



Ag Decision Maker



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Farm Bill update

by Chad Hart, extension economist, chart@iastate.edu, 515-294-9911

Federal agricultural policy is mainly set with the U.S. Farm Bill. Farm bills are authorized roughly every five to seven years and contain programs managing farm income support and risk management, nutrition and food assistance, conservation, trade assistance and rural development. Traditionally, farm bills are bipartisan, finding a consensus of support from Republicans and Democrats and urban and rural legislators. However, over the past few years, the farm bill has become another partisan debate.

The current iteration for the next farm bill stands at a crucial crossroads. The United States is currently working under an extension of the 2008 U.S. Farm Bill, which was set to expire in 2012. Congress failed to agree on a new farm bill package in 2012. After a few months without a farm bill, Congress extended the 2008 U.S. Farm Bill into 2013. That extension is running out.

Both the U.S. House of Representatives and the U.S. Senate have passed versions of the next farm bill. But those versions are far apart on several key issues. The largest difference deals with nutrition and food assistance. Currently, the Senate farm bill contains a nutrition title, but the House farm bill does not. Typically, when both the House and Senate have passed their versions of the farm bill, a conference committee of both House and Senate members is formed to settle the differences. And while the Senate has prepared for the

conference by naming its conferees, House leadership still is exploring the passage of a separate nutrition bill.

This month will be critical to the possible passage of a new farm bill. The House will determine what its nutrition policy is and will, hopefully, name its conferees so that the conference committee can begin its work. So there is a lot of uncertainty about the future of federal agricultural policy. That being said, there are also a number of similarities between the House and Senate farm bills. Those similarities provide a good indication of how farm policy is likely to shift. Let's look at some of the similarities.

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Handbook updates

For those of you subscribing to the handbook, the following new updates are included.

Iowa Farmland Rental Rates (USDA) – C2-09 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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Inside . . .

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Both the House and Senate eliminate direct payments and construct new programs to support farmers when crop prices or revenues fall below targeted levels set either by historical averages or defined by Congress. Both continue the marketing loan program and reestablish disaster assistance programs. Both attempt to protect against "shallow losses," losses not covered by crop insurance.

The price protection programs are basically updates of the current Counter-Cyclical Price program (CCP). The House version is called Price Loss Coverage (PLC) and the Senate version is called Adverse Market Payments (AMP). Both protect against prices falling below "reference" levels. For PLC, Congress would set the reference price and any payments would be made on 85 percent of a farm's planted acreage. For AMP, the reference price is set at 55 percent of the Olympic five-year average of market prices and any payments would be made on 85 percent of a farm's base (historical) acreage. As the bills currently stand, PLC reference prices would be \$3.70 per bushel for corn and \$8.40 per bushel for soybeans. Based on USDA Sept. 1 estimates for 2013 corn and soybean prices, the 2014 AMP reference prices would be \$2.99 per bushel for corn and \$6.44 per bushel for soybeans.

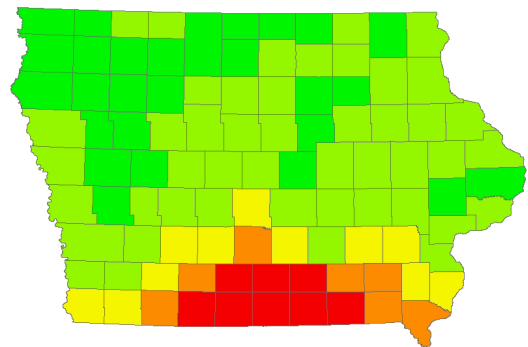
The revenue-based programs look very similar to the Average Crop Revenue Election (ACRE) program that is currently in play. The House version is called Revenue Loss Coverage (RLC), while the Senate version is titled Agriculture Risk Coverage (ARC). Payments are released when actual crop revenues fall below a set percentage of "benchmark" revenues. Benchmark revenues are set as the product of the Olympic five-year averages for yield and national price. In the House version, this benchmark is established using county yields, and 85 percent of the benchmark revenue is covered. In the Senate version, the benchmark revenue can be established using county or farm yields, and 88 percent of the benchmark revenue is covered. Both RLC and ARC pay on planted acres, with RLC paying on 85 percent of planted acres and ARC paying on 80 percent of planted acres when the county benchmark is used and 65 percent of planted acres when the farm benchmark is used.

The two maps below show what the benchmark revenues would have been for Iowa corn and soybeans in 2013. As the maps indicate, the benchmark revenue tends to increase as you move farther north in the state. The range for the corn benchmark revenue goes from \$517.06 in Clarke County to \$980.05 in O'Brien County.

Corn Benchmark Revenue

\$ per acre

- 517.06 - 600.00
- 600.01 - 700.00
- 700.01 - 800.00
- 800.01 - 900.00
- 900.01 - 980.05

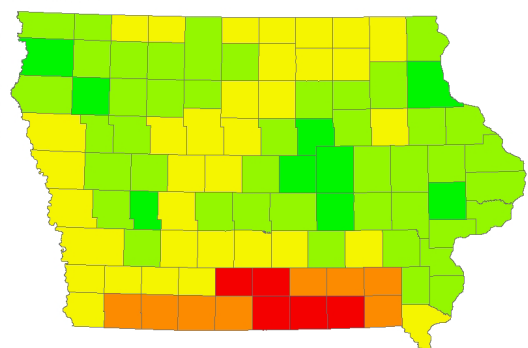


The range for the soybean benchmark revenue goes from \$401.98 in Wayne County to \$627.18 in Marshall County. These benchmark revenues will update each year, again using the Olympic five-year average yields and national prices. But these maps show the general structure of the revenue protection that RLC and/or ARC would provide.

Soybean Benchmark Revenue

\$ per acre

- 401.98 - 450.00
- 450.01 - 500.00
- 500.01 - 550.00
- 550.01 - 600.00
- 600.01 - 627.18



In essence, Congress seems to be moving the farm safety net programs to mimic what farmers have chosen with crop insurance, building on the safety net already provided there. This shift started with the CCP and ACRE programs in the 2008 U.S. Farm Bill. It continues with the proposals for PLC, AMP, RLC and ARC.