

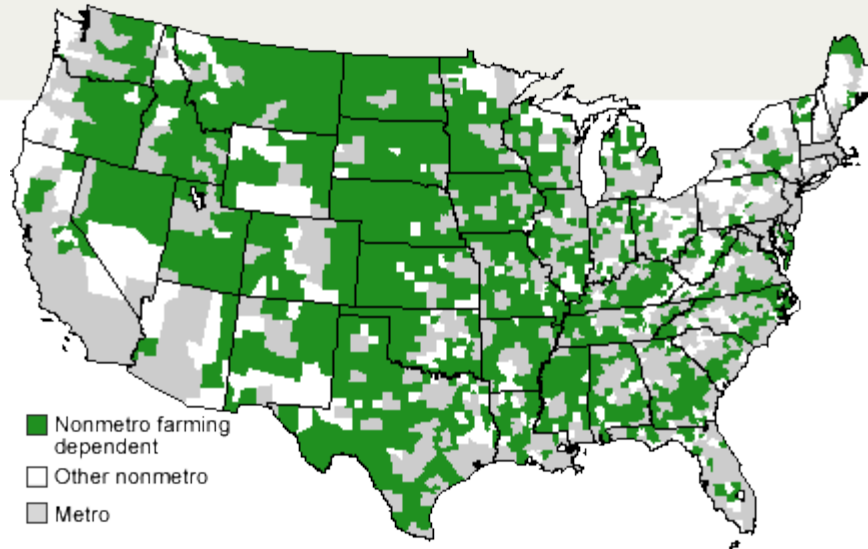
The 2018 Farm Bill and Other Agricultural Policy Issues-A View from Washington DC

Stephanie Mercier

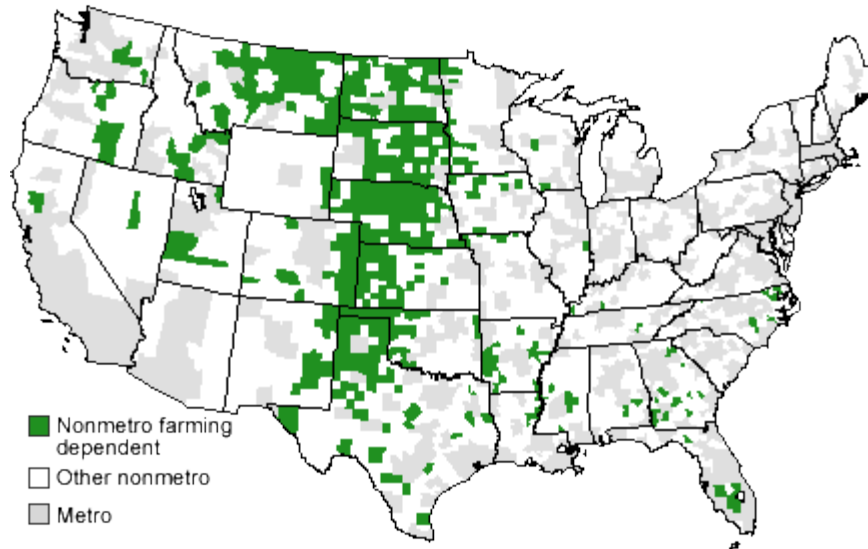
Farm Journal Foundation

February 26th, 2019

Nonmetro farming-dependent counties, 1950



Nonmetro farming-dependent counties, 2000



Source: Farming-dependent counties are defined by ERS. Metro/nonmetro status is based on the Office of Management and Budget (OMB) June 2003 classification.

How Did the Farm Bill Finally Get Done?

- It is clear that the 2018 mid-term election results were a major factor in pushing the House and Senate Agriculture Committee leaders to reach a final farm bill deal
 - Rep. Conaway knew he had more leverage as Chairman than he would in 2019 as ranking member
 - Rep. Peterson preferred to get it done so he would not have to wrangle with progressive members of his Caucus about what should go into a new farm bill in 2019

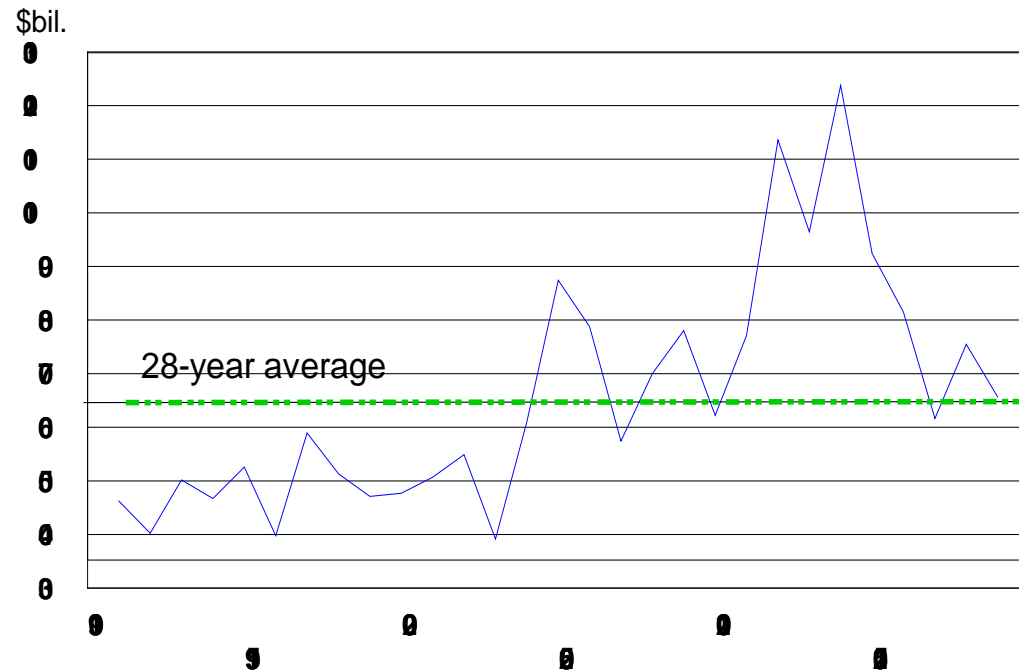
How Were Key Outstanding Items Resolved?

- Work requirements for SNAP in House bill were dropped
- Crop producers affected by recent droughts were allowed to upgrade their program yields
 - Paid for by eliminating base acres not recently planted to program crops (mainly affects wheat growers) but those acres now eligible for CSP
- Conservation Stewardship Program (CSP) still a stand-alone program, with less funding

- Mandatory funding provided for new animal vaccine bank, \$180 million over lifetime of farm bill
- No change to AGI payment limitation level, still at \$700K
- Renewable energy programs were preserved

- Foundation for Food and Agriculture Research received \$185 million in new mandatory funding
- Budget offset achieved by reducing interest rates paid on reserve funds for rural energy cooperatives, originally in Senate bill. Provision saves \$840 million over five years.

U.S. Net Farm Income, 1990-2018 (nominal dollars)



Source: ERS/USDA.

- Maintains farmers' choice between ARC and PLC
 - New sign-up opportunity will be available once farm bill is enacted
 - Farmers will have opportunity to change their program election annually after 2021, but not required
 - Problem with lack of reliable NASS county yields under ARC-county will be addressed by using RMA county yields

Key Provisions—Dairy Program

- The dairy safety net was previously strengthened in the 2017 omnibus budget bill, about a year before the 2018 farm bill passed.
 - Dairy Margin Coverage (formerly Margin Protection Program (MPP)) enhanced
 - Higher levels of coverage available
 - At reduced premiums

Dairy Provisions of 2018 Farm Bill

- Restrictions taken off ability to offer dairy revenue protection plan under crop insurance program
 - New coverage (developed by AFBF) approved for sale as of October 9th
- Dairy producers can now cover production with both programs
- Will receive \$58 million in reimbursement of MPP premiums



Holstein dairy cows in Indiana

Key Provisions in Conservation Title

- Reauthorizes the Conservation Reserve Program (CRP) with 27 million acreage cap, up 3 million acres
 - Paid for by capping soil rental rates under program
- Environmental Quality Incentives Program (EQIP) will be reauthorized with \$1.25 billion in additional funding (essentially from CSP)
- Regional Conservation Partnership Program will be reauthorized with \$300 million annually
- Farmers who experience losses due to wildfires will now be eligible for assistance under the Emergency Conservation Program.

Key Provisions—Nutrition Title

- SNAP reauthorized
- Gus Schumacher Food Insecurity Nutrition Incentive Program is authorized (previously was pilot program)
 - Provides incentives for SNAP beneficiaries to buy fresh produce in farmers markets
 - Funded at \$143 million over five years
- Emergency Food Assistance Program (TEFAP)
 - Provides food to food banks, soup kitchens, etc.
 - \$105 million in new funding over five years



Shelves at a Maryland food bank

- No major changes to Federal Crop Insurance Program
 - No need to reauthorize—most provisions in the Federal Crop Insurance Act have no ‘expiration date’
 - One provision will make it easier for farmers to establish a single enterprise unit across counties in order to be eligible for premium discount

Non-insured Disaster Assistance Program (NAP)

- While about half a dozen F&V's grown in Colorado are 'insurable', most are not
- NAP Service fee will be increased--\$325 per crop per county, not to exceed \$1,980 per producer

NAP-eligible crop-cucumber



One of many vegetables grown in Colorado

- Disaster assistance programs will be reauthorized
 - Livestock Forage Program
 - Livestock Indemnity Program
 - Tree Assistance Program (for orchard crops)
 - Emergency Assistance for Livestock, Honey Bees and Farm-raised Fish

Other Provisions of Interest to Colorado Fruit and Vegetable Farmers

- Specialty Crop Block Grant program reauthorized
- Funding for Local Agriculture Market Program at \$50 million annually
- Trade title combines the following trade promotion programs, to protect and bolster baseline funding (added \$235 million over 5 years)
 - Market Access Program
 - Foreign Market Development Program
 - Technical Assistance for Specialty Crops
 - Emerging Markets Program

- Will provide funding for Organic Agriculture Research and Extension Initiative
 - Funding will be \$145 million over five years
- Farmers will be eligible for cost-share assistance to transition to certified organic production under CSP
- Funding for Organic Production and Market Data Initiatives at \$5 million annually

- Production of all forms of cannabis sativa (both industrial hemp and marijuana) in the U.S. was restricted under the Controlled Substances Act of 1970. No distinction drawn between the two.
- Senator Mitch McConnell (R, KY) was able to insert language in farm bill allowing industrial hemp to be grown for research purposes on a pilot basis in 2014 farm bill
 - Farmers planted more than 23,000 acres of hemp under this authority (Colorado at 7,500 acres)

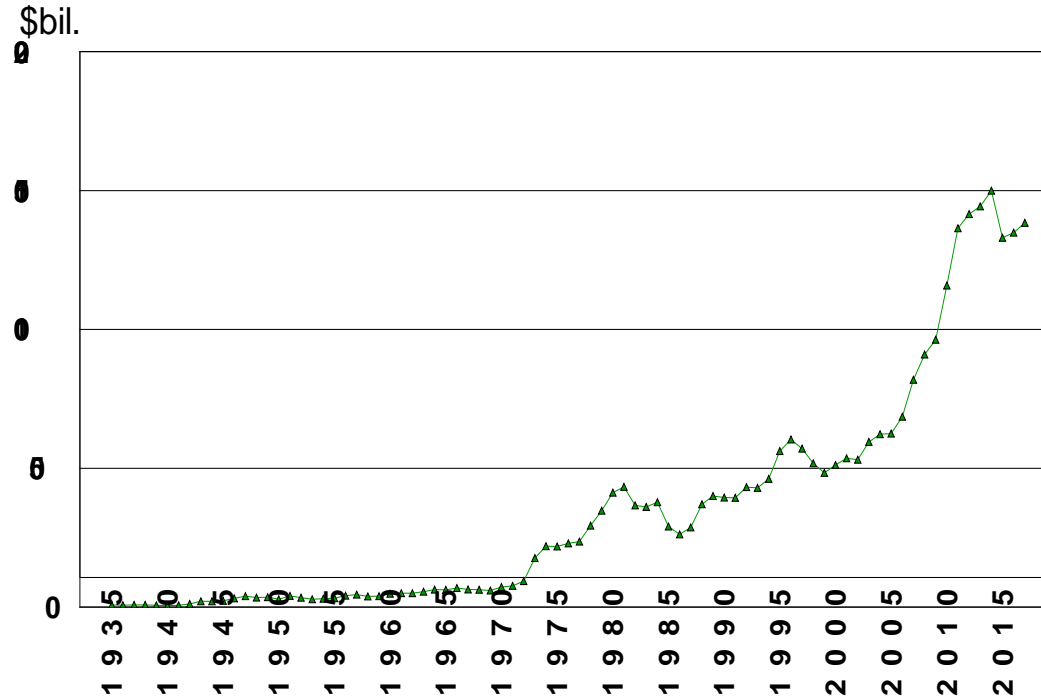
- Now Senate Majority Leader, McConnell has inserted in the 2018 farm bill the following provisions:
 - Remove industrial hemp from Controlled Substances Act
 - Define it as a commodity eligible for crop insurance
 - Requires USDA to study the economic viability of industrial hemp as a crop
 - Allows states to regulate production and marketing of hemp



Marijuana field in Mississippi

- Based on what you know right now, do you think the provisions of the 2018 Farm Bill will:
 - Help your operation
 - Make no difference
 - Harm your operation

U.S. Agricultural Exports-- 1935-2017



Source: ERS/USDA-FATUS (calendar year)

Recent Trade Policy Developments

- Trans-Pacific Partnership (TPP) w/ Pacific Rim countries
- Trans-Atlantic Trade and Investment Partnership (TTIP) with the European Union
- NAFTA/USMCA
- New preference for bilateral trade deals
- Steel and aluminum tariffs imposed on national security basis
- Trade dispute with China
- Trade Facilitation Payments

- As originally negotiated, would have encompassed trade between U.S. and 11 Asia-Pacific countries
 - Negotiations were completed in 2016 under Obama Administration, but never formally submitted to Congress
 - Farm Bureau estimates that TPP would have increased U.S. agricultural exports by \$5.3 billion annually
- President Trump withdrew from deal shortly after he took office

- Other TPP countries re-grouped and promulgated new deal w/o U.S., took effect on January 1, 2019
 - In aggregate, those 11 countries have an annual GDP of \$11 trillion.
 - U.S. likely to lose market share in Japan since major competitors such as Canada and Australia will face lower ag tariffs



Container ship docked at Tacoma, Washington port

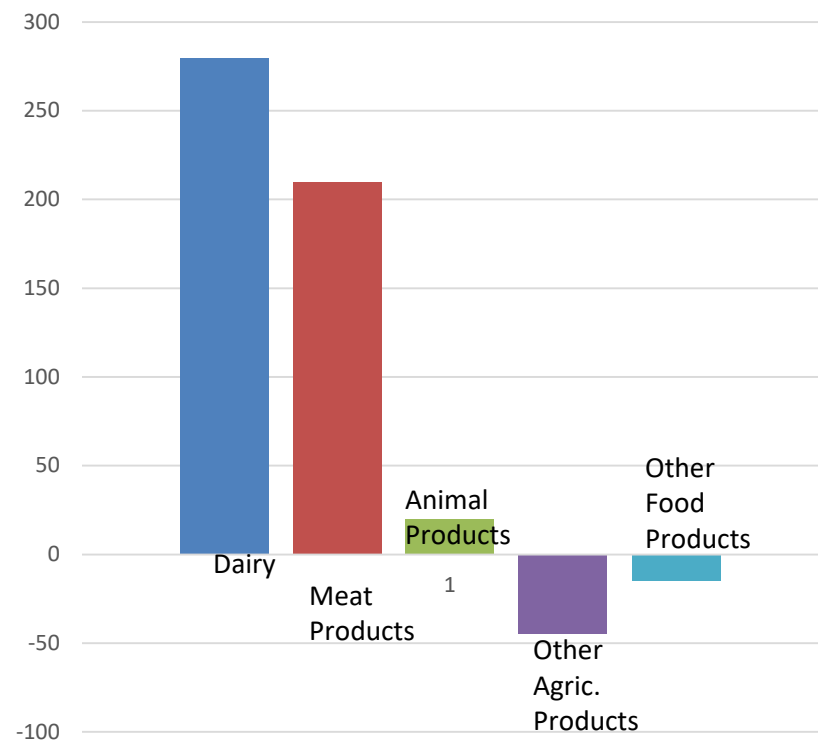
- During the course of the 2016 campaign, it was clear that Mr. Trump had taken a particular dislike to NAFTA, calling it ‘maybe the worst trade deal ever’
- Early in his administration, he announced his intention to renegotiate NAFTA, although members of his Cabinet convinced him to not withdraw from the agreement entirely
- After a few years of negotiations, the three countries reached a new deal, which President Trump insists on calling the ‘U.S.-Mexico-Canada Agreement’

- Agricultural provisions were largely unchanged, with three exceptions:
 - Dairy—U.S. gets expanded TRQ access for some dairy products into Canada, and Canada withdraws price protection for ultra-filtered milk products (Class 7)
 - Poultry—another Canadian supply-controlled sector, U.S. gets expanded TRQ access into this market
 - Wheat—Canada agrees to reform its wheat classification system, enabling U.S. wheat to be imported for food use and not just feed use

Purdue analysis

- Analysis released on October 31 by Farm Foundation (conducted by Purdue University economists) finds \$450 million in increased exports annually from these concessions once fully implemented

Composition of U.S. Export Changes under USMCA



- Negotiations with EU were initiated by Obama administration in 2013—not completed by the end of his second term
- Referendum in the U.K. in June 2016 to leave the European Union (so-called Brexit) created an unanticipated wrinkle in that process
- While never formally repudiated, the Trump Administration apparently did not resume TTIP negotiations when it took office

- On October 15, President Trump sent letter to Congress with formal notification of its plans to begin trade negotiations with the U.K. and EU separately
 - If no deal or extension by March 29, 2019, U.K.-EU trading relationship would revert to MFN terms under the rules of the World Trade Organization (WTO)
 - EU determined to not include agricultural policies in any agreement with the United States; U.S. equally determined that it will cover ag policies

Trump Preference for Bilateral Trade Deals

- During the 2016 campaign, Mr. Trump made it clear that he believed that negotiating new trade deals going forward should be limited to bilateral trade deals where feasible, under which he thought the U.S. negotiators would have maximum leverage
- In the first two years of his term, numerous reports have emerged that President Trump attempted to convince various European leaders to negotiate bilateral trade deals with the U.S., despite the fact that such arrangements are barred under the rules which govern the European Union

U.S. Trade Deals in Asia?

- Renegotiated' trade deal with South Korea, with only minor changes for U.S. agriculture
- The President's October 15 letter to Congress also indicated that the U.S. would open trade negotiations with Japan in 2019



President Trump and President Moon shake hands over trade deal

Tariffs on Steel and Aluminum Imports for 'National Security' Purposes

- Although Mr. Trump telegraphed early action on TPP and NAFTA during his campaign, his decision to impose tariffs on imports of steel and aluminum into the U.S. on national security grounds in March 2018 caught many by surprise
- This action provoked retaliatory tariffs by many countries, including some imposed on agricultural products
 - Pork
 - Rice
 - Fruit juices
 - Alcoholic Beverages

- These tariffs are being challenged by several countries under the WTO dispute settlement process (7 different cases)
- Farm Foundation study found that the cost to farmers of these tariffs from Mexico and Canada, which remain in place, at \$1.8 billion annually, which vastly exceeds the projected agricultural gains from the new USMCA deal
- The tariffs are also increasing the cost of farm machinery for U.S. farmers

Trade Dispute with China: Round 1

- Steel and aluminum tariffs were first salvo fired during this trade war
- Followed by tariffs imposed specifically on China due to concerns about abuses of U.S. Intellectual Property Rights (IPR)
 - First round of tariffs on \$50 billion worth of Chinese goods imposed in August 2018
 - Second round on another \$200 billion worth imposed in September

- China retaliated with counter-tariffs in August 2018, focused largely on U.S. agricultural products
 - Soybeans
 - Corn
 - Cotton
 - Wheat
 - Frozen Beef
- Third round of planned U.S. tariffs suspended after Trump-Xi talks in early December, 90 day truce called while negotiations continue

- In July 2018, Secretary Perdue announced that USDA would provide up to \$12 billion in assistance to farmers harmed by the trade retaliatory actions taken by China and other countries
- Using broad authority under the CCC Charter Act (1948)

Component of Mitigation Package

- The package of assistance has three components
 - Bulk (\$4.7 billion) provided as 1st tranche of direct payments to program crop and dairy farmers.
 - 77 percent will go to U.S. soybean producers
 - USDA will make additional commodity purchases of affected products, including fruits and vegetables, for use in food banks, etc., totaling \$1.2 billion
 - USDA will provide \$200 million in additional funds to augment U.S. ag trade promotion activity

Commodities To Be Directly Purchased Under USDA 'Trade Mitigation' Program

- Top ten by value
 - Pork--\$559 million
 - Apples--\$93 million
 - Dairy--\$85 million
 - Pistachios--\$85 million
 - Oranges--\$55 million
 - Rice--\$48 million
 - Grapes-\$48 million
 - Potatoes-\$44 million
 - Walnuts-\$35 million
 - Cranberries-\$33 million

- Even with record usage of H2-A visa program (240K in 2018), farmers around the country are still facing significant labor shortfalls
- Efforts to pass limited legislation to address problems with the H2-A visa floundered in the House last summer
- Labor Department released proposed rule on H2-A program, dealing with advertising requirements
- Lawsuit filed in January in DC Circuit Court to halt increases in H2-A wages announced late last year



Migrant farmworker in Tennessee

- Continuing Struggle over Renewable Fuel Policy
 - RFS/RIN issues
 - Small Refiner Waivers
 - Year-Round Availability of E-15
- Other Key Regulatory Actions
 - Clean Water Act (WOTUS)
 - Availability of Dicamba
- Re-organizing USDA

Concluding Remarks

- Even though the new farm bill does not include radical changes to farm programs, American farmers in general are pleased with the bill, since they now know what policies and programs will be in place for the next five crop years
- A lot of the federal agricultural policy issues that matter to farmers occur outside of the Agriculture Committees' jurisdiction
 - Trade policy
 - Renewable energy and environmental policies
 - Immigration Policy

Stephanie Mercier

Senior Policy Adviser



smercier@farmjournalfoundation.org



@samarra333



[linkedin.comstephanie-mercier/8/6b3/879](https://www.linkedin.com/stephanie-mercier/8/6b3/879)

FARMJOURNALFOUNDATION