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Policy Aspects of the 2018 Farm Bill

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In a rare but certainly welcomed display of bipartisanship, the Senate voted December 11th 87-to-13 to approve the conference report on the new five-year farm bill (Agriculture Improvement Act of 2018). Their action was followed by the House on December 12th, who passed the $867 B omnibus bill by a vote of 369-to-47. President Trump is expected to sign the bill as early as December 20th. If realized, it would mark the first time since 1990 that a farm bill has been enacted in the same year that it was introduced.

The 2018 farm bill maintains and enhances the commodity programs and crop insurance on which conventional agriculture depends, expands most conservation programs, creates new assistance to indoor and urban agriculture, increases aid to organic agriculture and farms that serve local markets, and legalizes industrial hemp. At the same time, negotiators scrapped anything that was controversial, including the tougher work requirements for food stamp recipients.

While the 2014 farm bill had new farm programs and majors changes, the 2018 farm bill is largely status quo with some improvements to **Commodity Title** programs that should benefit producers during tough times in agriculture. The 2018 bill is seen as an evolution of policy rather than a revolutionary policy ushered in by the 2014 bill, with minor changes to the safety net programs. This status quo outcome was largely the result of multiple years of relatively lower crop prices, political realities, and the constraints of the budget rules.

Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) are again offered, with ARC having a county and individual farm option, as before.

Notable changes affecting ARC and PLC programs include:

- For crop years 2019 and 2020, producers will have the ability to elect an ARC/PLC program on a commodity-by-commodity, farm-by-farm basis. However, beginning with CY 2021 producers will then have the ability to make ANNUAL elections. This should aid producers in making farm management decisions as it will only constitute an annual decision versus a decision spanning five years. Thusly, producers should theoretically be able to tailor their program preferences more quickly to mirror current market conditions.
- Base acres that were not in production of program crops but rather planted to either grass and/or pasture land for all years 2009-2017 will be considered effectively as being “suspended” for purposes of receiving any commodity program payments, those acres, however, will be retained as ‘historical base’. Additionally, these base acres *will* be eligible for enrollment in the Conservation Stewardship Program (CSP) grasslands program for a five year period at an annual payment rate of $18 per acre. These suspended acres will also be considered “planted” to program crops during this farm bill so it will maintain the base for future legislation.

- Effective reference prices (used for both ARC and PLC) contains an escalator formula mechanism that could increase the 2014 farm bill commodity reference prices by as much as 115% *if* commodity prices improve. Because of the recent trend of low commodity prices over the past five year period, the likelihood of this reference price mechanism occurring is relatively low.
- The individual payment limit remains the same at $125,000 ($250,000 per married couple), but the definition of family has been altered to allow for the inclusion of nieces, nephews, and first-cousins. This allows these individuals to qualify for commodity program payments as long as they meet the other eligibility requirements related to farm risk and engagement. The Adjusted Gross Income (AGI) test remains unchanged at $900,000.

Provisions that have changed specific to PLC:

- Beginning with crop year 2020, all producers will have the opportunity to update their payment yields. This will be accomplished in the following manner: the average individual producer's yield per planted acre from 2013 to 2017 crop years for a covered commodity will be multiplied by 90% and then multiplied by a yield update factor. This yield update factor is a "detrending" ratio calculated from the 2008-2012 national average yield which is then divided by the national 2013-17 average yield. There is also a 75% county plug yield that will replace any year that an individual producer yield is low. If this formula yield is higher than the producer's current PLC yield, that producer could potentially realize a benefit in the advent of future PLC payments.

Commodity	*Yield Update Factor*
Corn	0.9000
Soybeans	0.9000
Wheat	0.9767
Sorghum	0.9000
Rice (LG)	0.9324
Rice (MG/SG)	0.9866
Peanuts	0.9273
Cotton	0.9000

Provisions that have changed specific to ARC:

- ARC-CO payments will be calculated based on the farm's physical location of the farm as opposed to the administrative county.
- USDA RMA yields per planted data will be used as the first source of county-level yield information to set revenue guarantees and calculate payments.
- The Olympic average of the last five-years of a county's yield will still be the benchmark yield by which the ARC-CO guarantee will be calculated, however any low years will be replaced by 80% of the transitional yield (up from the 70% level).
- A trend-adjustment factor for yield determination will function similarly to the factor used in crop insurance policies.
- There will be separate yields for irrigated and non-irrigated land in each county.

The Marketing Assistance Loan (MAL) and Loan Deficiency Payments (LDP) programs remain the same (upland cotton, minor oilseeds, and peanuts) with rates increasing to the following:

Commodity	*New Loan Rate*	*Old Loan Rate*	*Percent Change*
Corn	$2.20	$1.95	13%
Soybeans	$6.20	$5.00	24%
Wheat	$3.38	$2.94	15%
Sorghum	$2.20	$1.95	13%
Rice	$7.00	$6.50	8%
Raw Cane Sugar	$0.1975	$0.1875	5%
Beet Sugar	$0.2538	$0.2409	5%

Title I revises the former Dairy Margin Protection program and renames it as the Dairy Margin Coverage (DMC) program, The DMC program reducing premiums on catastrophic level for large producers and improves risk coverage. It expands the range of production allowed to be covered from 5% up to 95% of production history.

The sugar program is continued in the 2018 farm bill with an increase in the sugar loan rate.

The **Conservation Title** saw heated debate and changes in the 2018 farm bill. The Conservation reserve Program (CRP) acre cap will increase over time to 27 M acres by 2023. Rental rates will be reduced to 85% of the average county rental rate for general signup and 90% of the county average for continuous CRP enrollment.

The Conservation Stewardship Program (CSP) will be phased out as a stand-alone acre-based program and will be administered with the current Environmental Quality Incentives Program (EQIP). New CSP incentive payments are in place for cover crops, rotational grazing, and other practices that protect water quality. Expiring CSP contracts will no longer be eligible for automatic renewal.

Within the **Trade Title**, all four of the USDA's trade promotion programs (Market Access Program, Foreign Market Development Cooperator Program, Emerging Markets Program, and the Technical Assistance for Specialty Crops Program) are provided with a permanent funding baseline.

The **Nutrition Title** (Title IV: SNAP), the most controversial part of the bill, whose debate held up the 2018 farm bill's passage earlier this year due to revisions being sought by the House conferees regarding work requirements. Subsequently, in conference (and in the final bill) remained virtually unchanged. The conference report omitted a series of provisions in the House-passed bill that would have expanded the number of SNAP recipients subject to work requirements and would have simultaneously tightened income eligibly limits. Provisions of the 2018 title requires state governors to approve application to the USDA by state agencies for waivers from the existing work requirements for able-bodied recipients without dependents. It ends bonuses paid to states with lower error rates and creates a new system of safeguards whose aim is to prevent benefits from being paid to individuals across different states. The Nutrition Title accounts for 80% of farm bill spending.

The **Credit Title** increases farm ownership loan limits and operating loan limits. Under the current farm law, the USDA FSA can guarantee both standard operating and farm ownership loans up to $1,399,000 and make direct operating and farm ownership loans for up to $300,000. The 2018 farm bill increases guaranteed loan limits up to $1,750,000, direct operating loans up to $400,000, and direct farm ownership loans up to $600,000.

Following another battle late in the farm bill process, the conference report includes an overhaul of provisions within the **Forestry Title**, which now includes expedited environmental analysis for several forest management activities on federal lands by renewing the insect and disease categorical exclusion and by expanding its purpose as to allow for expedited reduction of hazardous fuels (e.g., undergrowth).

The **Crop Insurance Title** saw very little change, which will be a relief to most producers who consider this their number one risk management tool.

- Enterprise units are now allowed across county lines.
- Another notable change involves the way in which covered crop practices are treated. Covered crop termination is defined as "a practice that historically and under reasonable circumstances results in termination." Specification is provided on covered crop practices that are considered to be "a good farming practice" if terminated according to USDA guidelines.

The rationale behind some of these changes to the Crop Insurance Title regarding the use of cover crops could be attributed to the desire to alleviate producer concerns over cover crop usage with the goal of improving program adoption.

Also of note, the conference report establishes a U.S. only vaccine bank whose purpose is to respond to outbreaks in animal diseases.

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