WEB CONTENT DISPLAY
November 29, 2013

FARM BILL UPDATE

The Farm Bill now has become another partisan debate in Washington, D.C., something that used to have bipartisan support. The importance is large, not only for lowering risk in our farm community but because they always have been tied to nutrition and food assistance programs. Other key areas are conservation, trade assistance and rural development programs. We operated in 2013 on a one-year extension over previous legislation.

At the end of 2012, with no action by Congress, it would lead to a "dairy cliff". The same thing happens again the end of this December. If legislation is not passed concerning a new Farm Bill or extending the old Farm Bill, decades-old milk price supports dating back to 1949 will expire. That would force the government to buy milk at prices far higher than market price and prices could be $6.00 to $8.00 a gallon at the supermarket.

So we stand at a crucial crossroads. 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.

Both the House and Senate versions 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," or 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 set at the county level, too complex to explain here. The 2014 AMP reference prices would be $2.99 per bushel for corn and $6.44 per bushel for soybeans which is significantly below current cost of production levels.

The new revenue-based programs look very similar to the Average Crop Revenue Election (ACRE) program that is currently in play but more localized to the farm or county. 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.

Some key issues will affect us locally. Any new program will be very difficult for local FSA offices to implement and administer because of cutbacks the past several years. Will certain responsibilities now shift more to RCIS or with crop insurance and how will that work? There is likely to be a choice or one-time decision again, irrevocable, and most say it will take a computer to help calculate a management strategy more complex than in 2009.

Studying these new options carefully is important. The ACRE program this fall due to drought in 2012 paid Nebraska farmers $135.8 million. The next closest state is Kentucky, which is at $19.9 million. Gage County has issued over $12 million and Saline County over $3.4 million. It pays to study the rules and make an informed decision and you can bet my office will be offering assistance in computer simulations just like we did in 2009 for area farms.

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