Overview and Impacts of Proposed Changes in the 2012 Farm Bill

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Need for Savings for Deficit Reduction

- Farm programs not the biggest piece of the Farm Bill pie, but are the biggest target for cuts
- Savings targets vary across political lines

Senate and Ag House Committee have passed Farm Bills, process has since been stalled
General theme of Current Bills:

- Income Support is Out; Risk Management is In
  - Existing commodity programs replaced by something new
  - Continued support for crop insurance

- Cuts to:
  - Commodity programs
  - Nutrition programs
  - Conservation programs
FY 2013 Projected USDA Budget

2013 Outlays

- Conservation and Forestry: 6%
- Farm and Commodity Programs: 16%
- Nutrition Assistance: 72%
- All Other*: 6%

*Includes Rural Development, Research, Food Safety, and Marketing and Regulatory functions
Figure 1: Projected Changes in Program Spending by Title for the 2012 Farm Bill FY 2013-2022

- Commodity
- Conservation
- Nutrition
- Crop Insurance
- Other
- Total

Million Dollars

- $10,000
- $6,000
- $2,000
- $0
- -$2,000
- -$6,000
- -$10,000
- -$14,000
- -$18,000
- -$22,000
- -$26,000
- -$30,000
- -$34,000
- -$38,000

Senate  House
Figure 2: Projected Cuts (Million $) to Commodity, Conservation, and Nutrition Titles in the Senate's 2012 Farm Bill (2013-2022)

- Commodity: -$19,428
- Conservation: -$6,374
- Nutrition: -$4,000
House Bill Spending Cuts

Figure 3: Projected Cuts (Million $) to Commodity, Conservation, and Nutrition Titles in the House Committee's 2012 Farm Bill (2013-2022)

- Commodity: -$23,584
- Conservation: -$6,062
- Nutrition: -$16,075
## Spending Cuts Comparison

<table>
<thead>
<tr>
<th>Category</th>
<th>Senate</th>
<th>House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Programs</td>
<td>(30%)</td>
<td>(38%)</td>
</tr>
<tr>
<td>Conservation</td>
<td>(9.4%)</td>
<td>(9.4%)</td>
</tr>
<tr>
<td>Nutrition</td>
<td>(0.5%)</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>Crop Insurance</td>
<td>+5.5%</td>
<td>+9.9%</td>
</tr>
</tbody>
</table>
## Spending Cuts by Crop

### Table 1. Projected Spending (Million $) by Commodity under the March 2012 Baseline and the Senate and House Ag Committee 2012 Farm Bills, 2013-2022

<table>
<thead>
<tr>
<th>Commodity</th>
<th>March 2012 Baseline</th>
<th>Senate Farm Bill</th>
<th>% Change</th>
<th>House Committee Farm Bill</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$22,179</td>
<td>$16,210</td>
<td>-27%</td>
<td>$11,148</td>
<td>-50%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$7,618</td>
<td>$8,890</td>
<td>17%</td>
<td>$6,109</td>
<td>-20%</td>
</tr>
<tr>
<td>Wheat</td>
<td>$11,131</td>
<td>$4,458</td>
<td>-60%</td>
<td>$5,683</td>
<td>-49%</td>
</tr>
<tr>
<td>Cotton</td>
<td>$6,843</td>
<td>$766</td>
<td>-89%</td>
<td>$766</td>
<td>-89%</td>
</tr>
<tr>
<td>Cotton w/ STA</td>
<td>$6,843</td>
<td>$3,990</td>
<td>-42%</td>
<td>$4,617</td>
<td>-33%</td>
</tr>
<tr>
<td>Rice</td>
<td>$4,336</td>
<td>$1,494</td>
<td>-66%</td>
<td>$3,261</td>
<td>-25%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$1,013</td>
<td>$699</td>
<td>-31%</td>
<td>$1,200</td>
<td>18%</td>
</tr>
<tr>
<td>Sorghum</td>
<td>$2,038</td>
<td>$1,513</td>
<td>-26%</td>
<td>$1,017</td>
<td>-50%</td>
</tr>
<tr>
<td>Barley</td>
<td>$852</td>
<td>$227</td>
<td>-73%</td>
<td>$714</td>
<td>-16%</td>
</tr>
</tbody>
</table>
Changes to Commodity Programs, Crop Insurance

- Eliminate Direct Payments, CCP, ACRE, and SURE
- Revenue and price programs that pay out on planted acres:
  - Senate Bill: Choice between farm and county level ARC program
  - House Bill: Choice between county level RLC program and PLC program
  - Supplemental insurance coverage (SCO)
  - Area insurance (STAX) for Cotton
ARC is the Senate Bill’s revenue program

- Choice between farm- and county-level coverage
- Guarantee based on Olympic average of yields and prices
- Payments made when actual revenues fall below 89% of the guarantee, capped at 10% of the guarantee
Farm-level Ag Risk Coverage (ARC)

- Revenue Guarantee:
  - 100%
  - 89%
  - 79%
  - 75%

- Distribution:
  - CRD
  - County
  - Farm
  - Aggregation

**2012 Illinois Farm Economics Summit**
Revenue Loss Coverage (RLC)

- RLC is the House Bill’s revenue program option
  - Choice between RLC and PLC
  - Guarantee based on Olympic average of yields and prices
  - Payments made when actual revenues fall below 85% of the guarantee, capped at 10% of the guarantee
Revenue Loss Coverage (RLC)

- 100% Revenue Guarantee
- 85% RLC
- 75% Insurance

CRD  County  Farm  Aggregation
Supplemental Coverage Option (SCO)

- SCO is an optional, supplemental insurance program
  - County-level coverage
  - Defined by individual insurance program choice
  - Covers losses between 90% of the guarantee and individual insurance coverage
  - Premium subsidy rate of 70%
Supplemental Coverage Option (SCO)
Price Loss Coverage (PLC)

- PLC is similar in concept to current CCP program; also default program in House Bill
- Paid on planted acres (rather than base); cannot receive payments on more than total base acres
- May update payment yields to 90% of 2008 to 2012 average by crop
## Price Loss Coverage (PLC)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Loan Rate</th>
<th>Reference Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn ($/bu)</td>
<td>$1.95</td>
<td>$3.70</td>
</tr>
<tr>
<td>Soybeans ($/bu)</td>
<td>$5.00</td>
<td>$8.40</td>
</tr>
<tr>
<td>Wheat ($/bu)</td>
<td>$2.94</td>
<td>$5.50</td>
</tr>
<tr>
<td>Cotton ($/lb)</td>
<td>$0.47-$0.52</td>
<td>$0.6861*</td>
</tr>
<tr>
<td>Rice ($/hwt)</td>
<td>$6.50</td>
<td>$14.00</td>
</tr>
<tr>
<td>Peanuts ($/lb)</td>
<td>$0.18</td>
<td>$0.27</td>
</tr>
</tbody>
</table>

**Figure 1. Ratio Of Price Loss Program's Fixed Minimum Price Support to Olympic Average of Marketing Year Prices for 2008-2012, U.S.**

- Peanuts: 110%
- Barley: 96%
- Rice: 93%
- Cotton: 87%
- Wheat: 83%
- Sorghum: 83%
- Oats: 79%
- Soybean: 75%
- Corn: 72%
## Proposed Program Comparisons

<table>
<thead>
<tr>
<th>Payment Rate</th>
<th>SENATE</th>
<th>HOUSE</th>
<th>BOTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC</td>
<td>Farm: 65% (45%)</td>
<td>85% (30%)</td>
<td>85% (30%)</td>
</tr>
<tr>
<td></td>
<td>County: 80% (45%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment Limit</td>
<td>$50,000 per entity</td>
<td>$125,000 per entity</td>
<td>$125,000 per entity</td>
</tr>
<tr>
<td>Eligible for SCO?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Subsidy</td>
<td>Full</td>
<td>Full</td>
<td>Full</td>
</tr>
</tbody>
</table>
1. House vote on House Ag Committee bill
   - Conference committee resolves Senate/House versions
   - House and Senate vote on conference agreement

2. Current proposals direct to conference committee
   - House and Senate vote on conference agreement

3. Extension of current Farm Bill
   - Short-term (3 months) or long-term (1 year)

4. Add Farm Bill to another bill
Thank You

Questions?

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