have its own stacked-income insurance plan.
The bill combines Senate and House provisions on a special "stacked income protection plan" for producers of upland cotton in an effort to finally settle the case that Brazil brought against the U.S. cotton program and also extends the authority for the Agriculture Department to continue the $147 million payment that USDA has been making to Brazil while waiting for a new farm bill.

Dairy

House Agriculture Committee Chairman Lucas, in remarks to the Rules Committee about the legislation said "If I expire in the next three days, I want a glass of milk carved on my tombstone—because it's what killed me."

Dairy programs are what stopped Boehner from bringing the farm bill to the house in 2012 and almost sunk it this year.

The dairy compromise includes an insurance program and does away with current price supports but does not include the stabilization program sought by many dairy farmers. If a producer expands production higher than the national average, anything above the base would get lower indemnity payments if prices drop. So rather than a supply management program that Speaker Boehner vowed not to bring to the floor, it provides a disincentive for a producer to increase milk production. It does increase the baseline for dairy from $300 million to $1.2 billion.

USDA is directed to establish the new Margin Protection Program for dairy no later than Sept. 1. The current MILC program will continue until then.

Producers will have the option to select margin insurance coverage between $4 and $8/cwt of the milk feed price margin. Premiums for the insurance will be tiered; $4.00/cwt base protection will be included with no cost to producers other than a $100 administration fee, with cost increasing on anything above that amount. In addition, farmers with less 200 cows will have great subsidization levels for their margin insurance premiums, particularly in the first two years with premiums reduced by 25% for the first 4 million lbs.

The program is to provide payments when actual dairy margins (not prices) are below the margin coverage levels the producer chooses on an annual basis. The USDA will calculate the margin as the all milk price minus the average feed cost. Coverage in year one is equal to the producer's production history (producers can choose to cover from 25-90% of production. Adjustments are made based on average growth in US milk production, if a farmer's growth exceeds the average increase, that milk is not covered. Premiums are fixed for 5 years.

Producers will still have the option to participate in the Livestock Gross Margin for Dairy program but would then be opting out of the new Margin Protection Program.

After sub-$4.00 milk feed margins are recorded for 2 consecutive months, USDA will implement a "dairy production donation program" to purchase dairy products from the market for a maximum of 3 consecutive months or when the margin returns above $4.00/cwt. If US prices are 5% above world prices, USDA purchases would cease in order to protect export markets.

The long time Dairy Product Price Support Program, Dairy Export Incentive Program and the Federal Milk Marketing Order Review Commission will end in the new legislation but the Dairy Forward Pricing Program, the Dairy Indemnity Program and Dairy Promotion and Research Board will remain in place.

Conservation

There is a reduction of $6 billion to $57.6 billion for Conservation programs.

Conservation compliance provisions will be a requirement for federal crop insurance subsidies and six Midwestern states will have a program to reduce the tilling of prairie soils.

Specifically it reauthorizes $2 billion for conservation easements, $ 1 billion for the Regional Conservation Partnership Program, 8$ billion for Environmental Quality Incentives Program (EQIP), provides funding for 10 million acres for the Conservation Stewardship Program (CSP) and 24 million acres in Conservation Reserve Program (CRP). The Voluntary Public Access and Habitat Incentives Program that encourages private landowners to voluntarily make their land available to the public for wildlife-dependent recreation is reauthorized at $40 million.

Agricultural Management Assistance has been reauthorized at $10 million annually, it provides financial and technical assistance to agricultural producers to voluntarily address issues such as water management, water quality, and erosion control by incorporating conservation into their farming operations. It is available in 16 states where participation in the Federal Crop Insurance Program is historically low: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

Rural Development

The U.S. Department of Agriculture's Rural Development program will receive $228 million in funding, divided into $150 million for Water and Waste Water Program, $63 million for the Value-Added Producer Grant Program (and the availability of an additional $40 million per year in discretionary funding), $15 million for the Rural Microenterprise Assistance Program, $100 million for the Beginning Farmer and Rancher Development Program (additional $30 million per year in discretionary)

The Farmers Market Promotion will receive $150 million as well as the availability of an additional $10 million per year in discretionary funding and Specialty Crop Block Grants are reauthorized at $72.5 million per year, with $85 million in fiscal year 2018.

Trade

The bill continues steady funding for the $200 million-a-year Market Access Program, which helps overseas promotions and advertising and a total of $3.5 billion over 10 years for trade programs. The bill also creates the position of undersecretary of Agriculture for trade and foreign agricultural affairs and directs the Agriculture secretary to propose a plan for reorganization of the trade functions of the departments. Under present law there is one Agriculture undersecretary for farm and foreign agricultural services

Livestock

The Supplemental Agriculture Disaster Assistance Program is funded permanently. It includes the Livestock Indemnity Program, Livestock Forage Program, emergency relief for livestock, bees and farm fish, and a Tree Assistance Program.

Many of the livestock industry players are not happy. The meat industry has been working to postpone Mandatory Country of Origin Labeling because of the impact on cost of production, but negotiators punted on mCOOL.

Animal Rights Activists won when the King amendment that would have stopped California from setting mandatory agricultural production standards for products from other states. Humane Society of the United States was successful in using misinformation to turn this into a state's rights issue. King says the goal of his amendment was to stop a war between the states on how farmers farm.

Mississippi wins because the bill does not repeal the catfish inspection program.
Texas and South Dakota win because the livestock loss program is backdated to October 2011, (with $4 billion in funding) so ranchers experiencing drought or blizzard losses are covered. It also includes $1.5 million in funding this fiscal year to strengthen and enhance "the production and marketing of sheep and sheep products in the United States."

Energy

Energy title sees a small reduction to $ 1.1 billion with $ 881million in mandatory funding.It includes the Biorefinery Assistance Program, Rural Energy for America Program and Biomass Crop Assistance Program.

Pollinators

Language relate to pollinator health is included requiring the Secretary, in consultation with the Secretary of the Interior and the Administrator of the Environmental Protection Agency, to publish guidance on enhancing pollinator health and the long-term viability of populations of pollinators, including recommendations related to allowing for managed honey bees to forage on National Forest System lands where compatible with other natural resource management priorities; and planting and maintaining managed honey bee and native pollinator foraging on National Forest System lands. An annual report addressing the decline of managed honey bees and native pollinators and assessing Federal efforts to mitigate pollinator losses and threats to the United States commercial beekeeping industry; and providing recommendations to Congress regarding how to better coordinate Federal agency efforts to address the decline of managed honey bees and native pollinators is required.

Tidbits:

- A trio of California lawmakers tried to insert last-minute language into the farm bill to mitigate a **water shortage** in the Central Valley, but negotiators said the plea came too late into the process to be included.
- Medical **marijuana** cannot be included as a medical expense to claim more food stamp benefits, but the bill creates pilot programs to study industrial hemp, a cousin to marijuana, and allows colleges and universities to grow it for research purposes.
- While the changes Obama sought in **international food aid** are not included – there is a $80 million increase to USAID to buy food locally in disasters.
- There is language urging the Agriculture Department to "remove the obstacles that are preventing the U.S. **olive oil** industry from reaching its potential."
- The bill would provide federal grants of up to $20 million annually to states that create programs to encourage private landowners to open up their trees to **maple tapping**.
- "As soon as practicable," the USDA is instructed to "increase the purchase" of **halal and kosher foods** to be added to the department's emergency food assistance program that helps replenish the supply of food at soup kitchens, food banks and shelters.
- $125 million spread over five years for **citrus disease** research. An additional $125 million over five years in discretionary citrus funding was also included in the bill.
- Restores **payments in lieu of taxes**. The compromise bill restores payments the federal government makes to counties that contain public lands. The payments are meant to compensate local governments for services they provide on federal lands, which are not subject to local property taxes. The payments were cut in the recent federal budget deal. For 2014 only, this amounts to $425 million for 606 million acres in 1,850 counties in 49 states
- **Apple** Export Act provides that apples in bulk containers of greater than 100 lbs do not need to be inspected when shipped to Canada.
- Farm Service Agency will be able to broaden the type of **farm structure** eligible for loans, including family trusts, LLCs or farms operating with an "embedded entity structure."

Food Safety

The Bill Requires a scientific and economic analysis of the FDA Food Safety Modernization Act

When publishing a final rule with respect to "Standards for the Growing, Harvesting, Packing, and Holding of Produce for Human Consumption" published by the Department of Health and Human Services the Secretary of Health and Human Services shall ensure that the final rule includes the following information: (1) An analysis of the scientific information used to promulgate the final rule, taking into consideration any information about farming and ranching operations of a variety of sizes, with regional differences, and that have a diversity of production practices and methods, an analysis of the economic impact of the final rule, a plan to systematically evaluate the impact of the final rule on farming and ranching operations; and develop an ongoing process to evaluate and respond to business concerns. It also requires the Comptroller General of the United States to submit a report on the effectiveness of the ongoing evaluation and response.

END GAME

While the House/Senate conference report spells out new provisions, exactly how they'll be implemented will be determined by how USDA writes the regulations. Producers and end users of all types will need assistance in understanding the rules once written.