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Initial Review of the Senate Ag Committee's Draft 2018 Farm Bill

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On Friday, June 8, 2018, The Senate Committee on Agriculture, Nutrition and Forestry released its committee print for reauthorizing the farm bill in 2018 (Senate Ag Committee, 2018 Farm Bill; Brasher, June 8, 2018). The programs authorized by the Agriculture Act of 2014 are scheduled to expire with the 2018 Fiscal Year or crop year. The House Ag Committee reported its version for the 2018 farm bill in April (*farmdoc daily*, April 26, 2018). That bill, however, was defeated on the House floor a month later and its fate remains uncertain *(farmdoc daily*, May 24, 2018). The draft bill released by the Senate Ag Committee will reportedly be marked-up in a committee meeting on June 13, 2018. A strong bipartisan vote to report the bill to the full Senate would represent an important step forward in the process, possibly even improving the bill's chances in the House. The following article reviews major provisions in the Senate Ag Committee draft bill.

Discussion

The Senate Ag Committee draft bill contains reauthorizations for all twelve titles from the 2014 Farm Bill, much of which constitutes fairly straight-forward extensions of authorizations and funds, some with minor modifications. The Senate draft bill also includes reauthorization of the programs in the energy title which was eliminated by the House Ag Committee bill. The following initial review will focus only on the program reauthorizations and modifications in the four main titles with mandatory funding: Commodities (Title I); Conservation (Title II); Nutrition (Title IV) and Crop Insurance (Title XI). From a review of the proposed modifications to various programs, a larger point about legislating and policymaking also emerges.

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Title I—Commodities

The Senate Ag Committee draft bill reauthorizes Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs with modifications mostly to county level coverage in ARC (ARC-CO). Producers are again required to make a five-year program election between ARC and PLC for the 2019 through 2023 crop years; failure to make an election forfeits the 2019 crop year payments and defaults election to ARC. This marks a change from the 2014 Farm Bill election where PLC was the default program. Also, unlike the House Ag Committee bill, the individual coverage option for ARC (ARC-IC) is reauthorized by the Senate Ag Committee draft.

For ARC-CO, the Senate Ag Committee draft bill modifies the yield calculations. First, the bill would clarify that the county of physical location for the FSA farm is the county to be used for the benchmark and actual revenue calculations. Second, the plug yield used in the benchmark calculation would be increased to 75% of the transitional yield for the county. Third, the bill proposes modifying the benchmark yield for ARC-CO coverage based on a trend-adjusted yield factor used by crop insurance for the trend yield endorsement. Fourth, the bill would instruct USDA to use a single source of data for county yields (actual and benchmark) to avoid the problems experienced in recent years when NASS data and crop insurance data were used interchangeably, impacting payments in some counties. In general, these modifications to ARC-CO would be expected to improve the benchmark yield calculation and better align the program with expectations and real-world yield risk scenarios.

Aside from those changes to ARC-CO, the bill eliminates transition assistance for producers of upland cotton and adds requirements on USDA to essentially publish payment rates within 30 days after the end of the crop year. The dairy program is renamed "Dairy Risk Coverage" and coverage levels of $8.50 and $9.00 are added. Premiums are generally increased for existing coverage levels, the discount for small producers (under 2 million pounds) is increased. The rest of Title I of the Senate Ag Committee draft constitutes extensions of existing programs. PLC was extended without modification, as were Marketing Assistance Loans (including Loan Deficiency Payments (LDP)) and related provisions. Sugar policy and the supplemental disaster assistance programs are also extended.

Finally, the bill proposes to reduce the adjusted gross income (AGI) eligibility requirement from $900,000 to $700,000 (three-year average). Payment limits are unchanged ($125,000 for all covered commodities except peanuts; and an additional, separate $125,000 for peanuts) for ARC, PLC and marketing loan gains or LDP. Service fees are increased for the noninsured crop assistance program (NAP) that covers crops that are not eligible for crop insurance. Separate payment limits of $125,000 for catastrophic coverage and $300,000 for additional coverage are also proposed.

Also notable is a provision that directs the Secretary of Agriculture to review the establishment, calculation, reallocation, adjustment and reduction of base acres. Such reports often have no impact but occasionally they provide importance guidance to future policy changes. Given the considerable discussion that has surrounded the determination of base acres, this report could prove important and is worth keeping an eye on. The report would be due within 2 years. For a more detailed discussion of the base acre issue, see the *farmdoc daily* article of February 8, 2017.

Title II—Conservation

The most notable changes in the conservation programs in Title II include an increase in the Conservation Reserve Program (CRP) acreage cap from 24 million under current law to 25 million acres. It also includes an option to permanently retire land under a conservation reserve easement as an alternative to reenrollment in the 10 to 15 year rental contracts.

Also notable are changes to the Conservation Stewardship Program (CSP) which the House Ag Committee bill seeks to eliminate. The Senate draft bill continues the program with an emphasis on conservation planning and efforts to improve soil health. It also adds assistance with adaptation to increasingly volatile weather. The acreage enrollment requirement is decreased from 10 million acres per fiscal year to 8.8 million acres per fiscal year, but national average assistance is to remain at $18 per acre. The bill also adds provisions for advanced grazing management and management-intensive rotational grazing to CSP.

The Environmental Quality Incentives Program (EQIP) is extended with minor modifications, including an emphasis on soil health efforts. Overall funding for the program would decrease from the $1.75 billion in

the baseline to $1.473 billion in 2019, then $1.478 billion in 2020, $1.541 billion in 2021, $1.571 billion in 2022 and $1.595 billion in 2023, which would be the baseline for the program for the next reauthorization effort. The requirement that 60% of the funds available be used for livestock is reduced to 50% of funds.

The bill would also continue the Agriculture Conservation Easement Program (ACEP) and the Regional Conservation Partnership Program (RCPP) created by the 2014 Farm Bill with minor modifications to both programs. For RCPP, the modifications include $200 million per fiscal year in mandatory funds, as well as 7% from each of the programs. It also adds CRP to the list of programs under its regional focus and allocates funds to state-level projects (40% and including multi-state) and those in critical conservation areas (60% of funds).

Title IV—Nutrition

Most notable in light of the controversy over this title in the House Ag Committee bill, the Senate Ag Committee in its draft elected to avoid the partisan dispute. The Supplemental Nutrition Assistance Program (SNAP) and the other food assistance programs in the title are extended largely unchanged. In general, existing SNAP work requirements are slightly modified, with some additional funding for education and training. The controversial changes proposed by the House Ag Committee to work and eligibility requirements, as well as other benefit calculations, are not included in the Senate draft. There also do not appear to be any controversial revisions that would reduce benefits to participating households nor reduce participation. A more definitive conclusion will be possible once the Congressional Budget Office (CBO) produces its analysis and cost estimates. Aside from revisions to improve program operation and reduce waste, fraud and abuse, the Senate draft appears to acknowledge that the program is working; experiencing a decrease in both spending and participation in an improving U.S. economy (see, *farmdoc daily*, May 24, 2018).

Title XI—Crop Insurance

Finally, the crop insurance title includes a few minor revisions beginning with the requirement for following good farming practices in order for insurance to cover any losses. The draft clarifies this requirement. A farmer can lose insurance coverage for failing to follow good farming practices, defined as those under which the insured crop would be expected to make normal progress towards maturity under typical growing conditions. Such practices include “voluntary good farming practices” which are scientifically sound, sustainable and organic farming practices, as well as conservation activities or enhancements that have been approved by either the USDA Natural Resources Conservation Service (NRCS) or local agricultural experts. The draft also addresses cover crop practices specifically. For those farmers adopting cover crops, the bill provides that cover crop termination cannot affect the insurability of an insurable crop if termination is carried out according to NRCS guidelines or those of other agricultural experts. In general, cover crop termination includes any practice that would historically and under reasonable circumstances be expected to result in the termination of a cover crop’s growth. These changes, if enacted into law, could help reduce existing barriers to adoption of cover crops by many farmers (see *farmdoc daily*, September 21, 2017).

The Senate Ag Committee draft authorizes discounts for farmers who adopt practices that can be demonstrated to reduce risks relative to other practices. It would also permit farmers to consolidate enterprise units across county lines. This would include consolidating enterprise units with all basic and optional units across counties lines. This revision could help lower premium costs to the farmer, in part by reducing risk because it would provide insurance coverage over larger, more diverse areas. Reduced farmer premium and reduced risk could also potentially reduce the cost of the program but a more definitive conclusion depends on CBO analysis.

Concluding Thoughts

A tale of two farm bills; release of the Senate Ag Committee draft represents more than different program and policy details but completely different legislating, political and policymaking paths. The House Ag Committee elected a narrower, partisan and ideological path—particularly with respect to the long-standing coalition with food assistance policy supporters—that has stalled the bill after defeat on the House floor. The Senate Ag Committee appears to be embarking on a traditional consensus-based path, avoiding partisan and ideological fights to produce a bill making relatively minor changes within a general continuation of the policy directions begun in 2014. The Senate draft proposes to extend much of the

2014 Farm Bill authorizations with modifications that constitute improvements or fixes for problems encountered in that bill's implementation and operation. Overall, the Senate draft appears to reflect not only the need for bipartisanship to pass the Senate but also a consensus that the changes enacted in the 2014 farm bill have generally been well-received by most constituencies. Which of these paths proves ultimately more successful may have lessons to impart that go beyond the farm bill. For the farm bill, specifically, the Senate Ag Committee's release of its draft 2018 Farm Bill may provide some reason for optimism.

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