

FARM BILL UPDATE: EARLY THOUGHTS OF WHAT MAY COME

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Wisconsin Crop Management Conference

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2012 Farm Bill?

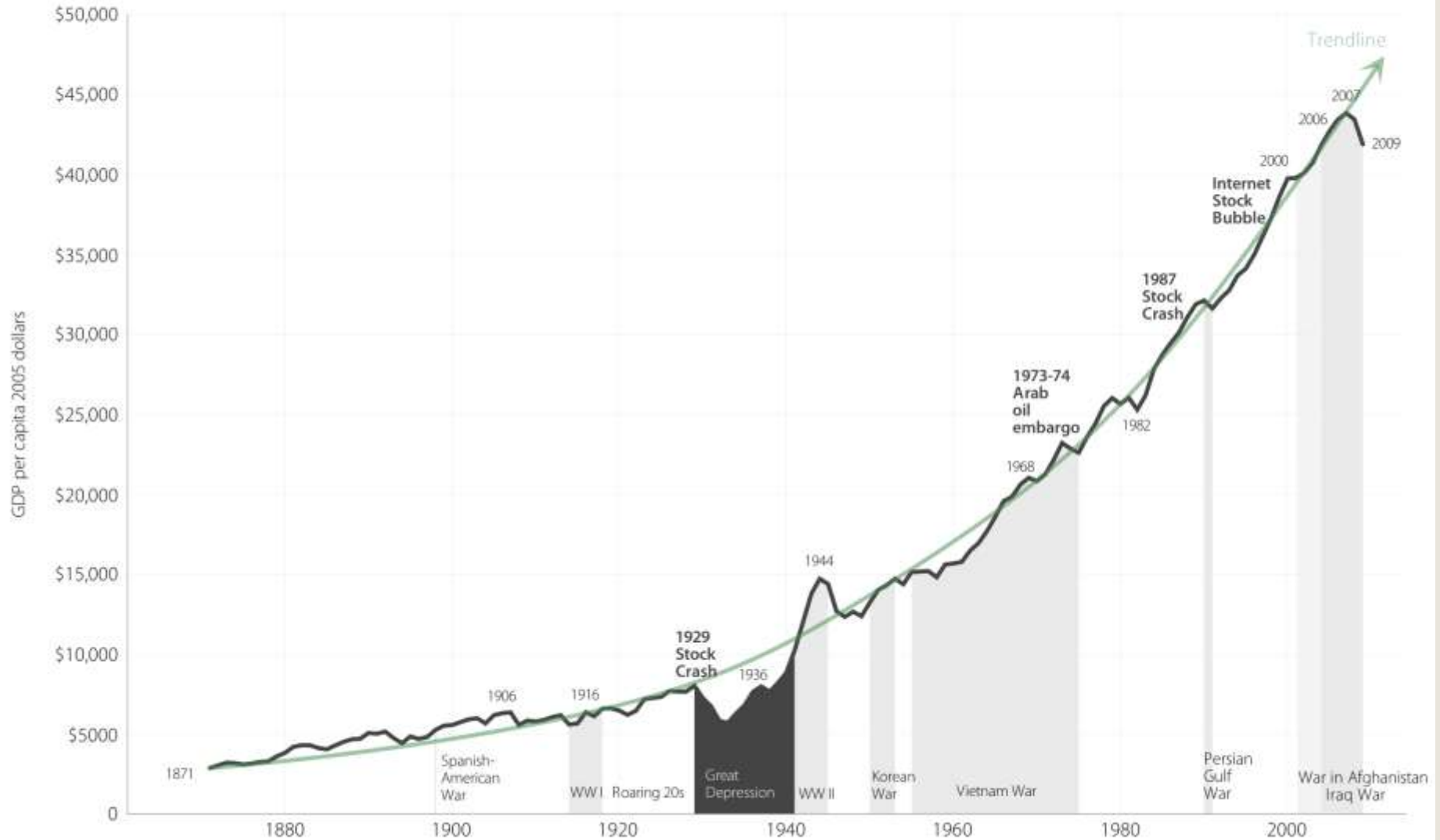
- 2008 Farm Bill expires with 2012 crop year
- Will Congress pass a 2012 Farm Bill in an election year?
 - Have been and continue to go through the motions of doing so
 - They will at least posture and propose
- Several organizations and politicians have made Farm Bill proposals, program suggestions and reforms
- Reviewed various summaries and statements, trying to pull together what people are thinking
- UW's 2012 Agricultural Economic Outlook Forum, Jan 25th on campus: Registration: www.cals.wisc.edu/agoutlook
- 2012 Status of Wisconsin Agriculture will be released www.aae.wisc.edu/pubs/status

Overview

- Federal Fiscal Reality
- Farm Bill Components
- Likely Farm Bill Programs
 - Commodity Programs
 - Specialty Crops and Organic Agriculture
 - Conservation Programs

Long-term real growth in US GDP per capita 1871–2009

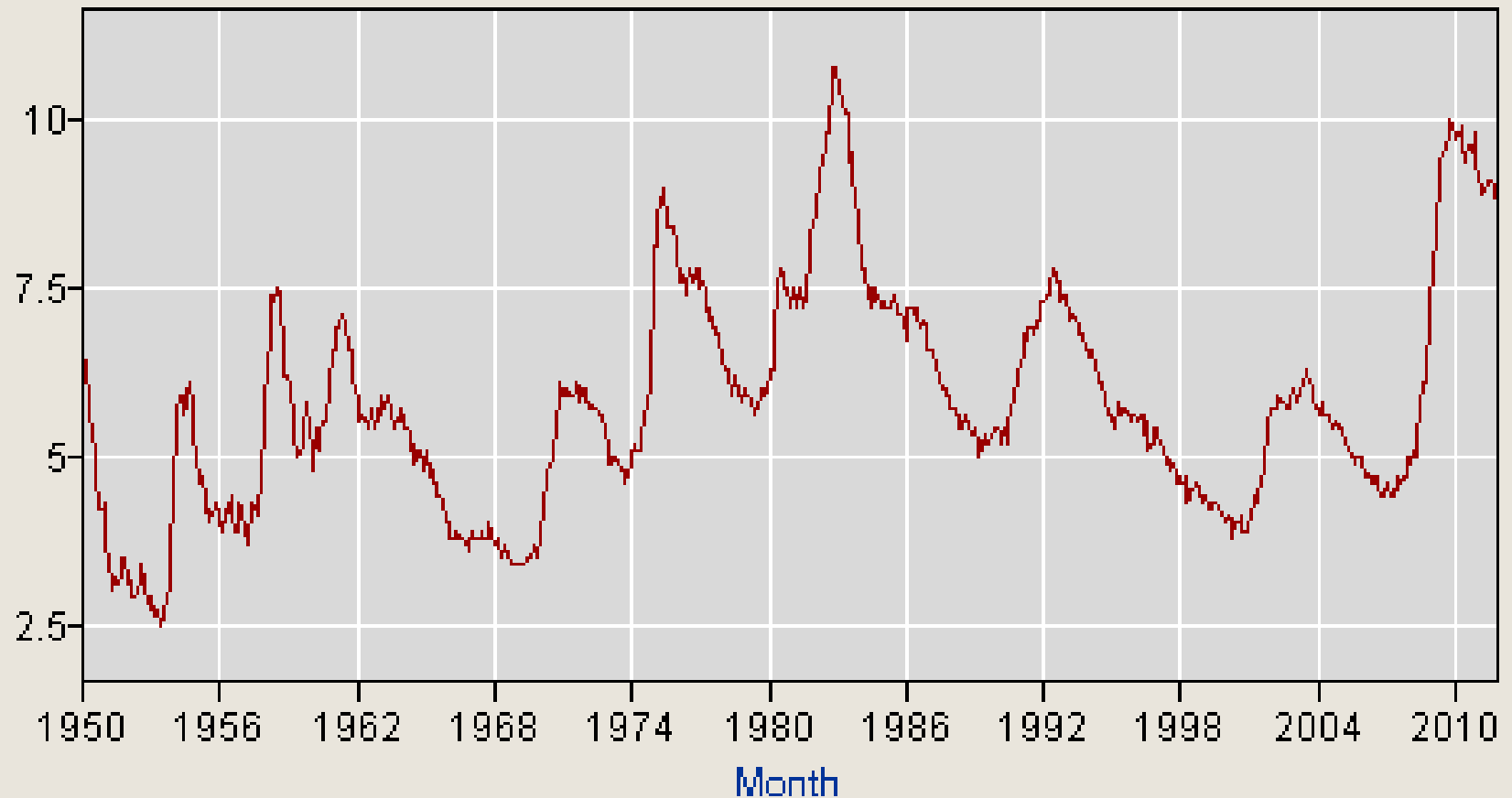
GDP per capita adjusted for inflation using 2005 dollars



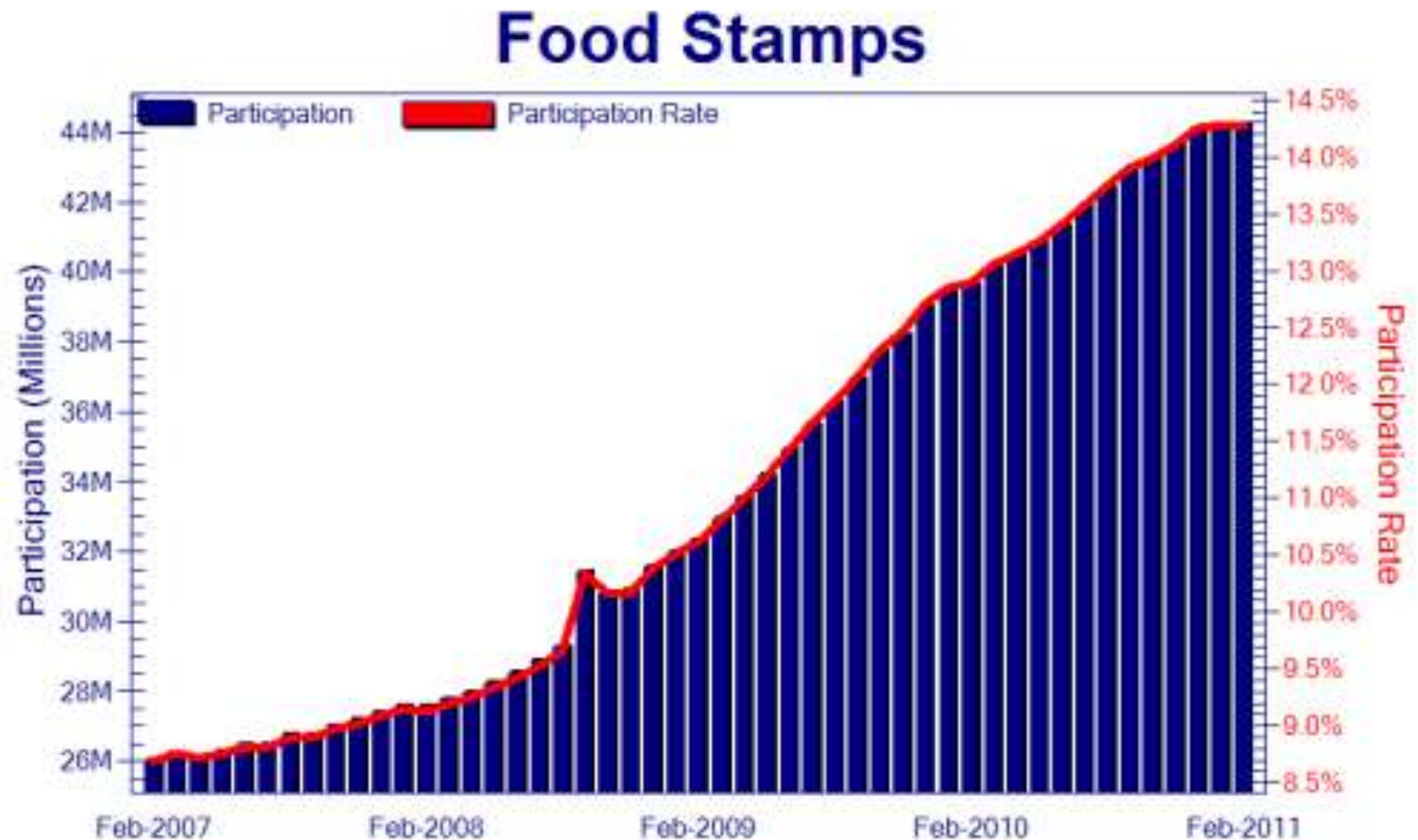
Data from MeasuringWorth.com

VisualizingEconomics.com

US Monthly Unemployment Rate



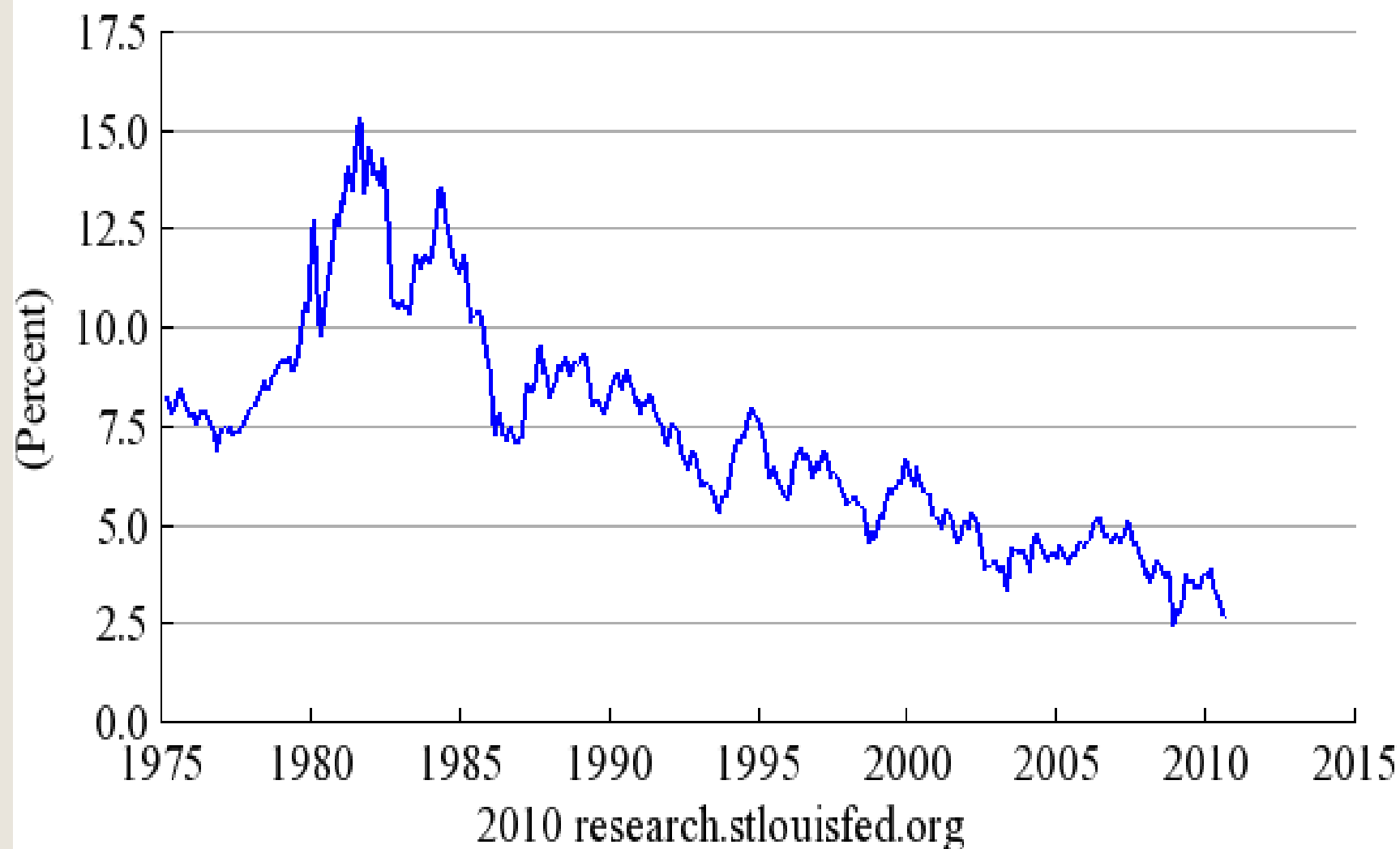
Food Stamp Recipients at Record Highs



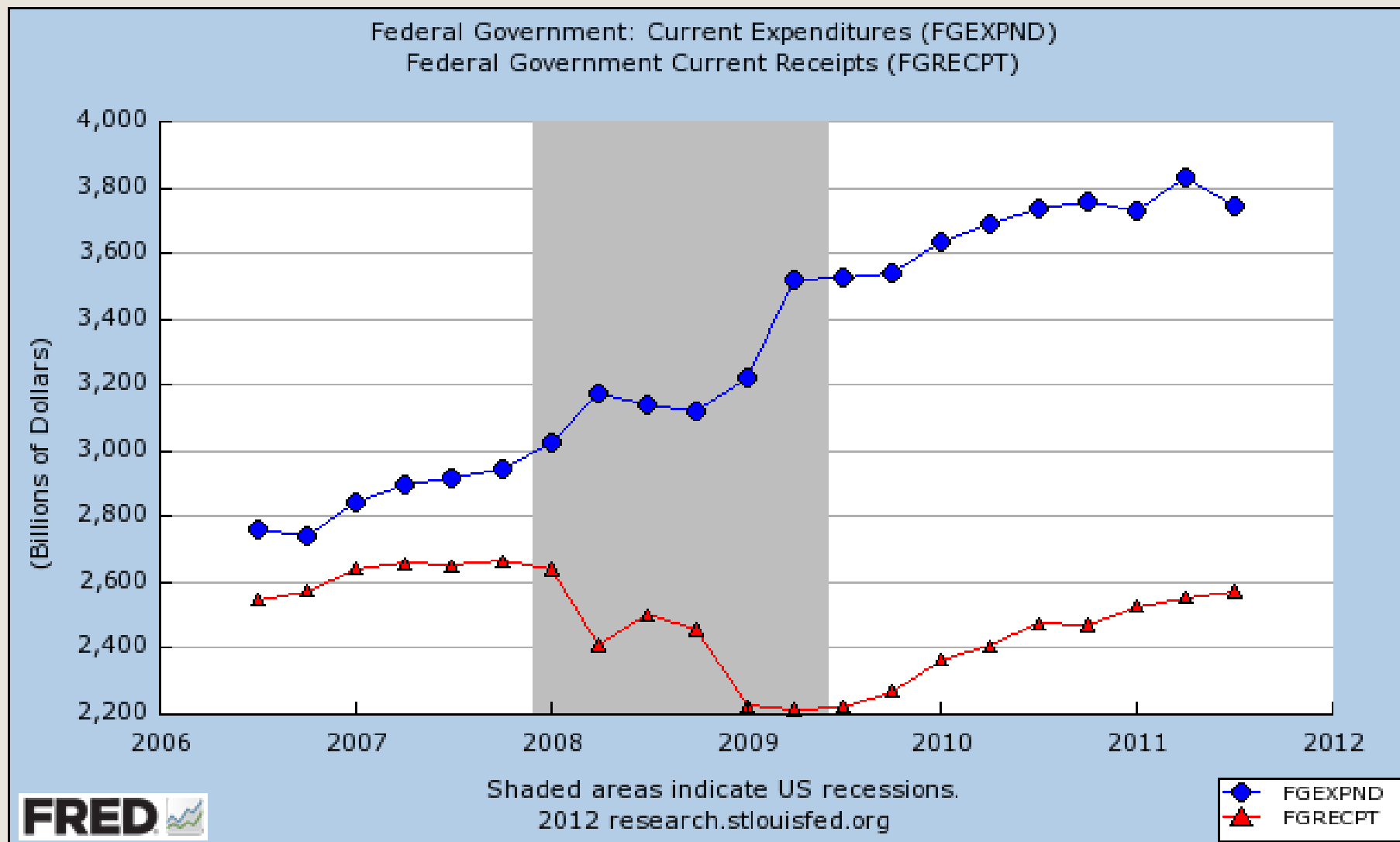
Source: SNAP

10-Year Treasury Constant Maturity Rate (GS10)

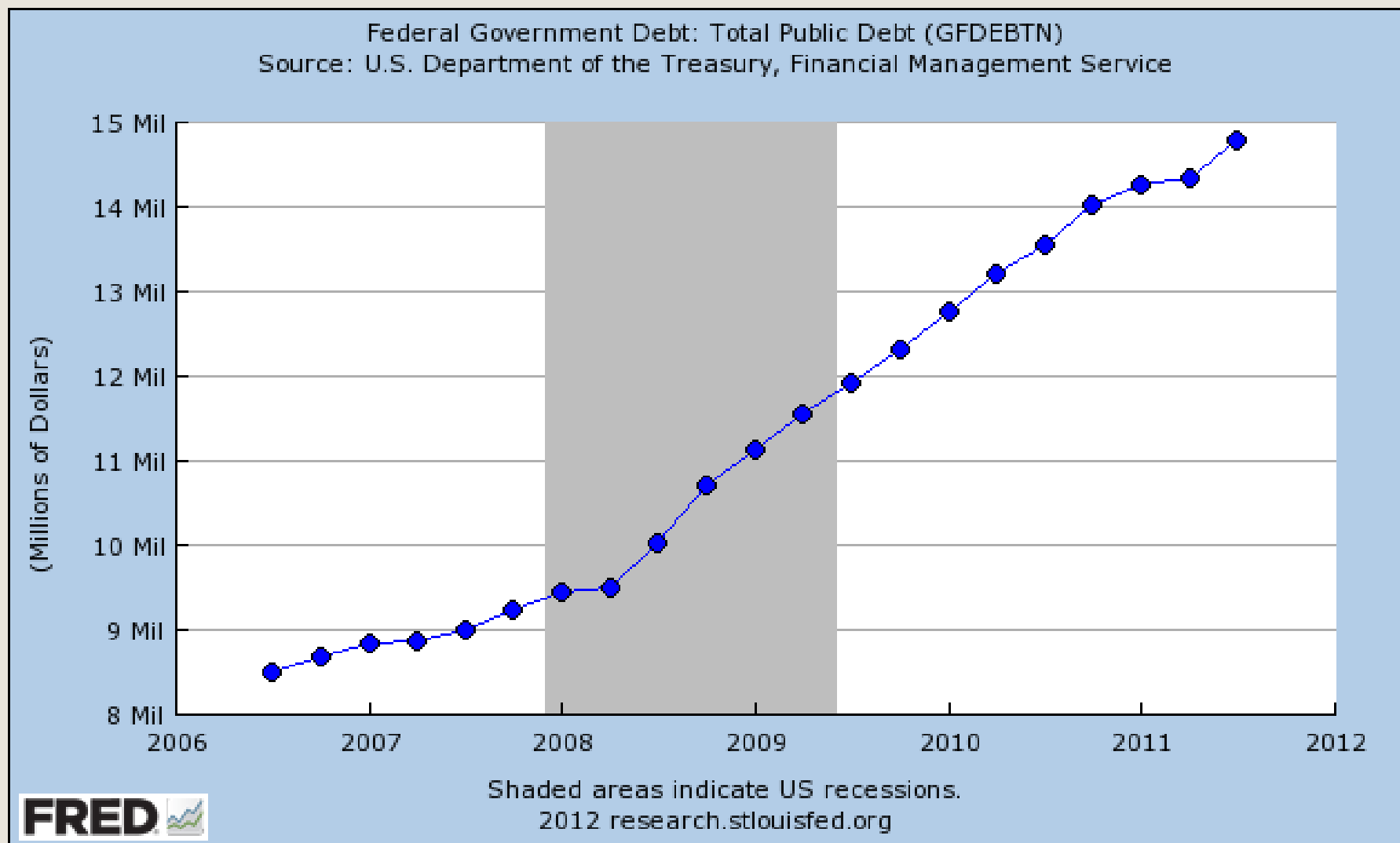
Source: Board of Governors of the Federal Reserve System



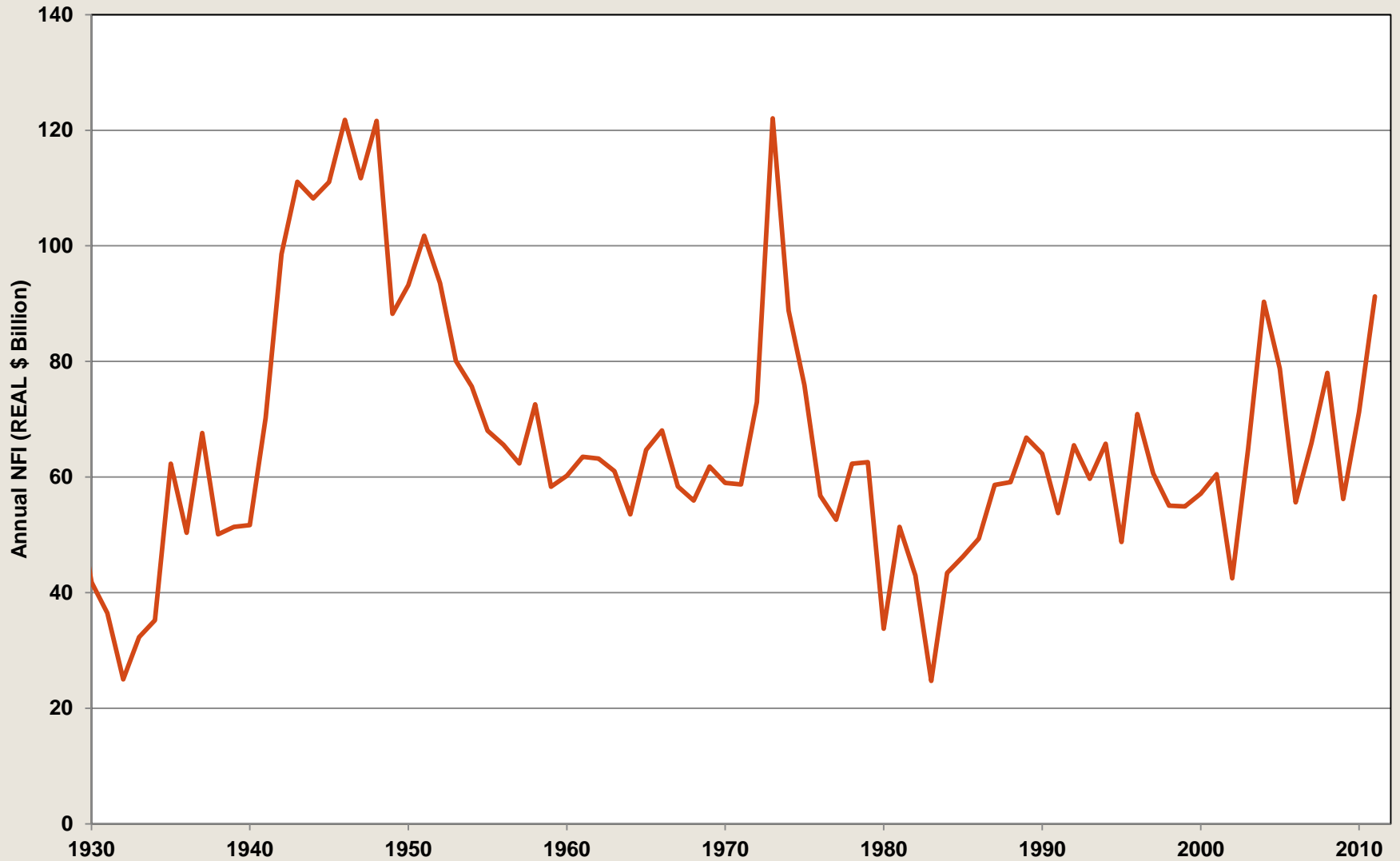
Federal Budget Situation



Federal Budget Situation



Real Net Farm Income



Federal Fiscal Reality

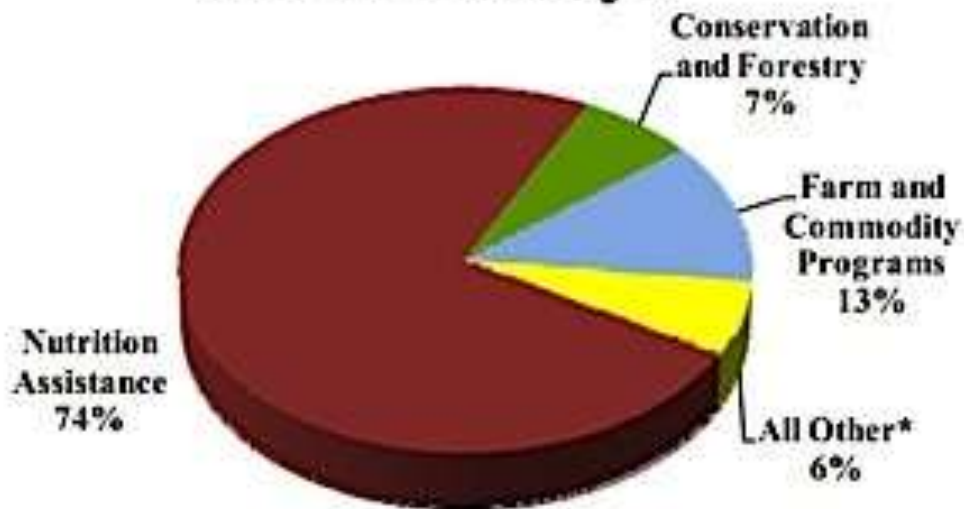
- US Economy was/is in big trouble: Worst economic problem since Great Depression / WW II
- Recovery of some sort seems to be happening, but economy still fragile
- US Federal Government stimulated economy with Monetary and Fiscal policy
 - Historically low interest rates
 - Huge federal debt
- 2012 Farm Bill: Outbreak of Fiscal Austerity at a time of high (and volatile) Net Farm Income

Where
commodity
support fits into
USDA budget

USDA Outlays

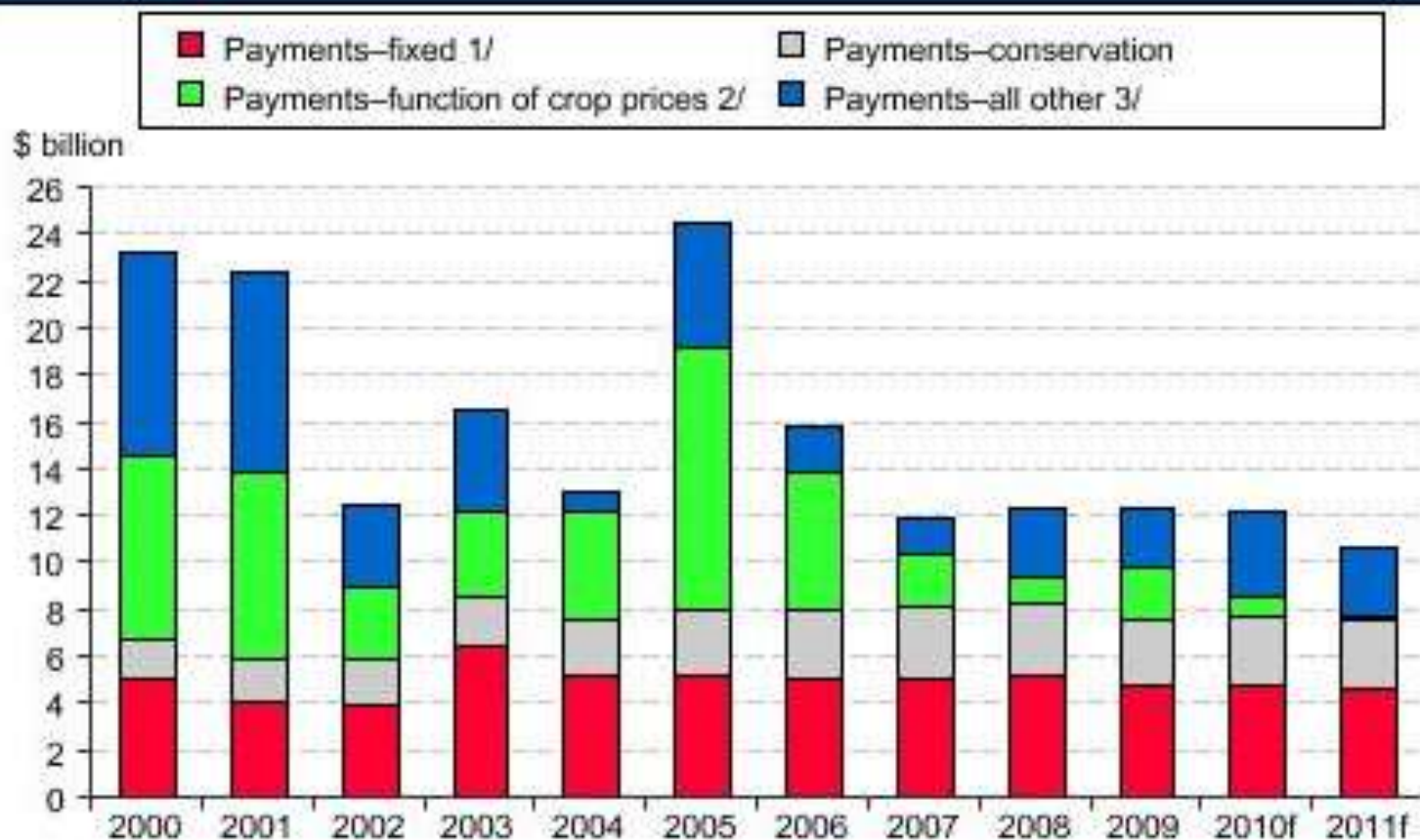


2012 Outlays



Source:
<http://www.trufflemedia.com/home/blogs/trufflemediaadmin>

Government payments, 2000-2011f



1/ Production flexibility contract payments and direct payments whereby payment rates are fixed by legislation.

2/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, certificate exchange gains, and ACRE payments whereby commodity payment rates vary with crop prices.

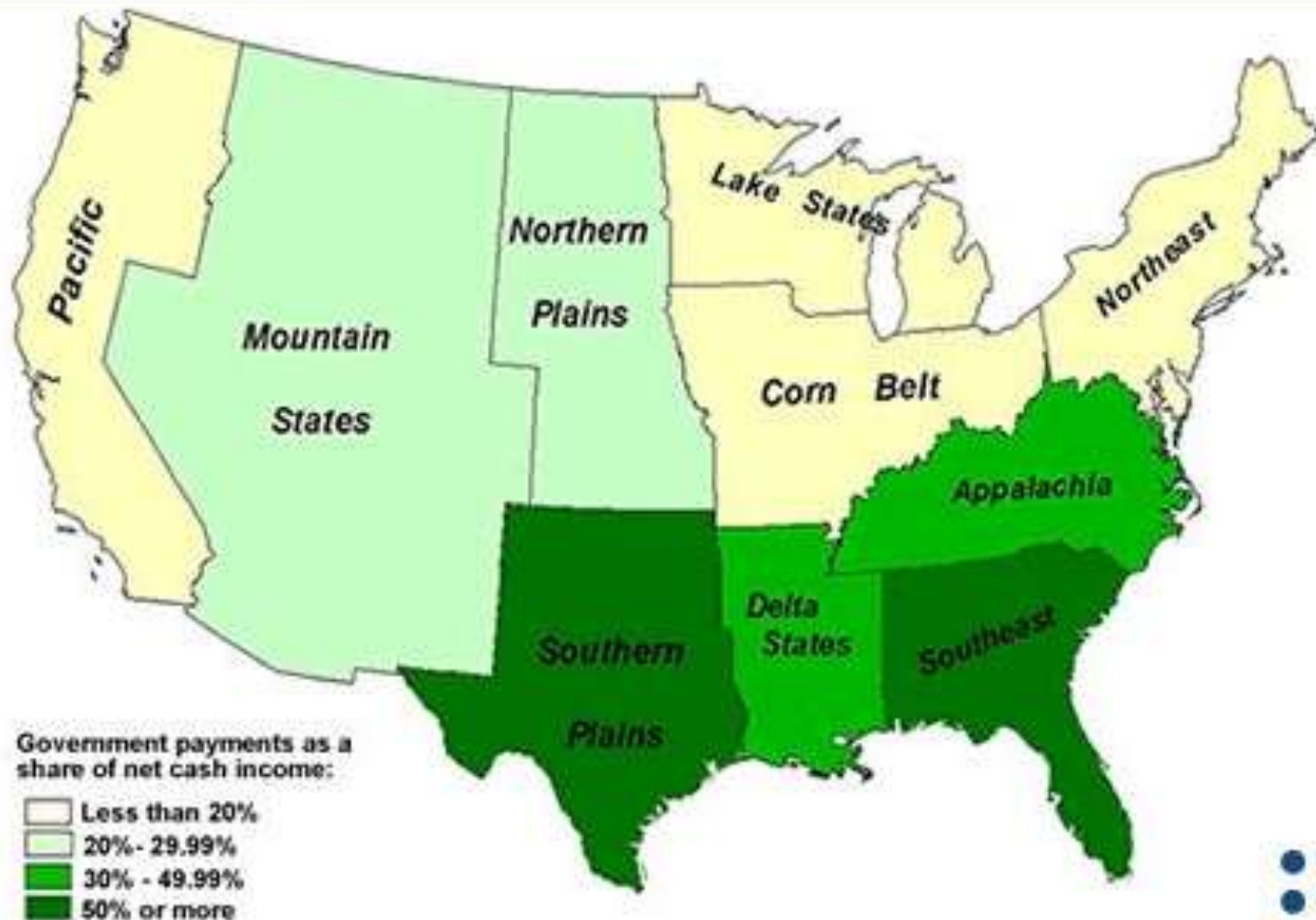
3/ All other payments include disaster relief payments, tobacco transition payments, and dairy program payments.

Source: FSA, NRCS, and CCC, p – preliminary; f – forecast.



Geography of Commodity Support

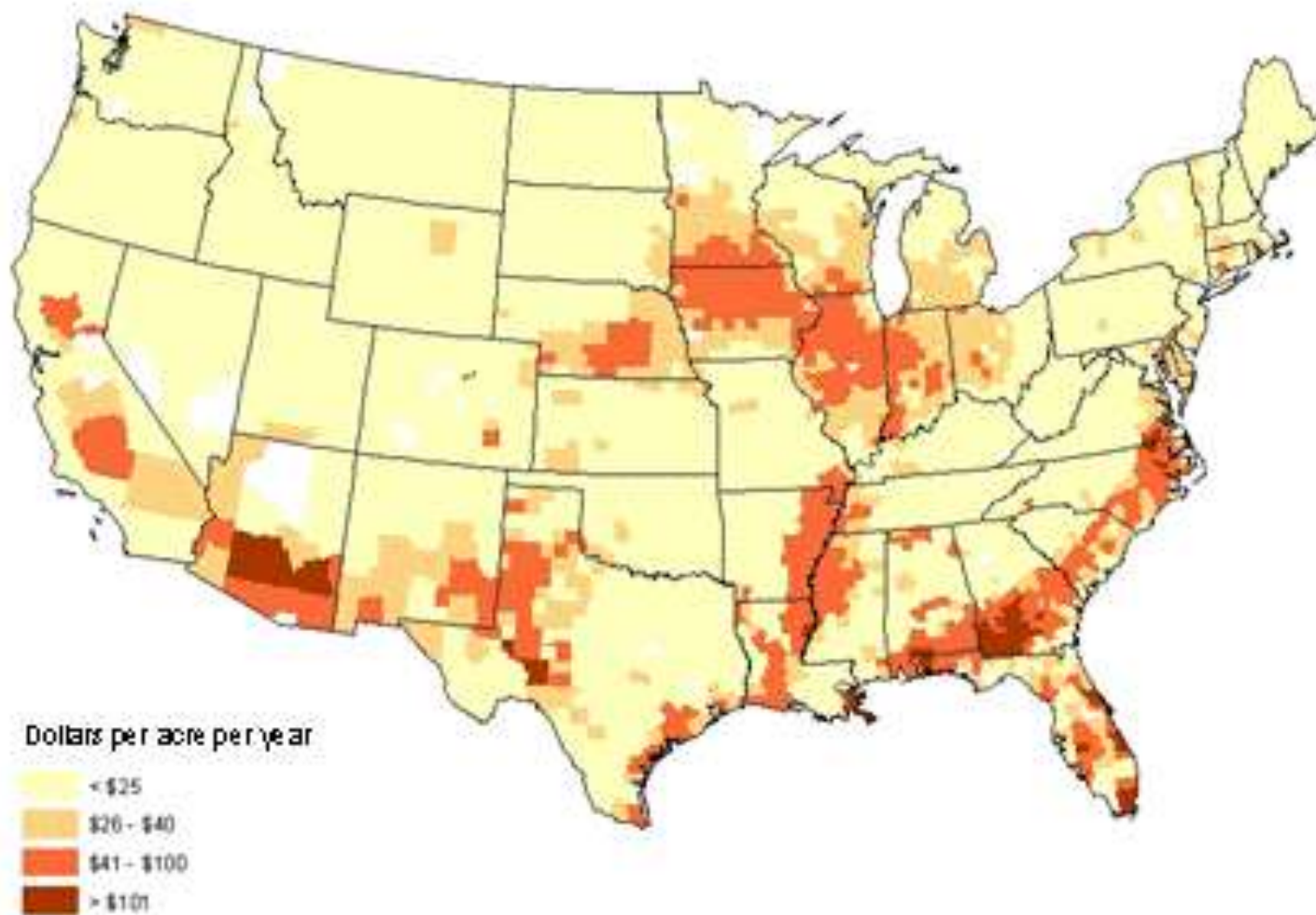
Importance of government payments to net cash farm income, average 2007-2009



Source: USDA, ERS, ARMS, 2007-2009



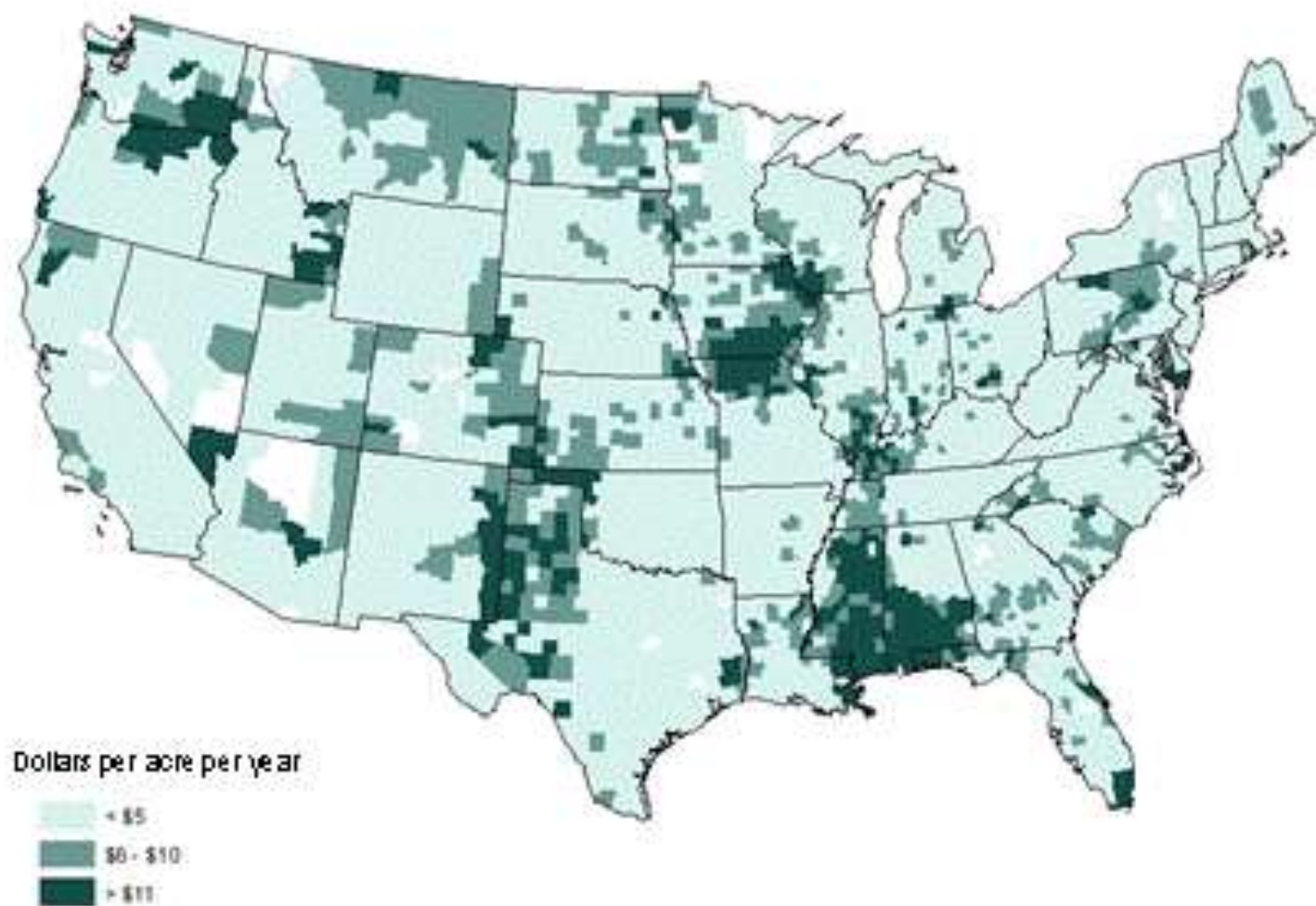
Average commodity payments per cropland acre, 2004-07



Source: Compiled by USDA, Economic Research Service from USDA, Farm Service Agency data.

Source: <http://www.ers.usda.gov/Briefing/Farmpolicy/gov-pay.htm>

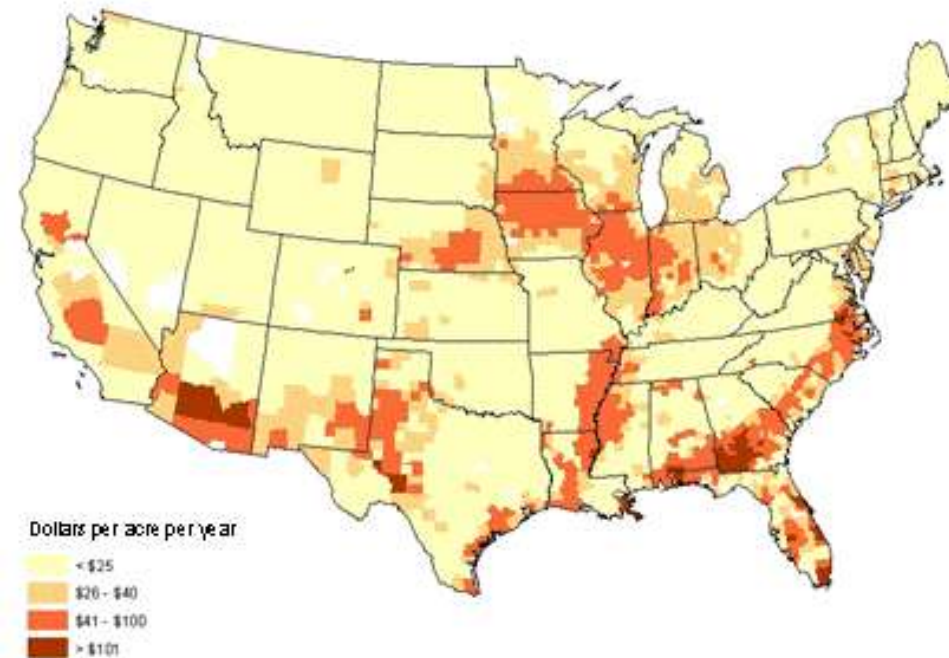
Average conservation payments per cropland acre, 2004-07



Source: Compiled by USDA Economic Research Service from USDA, Farm Service Agency data.

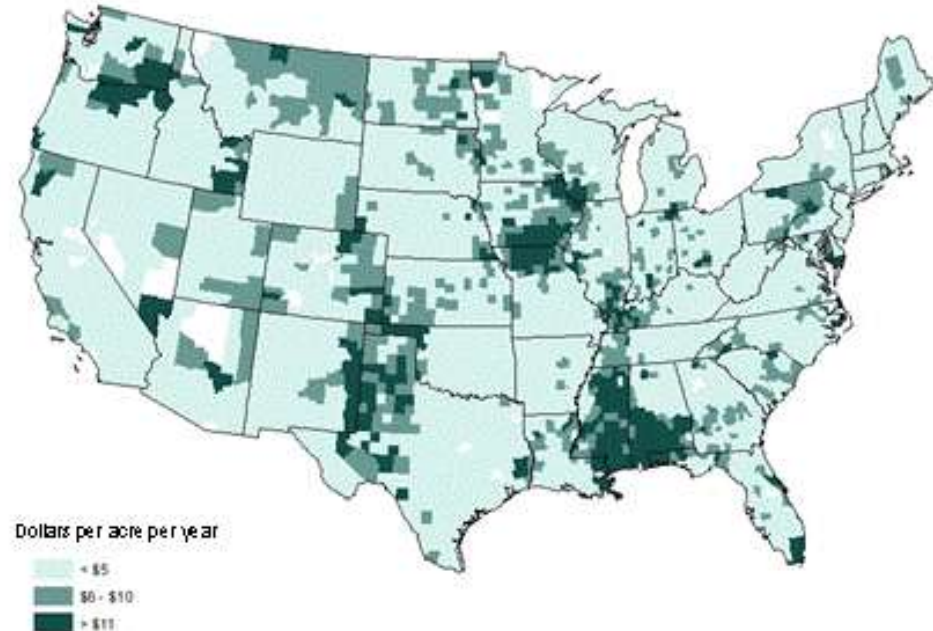
Geography of Farmer Support

Average commodity payments per cropland acre, 2004-07



Source: Compiled by USDA, Economic Research Service from USDA, Farm Service Agency data.

Average conservation payments per cropland acre, 2004-07



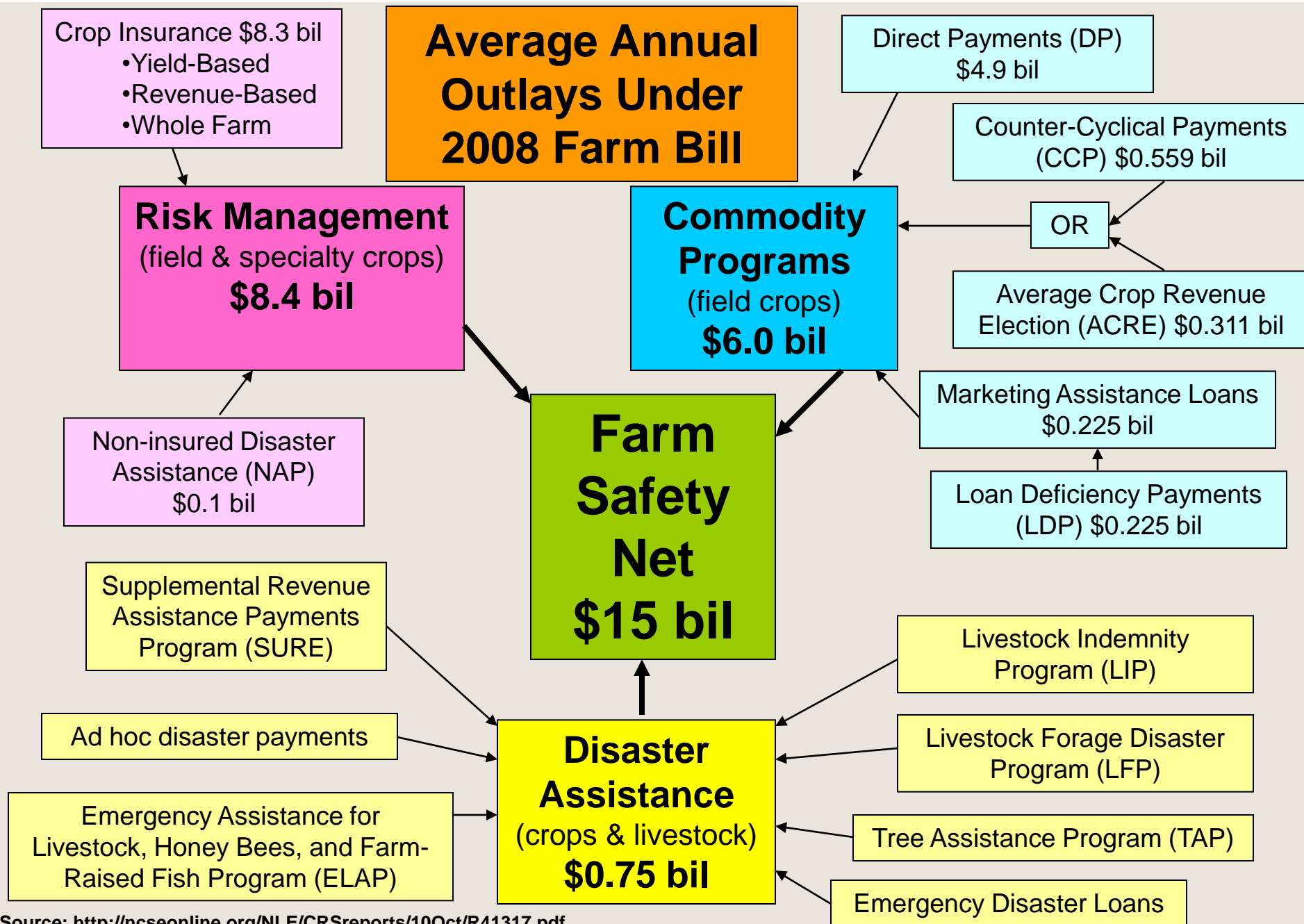
Source: Compiled by USDA, Economic Research Service from USDA, Farm Service Agency data.

USDA Budget Summary

- Mostly mandatory spending on food programs for low income people: Do not expect cuts in this economy
- Farm payments mostly for commodity and conservation programs
 - Price based commodity payments mostly unimportant
- Geographically, farm payments important in the South
- Commodity payments go to “good productive lands”
- Conservation payments go to “marginal lands”

Commodity Programs

- Political Challenge: Politicians will be looking to provide assistance (Farm Safety Net) at lower cost
 - Will be some image versus reality games
- Move to expecting producers to pay more for govt paid risk reductions
- Farm Safety Net
 - Crop Insurance
 - Commodity Support
 - Disaster Aid



Source: <http://ncseonline.org/NLE/CRSreports/10Oct/R41317.pdf>

Commodity Programs

- Crop Insurance: likely little major change
 - Financially sound program, big cost reduction took effect recently
 - Market based, sharing of costs, lower premium subsidies?
- Direct Payments: almost certainly be eliminated
- Counter Cyclical Payments: likely eliminated too
- Marketing Assistance Loans/Loan Deficiency Payments: popular and little real cost, so may stay
- ACRE: Replace with whole farm revenue program tied to or more like crop insurance: GRIP-like program
 - ARRM, REFRESH, SRRP, STAX, CROP
- SURE/Disaster Aid: Overlap with insurance and ACRE, but can Congress really live with no disaster program?

Specialty Crops and Organic Ag

- Specialty Crop Farm Bill Alliance successful last time, powerful supporters in the CA contingent and Senator Stabenow (D-MI) on Senate Ag Committee
- Not subsidies, but funding to increase productivity and competitiveness: research, outreach, data collection, institutional support, disaster program, EQIP
- Organic Ag: protect integrity of organic label, research and outreach, data collection, crop insurance, disaster aid
- Both argue have a better vision for federal ag policy in a time of fiscal austerity and excess demand for quality food

Conservation Programs

- Funding will decrease: How much and which programs?
 - Serious choices and challenges ahead
- Land Sharing (EQIP) vs Land Sparing (CRP)
 - Differ geographically, different environmental benefits
- More sharing of the burden of conservation: less cost share, leveraging with local funds (states and NGOs)
- Better targeting, more state flexibility to allocate funds?
- Commodity programs (DCP, MAL/LDP, ACRE) have conservation compliance, but not crop insurance
 - Conservation compliance for crop insurance?

Summary/Conclusion

- Still serious economic challenges, need federal fiscal austerity that will not jeopardize the fragile economy
- Farm Bill and ag spending a very small part of this
- Spending cuts will come
 - Few cuts for crop insurance, maybe premium subsidies
 - Big cuts for commodity programs: eliminate DCP, possibly MAL/LDP, reform ACRE, SURE???
 - Conservation programs will be cut: 25% or larger?
- Specialty Crops/Organic Ag: likely not large cuts, possibly even gains: research, outreach, institutional support
- See articles in 2012 Status of Wisconsin Agriculture
www.aae.wisc.edu/pubs/status

Thanks for Your Attention!

Questions?

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