

Farm Bill Update

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Farm Policy: Potential Improvements?

Farm bills aren't written for the good times...

Farm bill is slowed by current high incomes

The farm bill is slow to develop because farm incomes are so high that farmers are not putting pressure on Congress to finish the bill soon, Jerry Hagstrom writes in his *National Journal* column today.

- [National Journal - No pressure to pass farm bill](#)
- [USDA ERS - Highlights from the August 2023 Farm Income Forecast](#)
- [Senate Agriculture Committee - USDA forecasts sharpest decline in U.S. farm income in history](#)
- [Environmental Working Group - Calls to increase crop reference prices would help fewer than 6,000 farmers](#)

Source: Hagstrom Report (9/14/2023)

OUTSIDE INFLUENCES
Jerry Hagstrom  09.14.23

No pressure to pass farm bill

Last week, as the Senate came back into session with the five-year farm bill set to expire at the end of the month, the Republican staff of the Senate Agriculture Committee issued a blog post calling for "a meaningful and enhanced farm safety net" because farm income is going down.

The Republican message was based on an August report from the Agriculture Department's Economic Research Service that said, "Net farm income, a broad measure of profits, is forecast at \$4.3 billion in calendar year 2023, a decrease of \$4.7 billion (12.8 percent) relative to 2022 (in nominal (not adjusted for inflation) dollars)."

That decline would be one of the biggest ever, and it would even be a good motivation to pass a new farm bill as soon as possible.

But the GOP report did not highlight another sentence in the ERS report: "Despite this expected decline, net farm income in 2023 would be 22.6 percent above its 20-year average (2003-22) of \$12.2 billion in inflation-adjusted dollars."

In other words, farm income is high right now.

It's always been difficult to pass a farm bill when farm incomes are high. Even with the 2023 farm bill expiring Sept. 30, farmers are simply not putting pressure on Congress to finish a bill anytime soon.

The GOP report pointed out that commodity prices may fall while input costs stay high, but the problem for the farm bill is that we're not there yet. And it's a mistake in agricultural circles that farm bills should be written for bad times, not good times.

When congressional Republicans and commodity groups want an increase in the reference prices that trigger farm subsidy payments when prices or incomes fall.

They point out that current commodity prices are way above the trigger prices in the current farm bill, and they say it's unlikely that prices would fall to the levels in the old bill. But they fear that if the sale price of commodities begins to fall, the costs of gasoline, seed, fertilizer, and other inputs may remain at their current high levels.

The Republicans have their eye on a \$20 billion pot of money that was included in the Inflation Reduction Act for climate-related conservation programs. They aren't enthusiastic about the Biden administration's climate program, and they have proposed that the \$20 billion be moved to the farm bill budget so that it could be reprogrammed to solve the reference-price problem.

But both Senate Agriculture Committee Chairwoman Debbie Stabenow of Michigan and Agriculture Secretary Tom Vilsack oppose that idea.

Last month, at an event on the sidelines of the Minnesota State Fair, Sen. Tim Wirth of Minnesota said the money set aside for climate-related conservation programs shouldn't be used "to solve a math problem in other parts of the farm bill."

Vilsack told the National Farmers Union at their fly-in in Washington this week that he considers the climate-related conservation money to be one of the keys to his agenda to provide small- and medium-sized farmers and ranchers a broader array of income streams including carbon markets, rather than just depending on commodity sales of crops and animals.

Vilsack said that raising reference prices for all commodities would cost \$2 billion per year, or \$20 billion over 10 years, and would help only "a few farmers" while the conservation money is available to all farmers. Vilsack's statement was likely based on a report from the Environmental Working Group that said raising the reference prices would mostly benefit fewer than 6,000 Southern farmers.

As the Democratic-leaning NPU members headed from the USDA to Capitol Hill, Vilsack asked them, "Do you want a farm bill for the few or for the many and the most it's up to you."

Members of the National Pork Producers Council are also in Washington this week. The pork producers could have the strongest motivation to get a bill passed quickly since they'd like it to include the Exporting Agricultural Trade Promotion Act. That would nullify California's Proposition 13, which will require most pork sold in California after Jan. 1 to come from pigs raised under certain conditions, even if the animals are raised in other states.

The Supreme Court upheld that law, leaving the pork producers to seek relief from Congress.

As his members headed to the Capitol, NPPC CEO Bryan Humphrey said their first priority would be more money for animal disease control.

Asked if the NPPC members would urge Congress to pass the next farm bill quickly, Humphrey said that they are "more interested in getting it right."

Contributing Editor Jerry Hagstrom is the founder and executive editor of The Hagstrom Report, which may be found at www.hagstromreport.com




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2022 Cost of Production

Agricultural and Food Policy Center
Texas A&M University
January 2022

**Economic Impact of Higher Fertilizer Prices
on AFPC's Representative Crop Farms**




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May 2022

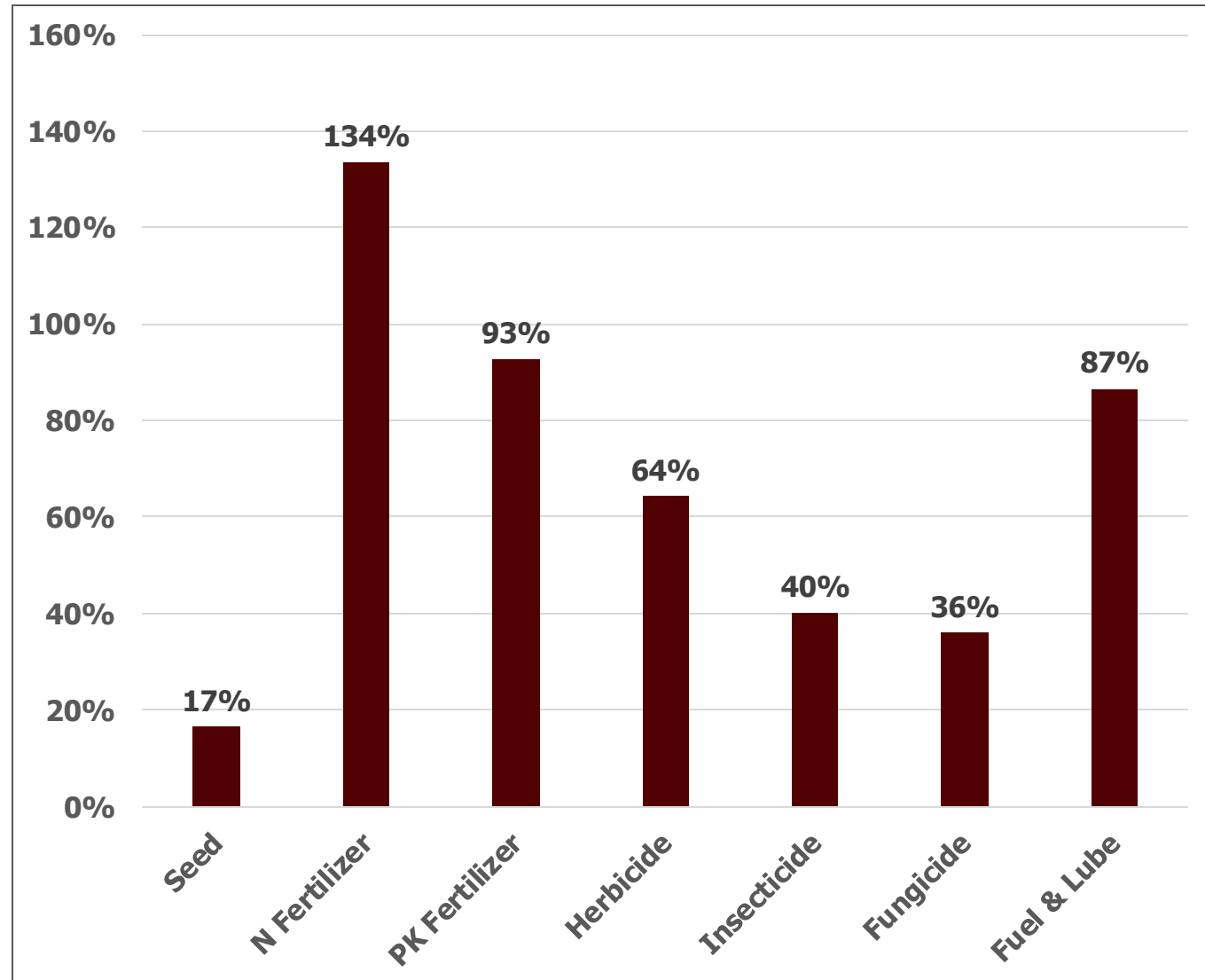
**Economic Impact of Higher Crop and Input Prices
on AFPC's Representative Crop Farms**



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Farm Policy Concerns

- Reference prices have not kept up with the cost of doing business.
- Base acres are out outdated.
- Payment limits are outdated.
- Increasing reliance on ad hoc assistance that is not bankable and arrives too late.
- Don't mess up crop insurance and improve where possible.

Reference Prices

- Statutory Reference Prices Set By Congress.
- Effective Reference Price Can Move Up If Prices Move Up.
- Cost to increase statutory Reference Prices?
 - 10%: ~25\$ billion
 - 20%: ~\$55-60 billion
 - 30%: over \$100 billion
- What about changes to the Effective Reference Price calculation?

Effective Reference Prices

Using CBO's May 2023 Outlook

May-23	Statutory Reference Price	2023	2024	2025	2026	2027	2028	115% of Statutory
Corn	3.70	3.32	4.01	4.47	4.47	4.46	3.92	4.26
Soybean	8.40	8.13	9.26	10.37	10.50	10.50	9.63	9.66
Wheat	5.50	4.23	5.05	5.66	6.02	6.02	5.43	6.33
Seed Cotton	0.37	0.29	0.32	0.34	0.34	0.34	0.31	0.42
Peanuts	0.27	0.19	0.19	0.20	0.20	0.20	0.20	0.31
Grain Sorghum	3.95	3.30	4.06	4.78	4.78	4.77	4.36	4.54
All Barley	4.95	3.98	4.18	4.62	4.95	4.99	4.99	5.69
Oats	2.40	2.34	2.87	3.22	3.40	3.40	2.96	2.76
Sunflower Seed	0.20	0.16	0.19	0.21	0.22	0.22	0.20	0.23
Canola	0.20	0.15	0.18	0.20	0.20	0.20	0.16	0.23
Flaxseed	11.28	8.65	13.29	15.09	15.09	15.09	10.71	12.97
Safflower	0.20	0.17	0.19	0.20	0.20	0.20	0.19	0.23
Mustard Seed	0.20	0.24	0.24	0.26	0.27	0.27	0.26	0.23
Rapeseed	0.20	0.16	0.17	0.19	0.19	0.19	0.20	0.23
Dry Peas	14.00	9.11	10.35	11.06	11.67	11.67	10.48	16.10
Lentils	19.97	17.03	19.21	22.10	23.40	23.40	19.83	22.97
Large Chickpea	21.54	21.62	21.59	24.28	26.78	26.78	24.65	24.77
Small Chickpea	19.04	19.01	20.51	22.36	24.00	24.00	22.10	21.90
Long Grain Rice	14.00	10.23	10.82	11.56	11.97	12.02	12.02	16.10
T J Rice	17.30	18.50	20.60	22.92	23.84	23.84	23.02	19.90

Base Acres

- **Mandatory base update?** Corn Baseline: \$26.39/ac; Soybean Baseline: \$11.46/ac; Likely saves money but at what expense?
- **Voluntary base update?** Show me the money!
- **Rolling 5-year average?** NFU 2014 proposal
- **Base trading or renting?** 1960s & 1970s concepts
- **Expand/relax ineligible acres from 2018 Farm Bill?**
- **Expand/relax Unassigned Base Acres from Bipartisan Budget Act of 2018?**

Means Testing, Actively Engaged Rules & Payment Limits

- **Archaic and out of date.**
- **Lessons learned from WHIP+ & ERP?**
 - Update Title 1 payment limit to include ad hoc limits?
 - Expand payment limits using 75% AGI threshold (i.e., if 75% of your AGI is from farming/ranching/etc)?
 - Update AGI test to include 75% threshold?

Crop Insurance Improvements?

- Increase premium subsidy for buy-up MPCl coverage levels?
- There is a confusing plethora of area-wide policy options (e.g., SCO, STAX, ECO). Each have their own unique features—for example:

	SCO	STAX	ECO
Maximum Trigger Point	86%	90%	95%
Maximum Coverage	36%	20%	9%
Premium Subsidy	65%	80%	44% - 51%
Yield Basis	Individual APH	County Average	Individual APH
Title 1 Interaction	PLC Allowed ARC Not Allowed	PLC Not Allowed ARC Not Allowed	PLC Allowed ARC Allowed

- Could we take the best features of each and combine? With cotton contributing the most baseline, could STAX+PLC be allowed as a compromise? What is the future of ARC?

Budget Chaos

Fiscal Responsibility Act of 2023

What's in it?

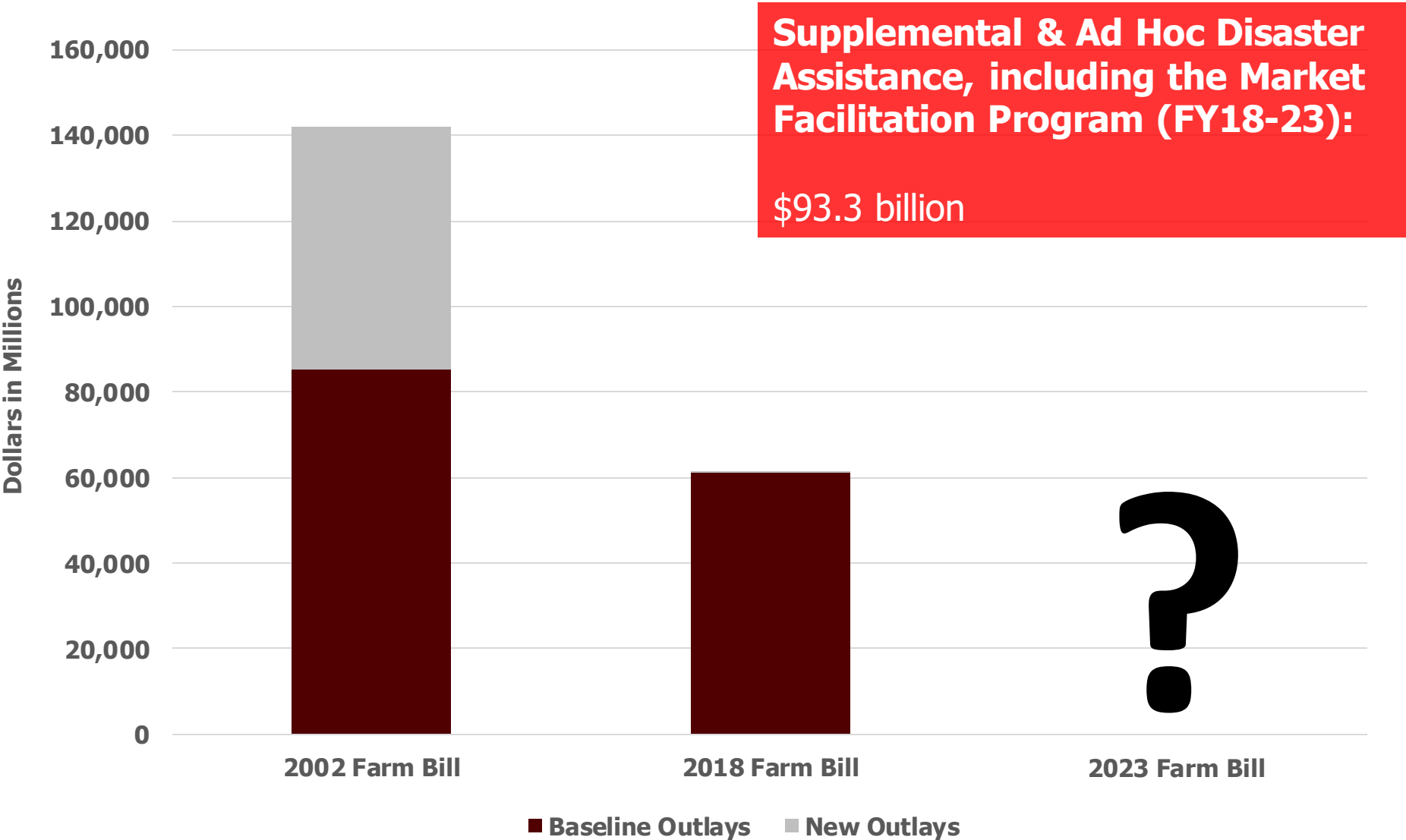
- Suspends debt ceiling until 1/1/2025.
- Generates savings of \$1.5 trillion (2023–2033) relative to May 2023 baseline.
- Savings largely achieved by capping FY2024 & FY2025 discretionary spending.
- Claw back of unspent COVID funds reduces deficit by estimated \$11 billion.
- SNAP:
 - Raises ABAWD age from 18-49 to 18-54; exceptions for homeless, veterans, and youth aging out of foster care; sunsets 10/1/2030.
 - Lowers ABAWD exemptions from 12% to 8% and eliminates carryover.
 - Publishes work waiver requests/approvals.

What's not in it?

- New funding for the 2023 Farm Bill! Impact?

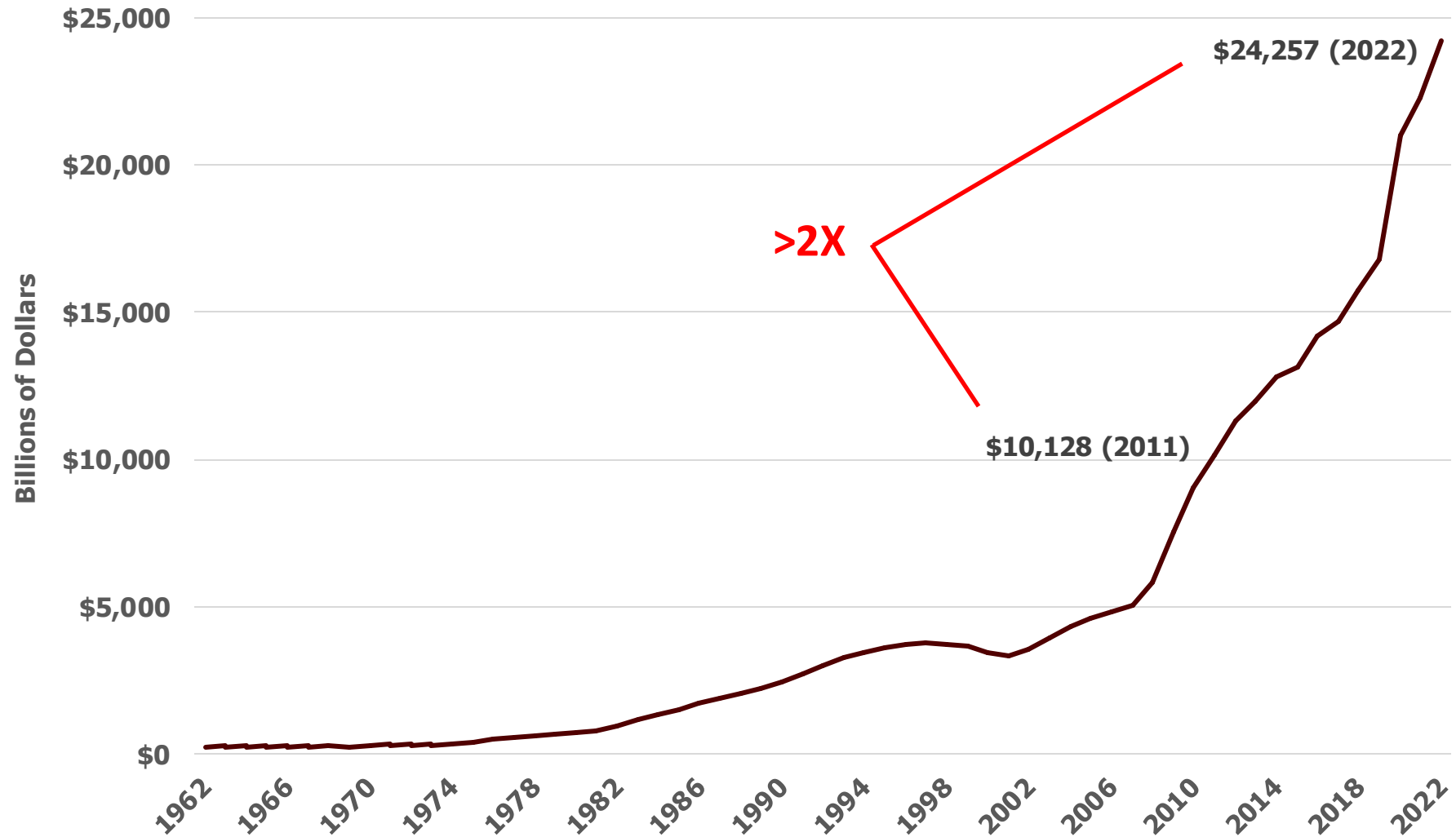
Commodity Title Outlays

2002 vs 2018



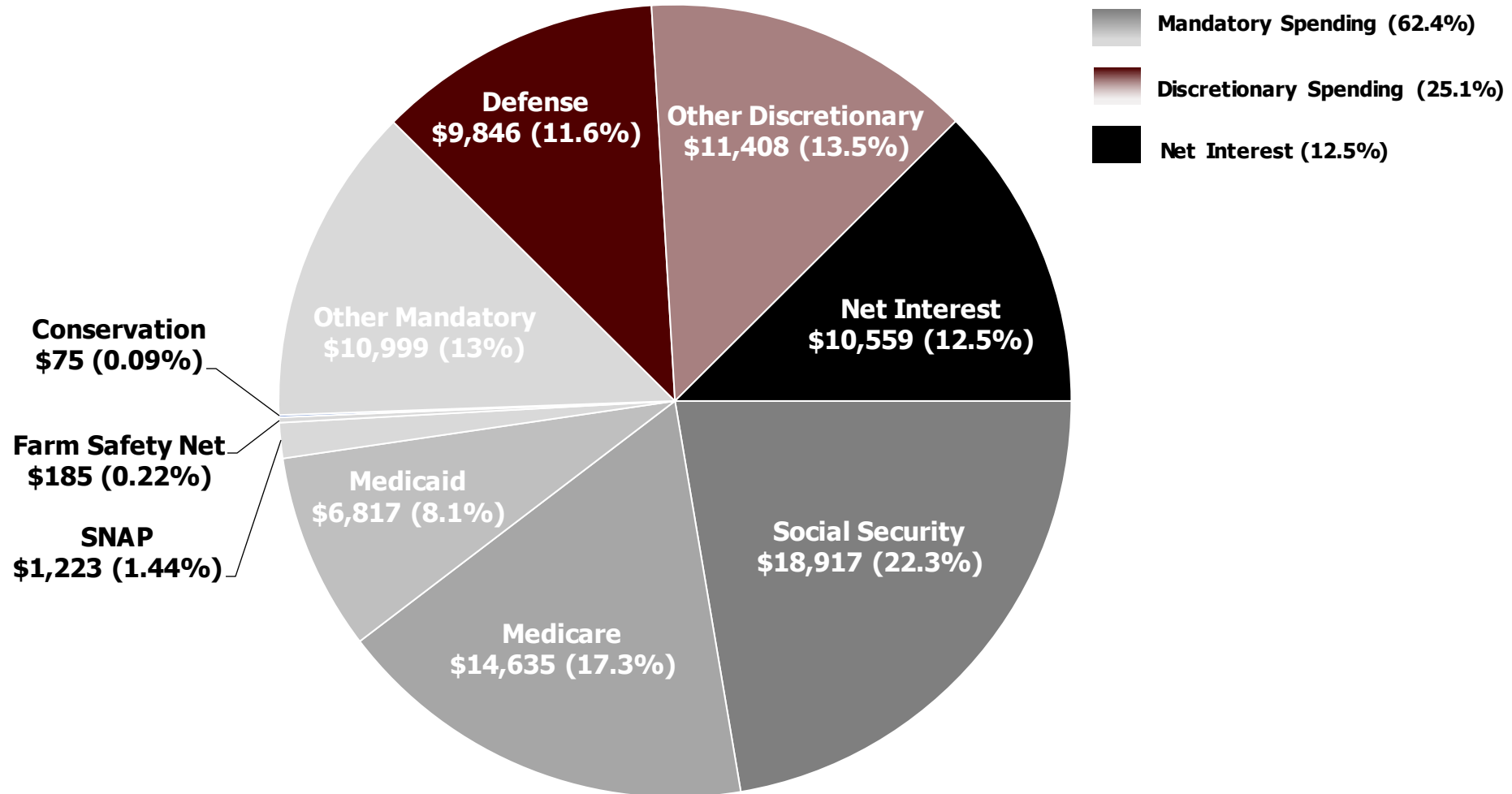
Federal Debt Held by the Public

1962-2022



Estimated Federal Outlays (FY2024-2033)

CBO May 2023 Baseline Outlook (in billions)



NOTE: total outlays from FY2024 to FY2033—\$84.7 trillion—excludes offsetting receipts of \$4.6 trillion.

Farm Bill Projected Outlays

- How will Congress react to a \$1 TRILLION Farm Bill?

	April 2018	February 2023	May 2023	Change (\$) Apr 18 v May 23	Change (%)
CCC Price Support & Related Activities ^{1/}	64,305	71,806	83,576	+19,271	+30.0%
Conservation ^{2/}	59,689	72,610	75,124	+15,435	+25.9%
SNAP ^{3/}	663,828	1,205,440	1,223,110	+559,282	+84.3%
Crop Insurance	78,037	96,974	101,345	+23,308	+29.9%
Total	865,859	1,446,830	1,483,155	+617,296	+71.3%

1/ This includes an estimated \$10 billion in "Other Administrative CCC Spending" which accounts for CBO's estimate of the amount that the Secretary may spend from the CCC using his/her discretionary authority.

2/ The totals for both the February 2023 & May 2023 updates includes \$15.1 billion in estimated 10-year outlays for conservation spending authorized in the Inflation Reduction Act (IRA) of 2022.

3/ Revised economic assumptions and administrative changes to the Thrifty Food Plan (TFP) resulted in the Office of Management and Budget (OMB) projecting an additional \$254 billion in SNAP outlays from FY2022-31 (https://www.whitehouse.gov/wp-content/uploads/2021/08/msr_fy22.pdf).

Where does that leave us?

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03/31/23 10:00 AM By Philip Brasher, Steve Davies, Noah Wicks, Bill Tomson, and Jacqui Fatka

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06/08/23 10:00 AM By Philip Brasher, Noah Wicks, Steve Davies, Jacqui Fatka, and Jana Rose Schleis

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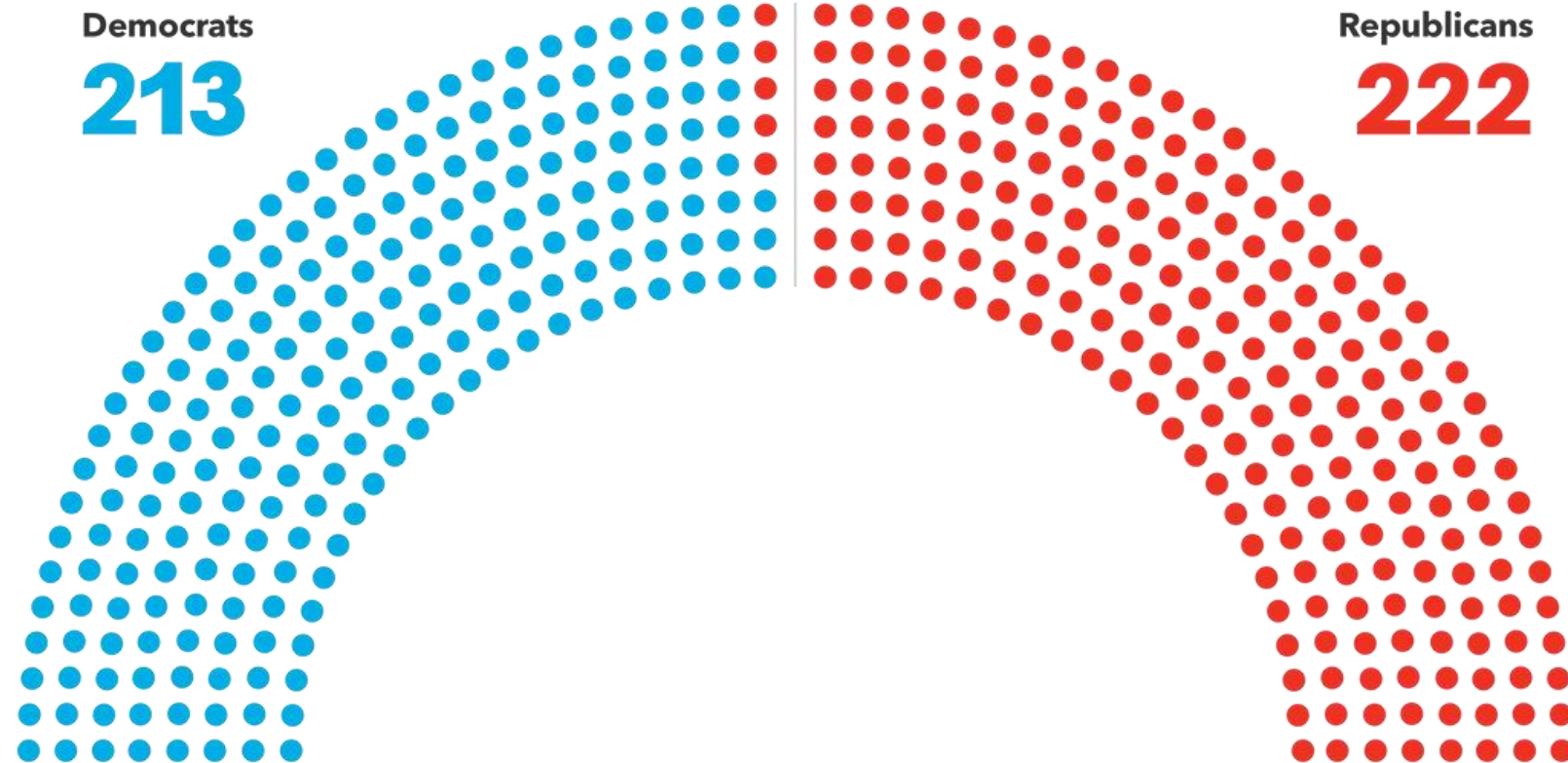
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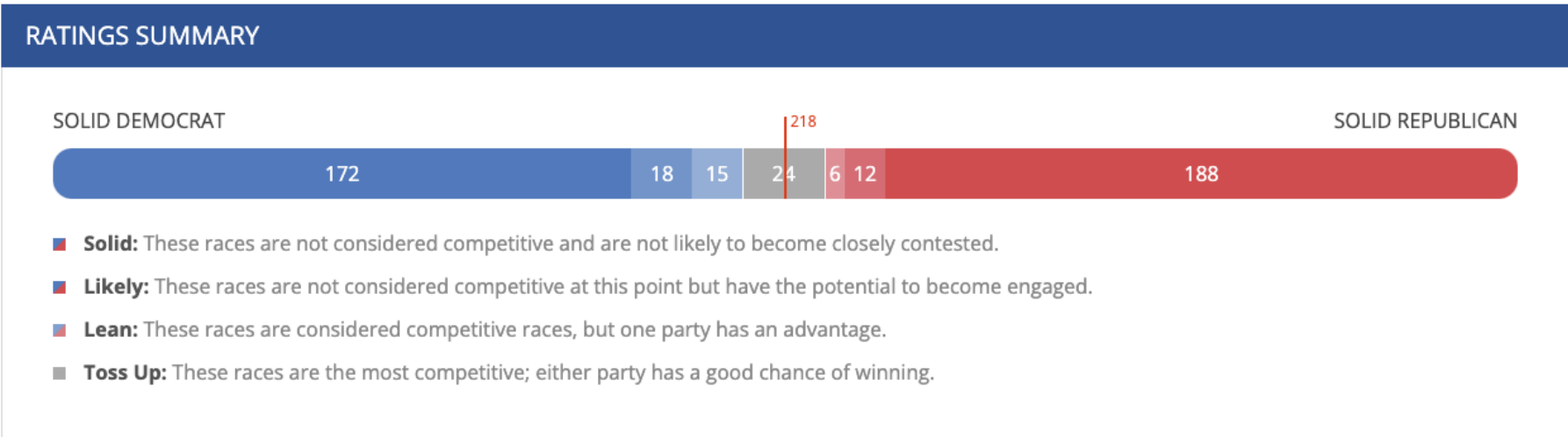
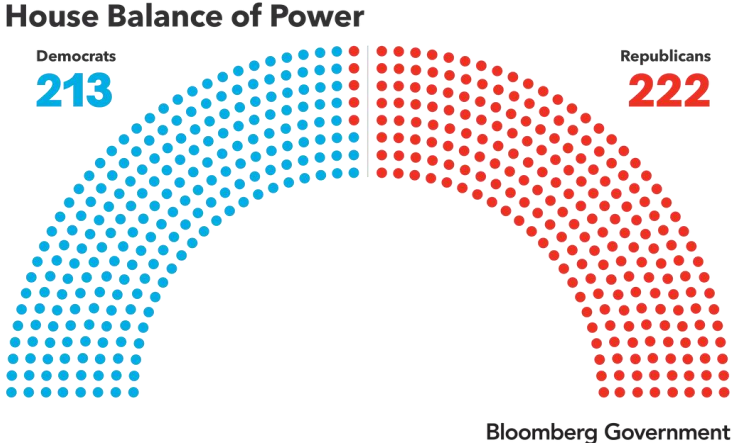
Getting to 218 in the House...

House Balance of Power



Bloomberg Government

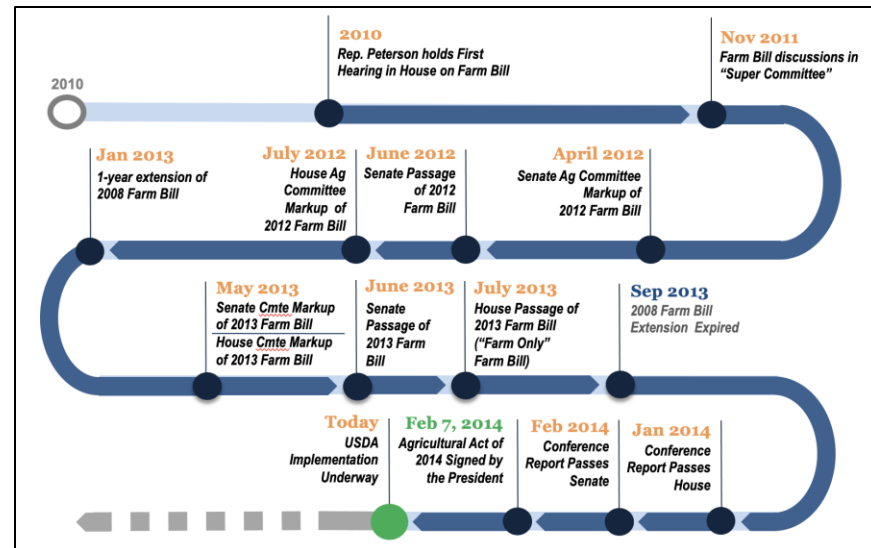
What about 2024?



Source: <https://about.bgov.com/brief/balance-of-power-republican-majority-in-the-house/> (9/12/2023) and <https://www.cookpolitical.com/ratings/house-race-ratings> (9/12/2023)

Path Forward

- What's the point of doing a new farm bill if there aren't meaningful improvements to the farm safety net?
- Pathways in the House:
 - Bipartisan? Election coming. Motion to vacate.
 - Partisan? 4-vote margin. Impact of cuts to SNAP on moderate Republicans that are key to maintaining majority?
 - Extension?



Southern Ag Today

www.southernagtoday.org



Crop Insurance Rating: the Curious Case of STAX

The Stacked Income Protection Plan (STAX) was first offered to cotton producers in 2015. Along with the Supplemental Coverage Option (SCO), STAX is one of the area-wide plans of insurance that are designed to help a grower cover a portion of their underlying crop insurance deductible. Unlike the underlying Multi-Peril Crop Insurance (MPCI) policies, both STAX and SCO trigger indemnities based solely on area-wide losses (i.e., only if the entire county triggers a loss). Both STAX

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