



January 20, 2012

FLINCHBAUGH TALKS FARM POLICY

In respect of Husker Red, Barry Flinchbaugh wore a purple suit, shirt and tie last week at the SCC Farm Show, who by the way was a Penn State graduate. Flinchbaugh, widely known for his farm policy influences and speeches, did not disappoint and complimented the Nebraska crowd on the questions.

The current farm bill expires on September 30, 2012. Congress will be faced with a choice of a simple extension of the current farm bill into the spring of 2013 or the lapse of current law. Reverting backwards would be problematic for some policy areas because we would operate under long-standing statutes known as permanent legislation, which are farm laws passed in 1938 and 1949. The high cost of running these programs under permanent legislation normally dissuades Congress from letting farm bills lapse.

Flinchbaugh said one main focus area will be how much risk do we publicly want to take out of agriculture? Risk protection is a new buzzword in farm policy. So crop insurance will be an issue along with the drought and political uncertainty. Will it be possible to come out of the next farm bill with enhanced protection compared to now?

Another main focus area is the nation's deficit and the perfect storm, current record farm income and record federal deficits. Some people believe we are at a new normal in agriculture and prosperity will continue, so we don't need a farm bill. It was obvious Flinchbaugh did not believe that. He has lived through four of these new normals. The old cost-price squeeze always comes back. He reminded us 1968 was going to be the last farm bill.

Our nation's 2011 USDA Farm Bill expenditures are already a four-fold cut compared to back in 2000 with the major expenditure food and nutrition programs. The real deficit issue is not the farm bill, CRP, conservation programs, SNAP, WIC and other Farm Bill expenditures. The top four issues are spending with Defense, Social Security, Medicare and Medicaid, being 89 cents of every public dollar.

Flinchbaugh praised the leadership of the agriculture committees including Sen. Debbie Stabenow, D-MI; Sen. Pat Roberts, R-KS; Rep. Frank Lucas, R-OK; and Rep. Collin Peterson, D-MN.

There is some talk about target prices again and Flinchbaugh dislikes it because he says target prices are backwards farm policy. When drought causes low grain supply, grain prices respond by being high, little grain to sell, and no farm payments. When there's a huge supply of grain, you are selling grain making some money, but prices go below target price and there is a farm payment when you don't need it.

From an economist's standpoint, Flinchbaugh says the closer you get to the farm, with certain USDA risk protection tools, the further away you are from market distortion. The more market distortion you get, the more likely you'll violate the World Trade Organization policies or WTO.



Policy makers have to keep that in mind when writing the new farm bill legislation.

He reminded the audience, President Lincoln during times of stress, (the North was losing and Lincoln's favorite son died), in eight weeks four landmark pieces of legislation were accomplished. The Morrill Act which started land grant universities, the Homestead Act which defined our land tracts, the transcontinental railroad, and the beginning of the USDA. This was all accomplished on 17 pages of paper.

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