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2013 Farm Bill Update – July 2013

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Overview

Both the U.S. Senate and U.S. House of Representatives have passed farm bills. As expected, differences exist. Some are notable. This post briefly reviews the current farm bill situation and looks at possible paths forward. It examines the farm bill situation from three perspectives: politics, process, and content.

History

The 2008 Farm bill expired on September 30, 2012. During 2012, the Senate passed a new farm bill. The House of Representative Agriculture Committee passed a bill, but the House did not debate it. Instead, Congress extended for one year 2008 farm bill provisions that had baseline spending. Thirty-seven programs had no baseline, including agricultural disaster assistance, the Wetland Reserve and Grassland Reserve Programs plus three other conservation programs, eight energy programs, and seven programs related to horticulture and organic agriculture. Thus, these 37 programs are not continued. The direct payment, target price, and ACRE programs had baseline and are continued; however, the budget sequester act led to a 8.5% reduction in direct payments and 5.1% reduction in payments by all other programs administered by the Farm Service Agency.

On June 10, 2013, the U.S. Senate passed the Agriculture Reform, Food and Jobs Act of 2013 by a vote of 66-27. Voting for the Bill were 46 Democrats, 18 Republicans, and 2 Independents. On July 11, 2013, the U.S. House passed the *Federal Agriculture Reform and Risk Management Act* by a vote of 216 to 208. All 196 Democrats voted against the bill. The House had rejected an earlier version of the bill, 195 to 234. Key differences between the accepted and rejected versions are that the version which passed (1) did not contain a food assistance title and (2) replaced permanent farm bill law for farm support programs with the 2013 House farm support programs.

Politics

Recent farm bill debates generally have not been particularly partisan. Key differences were usually more along regional than political party lines. The 2013 House farm bill is partisan. While it is easy to point to the debate over the food assistance title as a partisan issue, a deeper partisan issue is at play: federal spending. Generally, more liberal Democrats favor increased spending while conservative Republicans favor lower spending. Exacerbating this division is the slow growth of the U.S. economy, which means slow growth in government revenue. When considering the current farm bill situation, it is important to note that most legislation is now partisan, especially if it involves spending. It is also worth remembering that partisanship marked the debate during the 1950s and 1960s over high, fixed parity support prices vs. market-oriented, lower parity support prices and the associated debate over mandatory supply controls. As a general rule, Democrats favored high, fixed parity support prices while Republicans favored market-oriented, lower parity support prices. This debate did not begin to end until the *Food and Agriculture Act of 1965* was enacted, foreshadowing that the market-oriented, lower price support position would emerge.

Process

While the lack of a food assistance title in the House farm bill has garnered considerable attention, food assistance has been tied to the farm bill more closely recently than historically (available here). The Food Stamp program was initiated by legislation outside a farm bill, the Food Stamp and farm support programs have been extended for different periods of time by the same farm bill, and major changes in the Food Stamp program have occurred outside the farm bill. Moreover, even if its authorization expires, Congress can continue the Supplemental Nutrition Assistance Program (SNAP – previously called the Food Stamp program), by appropriating money for it. Thus, both history and the current situation suggest it is possible to write a farm bill without a food assistance title, although farm bills since the 1970s have included food assistance. Hence, from the perspective of process, like any difference between House and Senate bills, a Conference Committee will be impaneled to try to bridge the difference.

Key date for passing a farm bill is not September 30, 2013, but December 31, 2013. The farm bill was extended for the 2013 crop year, meaning current crop programs continue until a crop's 2013 crop year ends. For example, the corn and soybean 2013 crop year ends August 31, 2014. December 31, 2013 is critical because the current U.S. dairy price support program ends on this date. The dairy price support program would then revert to permanent law provisions. Permanent law provisions are primarily in the *Agriculture Adjustment Act of 1938* and *Agricultural Act of 1949*. Under permanent law, the dairy support price is likely to exceed $35 per 100 pounds (cwt.), compared with a $9.90/cwt. support price in the 2008 farm bill and a May 2013 all-milk market price of $19.70/cwt. Congress demonstrated in its 1-year extension of the 2008 farm bill that it will not allow the dairy support price to revert to permanent law. For more details on the 1-year extension of the 2008 farm bill and permanent law, see Congressional Research Service Report, "Expiration and Extension of the 2008 Farm Bill," by Jim Monke, Megan Stubbs, and Randy Alison Aussenberg, January 15, 2013 (available here).

Content Differences

Besides the food assistance title, major differences in the 2013 House and Senate farm bills include:

1. replacement of permanent legislation – The House Bill replaces the 1938 and 1949 farm legislation with the farm commodity title in the 2013 House farm bill. Thus, the House farm bill proposes that the House farm commodity support programs would exist forever until Congress decided to reconsider them. The Senate continues permanent legislation. Its commodity title is an amendment to the permanent laws and expires at a specified date in the future. For example, commodity programs for field crops expire after the 2018 crop year. Thus, the Senate farm bill requires that commodity programs be reconsidered. Reverting to permanent law has been an impetus for continuing dialogue on the farm safety net. The House version reduces and perhaps negates the need to pass farm safety net legislation in the future, thus likely making it harder to change the farm safety net.
2. type of multiple-year program – Multiple-year assistance in the Senate bill centers on a revenue program, whose guarantees can drop and increase over time. In contrast, the House bill contains a more traditional fixed target price program. Generally, the House Bill makes larger payments to rice and peanuts than does the Senate Bill.
3. type of dairy program – the Senate bill contains a supply management program; the House bill does not contain a supply management program.

These differences involve important philosophical questions: how often should Congress debate the farm safety net and how market oriented should farm safety net programs be. In addition, concern exists among southern crop producers that the distribution of payments from crop insurance differs notably for peanuts and rice from the distribution of direct payments and target price deficiency payments.

The broader point is that, even if the food assistance title was not an issue, it is not clear that a Conference Committee can bridge the differences that exist on farm safety net programs.

For a more detailed discussion of some of these issues, see the May 9, 2013 farmdoc post titled, “Payments by U.S. Farm Safety Net Program: Differences by Crop,” by Carl Zulauf and Gary Schnitkey (available here); the May 23, 2013 farmdoc post titled, “Comparison of Approaches to Price Supports for the 2013 Farm Bill,” by Nick Paulson (available here); and the June 7, 2013 farmdoc post titled, “Market Distortion and Farm Program Design: A Case Examination of the Proposed Farm Price Support Programs,” by Carl Zulauf (available here).

Summary Observations

Many paths forward exist, with these four likely spanning the possible outcomes:

1. The Conference Committee reaches an agreement that is enacted into law.
2. The Conference Committee does not reach agreement and the current 2008 farm bill extension is extended for another year. As an aside, a 2-year extension could occur if Congress wants to avoid a farm bill debate in a Congressional election year.
3. The Conference Committee does not reach agreement and the 2008 farm bill is extended again but in a different version. For example, some observers have discussed reducing direct payments if another extension occurs.
4. The Conference Committee does not reach agreement and permanent law is repealed, ending farm commodity support programs. This outcome seems unlikely but we do not think its probability is zero. Should this outcome occur, the farm safety net becomes the insurance program, meaning multiple-year losses would not be covered by the farm safety net.

The interplay of politics, process, and content will determine in part which of these paths or if an entirely different path is taken. Senate leadership and President Obama have both indicated they will not accept a farm bill without a food assistance title. A farm bill with a food assistance title would require a very different coalition in the House than the coalition that passed its farm bill. Specifically, the support of a large number of Democrats would be needed. Is such a coalition attainable?

Weather and price/revenue trends matter in a farm bill, if for no other reason, than farm program payments are based on production, price, and revenue. A decline in price/revenue will increase the budget baseline of the ACRE program and the target price programs in the 2008 farm bill. On the one hand, this consideration could enhance the likelihood of another extension since a higher budget baseline for a 2014 farm bill increases the ability to address legislative concerns. On the other hand, farm groups may wish to lock in the higher target prices of the 2013 House farm bill. Groups concerned with Federal spending will not favor this outcome.

The later paragraph highlights one of the key divisions at play in this farm bill debate: the desire on the part of those concerned with the level of federal spending vs. traditional farm bill supporters. What makes this division even more interesting is that many members of Congress who are most concerned about federal spending are representatives from rural America, an area that traditionally has backed the farm safety net. Thus, which of these divisions win out could well go a long way to deciding how the 2013 farm bill debate is resolved.

The preceding discussion has noted that there is no necessary reason for a farm bill to contain a food assistance title. However, not including a food assistance title in a 2013 Farm bill could potentially alter the dynamics of future farm bill debates. Conventional wisdom is that farm safety net programs are easier to enact when the farm bill includes a food assistance title because more constituencies have a stake in the bill. Thus, an important decision that all farm safety net supporters will need to consider is the strategic, long term consequences of having or not having a food assistance title in a 2013 farm bill.

A parallel discussion exists for inclusion of the reversion to the 1938 and 1949 permanent laws. Reversion to permanent law means that farm commodity programs will need to be considered in the future. Thus, it acts as a catalyst for the entire farm bill. Many actors that support the farm bill have interest other than commodity programs. In addition, knowing that the farm bill will be reconsidered in the future probably encourages compromise since policy actors know that the possibility exist that their concerns will be revisited in the not-too-distant future. Thus, an important decision that all farm safety net supporters will need to consider is the strategic, long term consequences of having the ability to modify farm safety net programs at a known time in the future and the value that this known revision date has to bringing policy actors with other concerns into the farm bill portfolio.

As mentioned in earlier farmdoc posts, the U.S. is currently engaged in a debate about the safety net provided to Americans, a debate that commenced with the extension of medical care to all Americans. It looks like the farm bill will be the next major confrontation in this broader debate. The outcome is uncertain but may have importance beyond traditional farm bill concerns.

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