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Farm Bill Update – May 2024

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Following the expiration and eventual extension of the 2018 farm bill last fall, interested parties have been attempting to get a farm bill moving in this session of the U.S. Congress prior to the existing farm bill expiring on September 30, 2024. Agricultural interests are hoping to strengthen the current farm bill given a challenged ag economy consisting of slumping commodity prices, elevated input costs, tightening credit conditions, and falling exports.

While lots of discussion occurred prior to this month among lawmakers, lobbyists, and other interested parties, congressional action has been limited so far in 2024 until a flourish of activity within the ag committees this past month in hopes that will jump-start passage of a new farm bill in 2024 amidst a crowded legislative agenda, limited floor time remaining in this session, and during a presidential election year.

On May 1st, House Ag Committee Chairman Glenn “GT” Thompson (R-PA) and Senate Ag Committee Chairwoman Debbie Stabenow (D-MI) both released a framework of their individual farm bill proposals.[i] Both leaders proposed maintaining the existing structure of the current farm bill where crop insurance along with the Price Loss Coverage (PLC) program and the Agricultural Risk Coverage (ARC) program remain the primary safety net programs for agriculture. PLC makes payments when market year average prices for program crops fall below statutory “effective “reference prices. ARC makes payments when revenue falls below county benchmark levels. Both programs make payments on 85% of historical base acres to prevent farm programs from influencing current production decisions. For more details on the mechanics of these programs click **here**.

Chairman Thompson provided specific details of his farm bill this past week with plans for the bill to be debated within the House Ag Committee on May 23rd. A few selected items of interest for agricultural producers within this nearly 1000-page bill are the following:

- Increases in the statutory reference (safety net) prices across the board for program crops (primarily corn, soybeans, and wheat for Kentucky) to reflect changing market conditions and production costs. The reference price for corn would increase from $3.70 to $4.10 a bushel (+10.8%), soybeans would go from $8.40 to $10.00 a bushel (+19.0%) and wheat would rise from $5.50 to $6.35 a bushel (+15.5%). Marketing loan rates for program crops would also increase modestly.
- Increases the ARC crop revenue guarantee to 90% of the benchmark revenue compared to its current level of 86%. Increases the maximum payment rate for ARC to 12.5% of benchmark revenue versus 10% under the existing farm bill.

- Provides a one-time opportunity for producers to receive new base acres on program crops that are currently not eligible for ARC/PLC payments. These new payment acres would be based on production history during the 2019 to 2023 crop years.
- Crop insurance premium subsidies for the Supplemental Coverage Option would increase from 65% to 80% and the top coverage level would be boosted from 86% to 90%.
- Reallocates conservation funding within the Inflation Reduction Act (IRA) which is designed to support climate change practices in agriculture directly to the conservation title of the farm bill, without mandating how these funds can be used to support agriculture.
- Maintains the Conservation Reserve Program (CRP) cap at 27 million acres.
- Increases the cap on Tier I coverage for the Dairy Margin Coverage (DMC) program to 6 million pounds, compared to the existing cap of 5 million pounds. In addition, the House farm bill proposal provides an opportunity to update production history for DMC and calls for a 25% discount on DMC premiums for dairy operations that enroll in coverage for the life of the 2024 Farm Bill. The proposed House bill also addresses the formula calculation of the price of Class I (fluid) milk.
- Increases the payment rate of the Livestock Indemnity Program (LIP) to 100% of the fair market value of the animal if the loss is caused by an attack by a federally protected species.
- Forbids states or local governments to impose regulations on livestock production as a condition for the sale or consumption of livestock products outside its borders.
- Increases limits for USDA's Farm Service Agency loans and provides additional opportunities and programs for beginning farmers.
- Increases funding for trade promotion and specialty crop programs.
- Addresses some of the regulations on industrial hemp production related to testing and background checks.

Additional details for these and other programs of Chairman Thompson's **proposed House farm bill** can be found by clicking **here**.

While specific details of the Senate farm bill proposed by Chairwoman Stabenow have not been released, there are some similarities in the two bills, but a lot of differences. According to the committee's **proposed Senate farm bill summary**, the Senate bill provides an increase in the statutory reference prices for three (non-Kentucky) crops – cotton, rice and peanuts. Other program crops may experience an adjustment in response to the Senate bill modifying the formula used to determine the "effective" reference price to reflect recent higher commodity prices. The ARC crop revenue guarantee would be increased from 86 to 88% (versus 90% in the proposed House bill), while the cap on the maximum payment rate like the House bill will be boosted from 10 to 12.5% of the ARC benchmark revenue. The Senate summary indicates base acre adjustments will be offered only to "underserved" producers. Similar to the House bill, the Senate bill increases the quantity of milk eligible for Tier I coverage to 6 million pounds and allows producers to update their production history. FSA maximum borrowing levels are also boosted. Unlike the House bill, the Senate farm bill proposal does reduce the adjusted gross income cap on farm program payments from its current level of $900,000 to a proposed $700,000 level. Trade promotion program funding within the proposed Senate farm bill remains at current levels, with noted opportunities outside the farm bill to increase support. The Senate farm bill proposal gradually expands the CRP cap to 29 million acres (vs remaining at 26 million acres in the House bill). Like the House bill, the Senate proposal transfers the conservation dollars from the IRA into the 2024 farm bill, but the Senate proposal does not provide opportunities to shift climate-smart agricultural program funding from the IRA into other farm bill programs. California's Prop 12 which prohibits the sale of livestock products from animals raised under certain conditions is not addressed by the proposed Senate farm bill.

The political reality is that neither one of these bills will be enacted in its current form, with lots of amendments offered and compromises required on both sides necessary to even have a shot at passage given thin party margins in both chambers and the political divide within parties. In addition to philosophical political differences, the challenge for both sides will be finding additional dollars to support the proposed expansion of various agricultural and nutrition programs within the farm bill.

Without additional new funding sources, lawmakers seeking to increase funding of certain components of the farm bill will require taking dollars from other parts of the farm bill. Pulling dollars from the Supplemental Nutrition Assistance Program (SNAP – currently over 80% of the current farm bill budget), is off-limits for a large block of lawmakers who likely will be critical to its passage. Others are looking at acquiring funds from the climate change/carbon-smart agriculture conservation programs funded in the Inflation Reduction Act of 2022 to provide for a stronger farm safety net in this farm bill and to boost available baseline spending in future farm bills. Again, opposition exists to redirect these funds and the potential use of these funds. Others are looking at tapping into funds held within the Commodity Credit Corporation (CCC), USDA's line of credit at the Treasury, for additional dollars to help fund expanded farm bill initiatives which is meeting resistance from some lawmakers who question the use of these dollars beyond traditional uses to designed to stabilize, support, and protect farm income and prices. Alternatively, Chairman Thompson is proposing suspending USDA's funding authority within the CCC to clear up funds for farm bill expansion which remains questionable if the committee has authority to account for these savings, the amount of potential savings, and whether this action is the correct strategy amidst other potential future uses of these funds.

Consequently, the debate within the House Ag Committee on May 23rd, will be intense with much uncertainty if it will allow an eventual path to debate on the contentious House floor. Actions and deliberations within the House Ag Committee will likely influence the farm bill debate and strategy that will evolve later from the Senate Ag Committee. Additional updates in our newsletter will be forthcoming as Congress attempts to pass a farm bill in 2024. In reality, the effective deadline from a commodity perspective is December 31, 2024, which if not passed prior to the fall elections would enable the farm bill to potentially receive floor debate during the lame duck session following the November elections. Given the political challenges, another farm bill extension is likely the best bet at the present time. Stay tuned!

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[i] The House Farm Bill proposal offered on May 1st by House Agriculture Committee Chairman, Glen "GT" Thompson (R-PA) can be found by clicking **here**. The Senate Farm Bill proposal offered by Chairwomen Stabenow (D-MI) on May 1st can be found by clicking **here**.

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