

2008 Farm Bill Implementation: A View from the Farm Service Agency

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FSA Implementation Activities to Date



The "ACRE" Program...

- Average Crop Revenue Election (ACRE):
 - Starts in 2009 as a whole-farm, irrevocable alternative to receiving counter-cyclical payments (CCPs);
 - Enrolling requires a 20% reduction in direct payments and a 30% reduction in loan rates on all program crops.
- In a comparison with CCPs, ACRE:
 - Is revenue-based, not price-based;
 - Payment rates trigger at the state, not the national level;
 - Guarantee uses a moving average, rather than a fixed "target."
- ACRE payments are triggered when:
 - Actual state revenue < ACRE state guarantee revenue;
and
 - Actual farm revenue < ACRE farm benchmark revenue.

ACRE Sign Ups As of July 23

- 3,994 ACRE contracts have been approved by county office committees—
 - Illinois - 881
 - Nebraska - 787
 - Iowa - 628
 - South Dakota - 312
 - Ohio - 286
 - Indiana - 228
 - Oklahoma - 226

These states
account for
84% of ACRE
approvals
- About 1,900 ACRE contracts have producer signatures, but have not yet been approved.
- In contrast, 1.4 million "traditional program" (DCP) contracts have been approved.

Will Sign Up for ACRE Increase in August?

Are producers waiting for the August 12 NASS and WASDE reports? => ACRE signup ends on August 14.

- If sign up remains low, possible reasons include:
 - If a producer signs up for ACRE, he's in until 2012;
 - Producer gives up 20% of direct payment, 30% of loan;
 - Double-trigger and state-level aspect creates payment uncertainty;
 - For crops such as cotton and rice, expected ACRE return is low relative to DCP;
 - Program complexity.

A Bit More on ACRE Complexity...

- The ACRE state-level program guarantee—
 - $0.90 * (5\text{-yr Olympic state ave. planted yield} * 2\text{-yr national ave. market price})$;
 - May not change more than 10% year to year.
- The ACRE farm-level benchmark revenue—
 - $(5\text{-yr Olympic ave. planted yield on a farm} * 2\text{-yr national ave. market price}) + \text{crop ins. premium}$.
- The ACRE payment amount—
 - Lesser of $[(\text{ACRE program guarantee} - \text{actual state revenue}) \text{ or } (0.25 * \text{ACRE program guarantee})] * (0.833^1 * \text{planted acres or considered planted on farm}^2) * \text{farm productivity ratio}^3$.

¹ 0.85 in 2012. ² Not to exceed base acres on the farm. ³ Calculated as farm's 5-yr Olympic average yield per planted acre divided by the state 5-yr Olympic average yield per planted acre.

2008 Farm Bill Permanent Disaster Programs

Disaster Trust Fund

<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; margin-bottom: 5px;">Supplemental Revenue Assistance</div>	"SURE"--Assistance to farmers who suffer crop losses due to natural disasters.
<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; margin-bottom: 5px;">Livestock Forage Program</div>	"LFP"--Assistance to ranchers who suffer grazing losses due to drought.
<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; margin-bottom: 5px;">Tree Assistance Program</div>	"TAP"--Assistance to orchardists whose vines or trees are killed due to a natural disaster.
<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; margin-bottom: 5px;">Livestock Indemnity Program</div>	"LIP"--Assistance to ranchers whose livestock are killed in a natural disaster.
<div style="background-color: #4F81BD; color: white; padding: 5px; text-align: center; margin-bottom: 5px;">Livestock, Honey Bees, Aquaculture Program</div>	"ELAP"--Funds for losses that are not covered by any other program.

Background on SURE

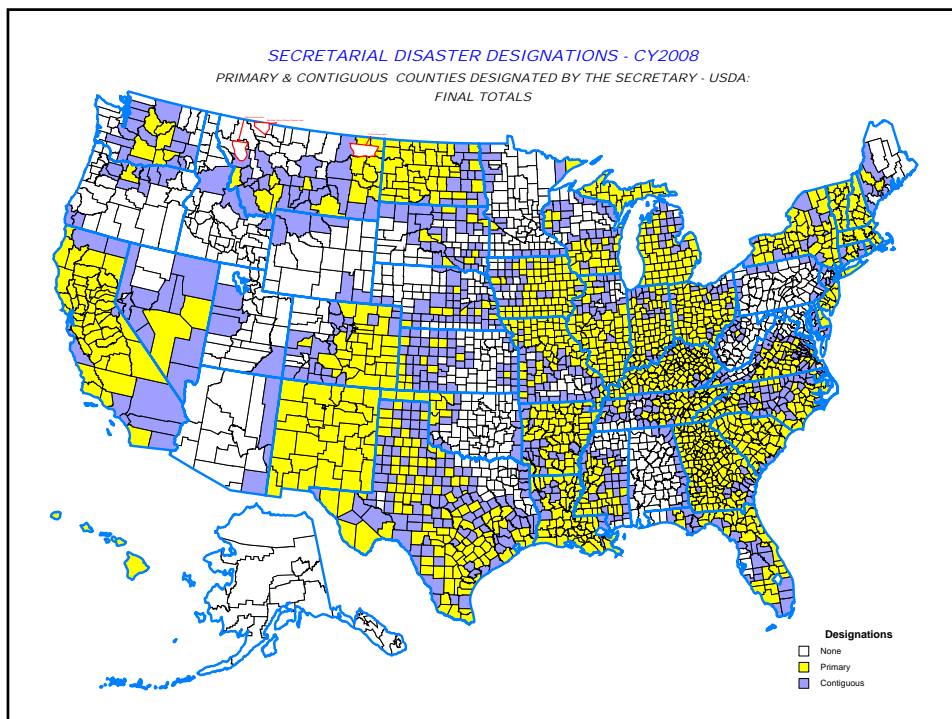
- SURE is a whole farm, revenue-based program to replace ad hoc crop disaster assistance;
- Payment calculation looks simple:

$$[0.6 * (\text{SURE Revenue Guarantee} - \text{Actual Farm Revenue})]$$
- But, as many as 6 variables* are used in calculating the guarantee...
Planted acres, APH vs. counter-cyclical yield, crop insurance price guarantee, etc.
- ...and up to 8 variables in calculating actual farm revenue...
Actual harvested production, national average market price, marketing loan benefits, crop insurance indemnities, etc....

*Assumes only 1 crop on the farm.

SURE Eligibility

- To receive benefits under SURE, a producer must:
 - Carry crop insurance coverage under the Federal Crop Insurance Act or coverage under the Noninsured Crop Assistance Program (NAP) on their entire farm;
 - Have suffered at least a 10% production loss to a significant crop; and
 - Either:
 - A) Be located in a county covered by a Secretarial natural disaster declaration for production losses (or a contiguous county), or
 - B) Show proof of an individual loss of at least 50 percent of normal.



The Dairy Crisis

- The all-milk price for 2009 is 34% lower than in 2008. As a result:
 - The Milk Income Loss Contract (MILC) program has paid out over \$500 million since April 1, 2009, and
 - Over 270 million pounds of nonfat dry milk have been acquired by USDA.
- For 2010, USDA projects the calendar year price at \$15.35/cwt, up from the \$12.00/cwt projected for 2009.

Planting Transferability Pilot Program

("PTPP" allows planting of certain processing vegetables on base acres in selected states)

State	Maximum PTPP Acres Allowed	2009 PTPP Acres Requested	Percent Requested
Illinois	9,000	1,924	21
Indiana	9,000	2,611	29
Iowa	1,000	113	11
Michigan	9,000	712	6
Minnesota	34,000	5,013	13
Ohio	4,000	280	7
Wisconsin	9,000	529	6
Total	75,000	11,181	14

Conservation Programs

- **Conservation Reserve Program (CRP)**—
 - New 32 million acre cap introduced by the 2008 farm bill.
 - 3- or 5-year contract extension announced on May 1 for 1.5 million acres out of 3.9 million expiring 9/30/09.
- **Conservation Stewardship Program (CSP)**—
 - Voluntary program that encourages producers to address resource concerns by improving, maintaining, and managing existing conservation activities, and undertaking additional activities.

Process Considerations...

- **Environmental Compliance**
 - Agencies must take a "hard look" at environmental consequences per the National Environmental Policy Act and other statutes and directives.
 - Consequences do not drive decisions:
 - No requirement to select least environmentally damaging alternative.
 - No requirement to elevate environmental concerns above other considerations.
 - There is no "environmental compliance regulator" -- oversight is largely through the courts.
- **"PAYGO" (Pay-as-you-go)**
 - OMB requires that any discretionary, administrative actions that increase program costs above baseline levels must be offset elsewhere.
 - Examples: CRP extensions, new crop insurance programs.

Upcoming Regulations...

- Later this summer—
 - Livestock Forage Program
 - Emergency Livestock Assistance Program
 - Farm Storage Facility Loan Program
- This fall/winter—
 - Biomass Crop Assistance Program
 - SURE
 - Payment Limitations/Actively Engaged

Research Needs

- ACRE—
 - How can we best model a producer's decision to participate?
 - Can we better model budgetary exposure?
- For both ACRE and Supplemental Disaster—
 - How can we best assess whole-farm issues?
- Overlapping income support/risk mgt programs—
 - How do these programs interact, and are they all necessary? Which are most effective in stabilizing revenues?
- Conservation--
 - How can we better quantify the water/air quality, carbon sequestration, and wildlife benefits associated with conservation programs?