DRC's FARM BILL PRIORITIES: OPENING ROUND
August 2017

Background

The Farm Bill is a package of federal legislation enacted every five to seven years to set the general direction for America's farm and food policy. Congress enacted the first Farm Bill in the wake of the Great Depression. The Farm Bill is much more than an agricultural aid package - in fact it influences you every day. From the cost and availability of your food, to the tools available to your community to protect farm and ranch land, promote on farm renewable and energy efficiency and much more.

DRC members have engaged more fully in the Farm Bill process over the years.

The current Farm Bill expires in 2018 and the process to decide what ultimately ends up in the next Farm Bill is underway. For the next several months, Congress and others will be in listening mode. The challenges to win anything meaningful in the Farm Bill remain the same: industry is incredibly powerful and it is a huge piece of legislation with multiple and often competing priorities. However, we do see opportunities to elevate our priority issues with decision makers and allies during upcoming Farm Bill listening sessions in North Dakota.

DRC supports the following policies:

Sen. Chuck Grassley's "Farm Payment Loophole Elimination Act." This act redefines and tightens the requirements for "Material Participation" for the Farm Programs. This act would exclude from farm program payments individuals that do not provide labor or management on a farm that receives federal payments. (The act's language could be incorporated into the upcoming Farm Bill.)

Means-tested farm programs. The White House Budget proposal would limit eligibility for commodity support programs like Agriculture Risk Coverage and Price Loss Coverage to farmers earning an Adjusted Gross Income (AGI) of more than $500,000 a year. Currently, the AGI threshold for those programs is $900,000. Crop insurance has never been means-tested, and the Trump Administration is proposing a $500,000 income cutoff for participants. Both proposals have floated around for years, and are backed by groups like the conservative Heritage Foundation and the Environmental Working Group, along with Rep. Ron Kind (D-Wis.) and Sens. Jeff Flake (R-Ariz.) and Jeanne Shaheen (D-N.H.), all of whom have introduced legislation on this front.

Crop insurance caps, restrictions. Farmers participating in the federal crop insurance program could receive up to a maximum of $40,000 per legal person a year in premium subsidies, under the budget submitted by the Trump Administration. Currently, there is no limit per legal person for crop insurance subsidy. This would save taxpayers $16.2 billion over a decade, so there is incentive to do so in Congress. RMA on average covers 60 percent of farmers' insurance premiums, while they pay the other 40 percent. This position would still provide all farmers with equal coverage. The $40,000per year cap still exceeds the subsidy needs of almost all family farmers, but would eliminate subsidy for large expansionist farm operations that expand their acreage at the expense of the land base of family farms. Large expansionist farm operations could still purchase their required crop insurance, but without subsidy. That additional cost for insurance may curtail the current trend of large farming entity land base expansion that prices many family farmers out of competition for purchasing or renting cropland.

Sen Heitkamp has told DRC that she will not support Crop Insurance Subsidy participation linkage to Adjusted Gross Income (AGI). Her reasoning is that it would remove too much land from the risk pool. This position is the same position put forth by the Crop Insurance and Reinsurance Bureau, and several other lobbying groups that want to see the Federal Crop Insurance budget as large as it can be. This position could be argued is that there is already too much cropland being operated and insured by farming operations that have an AGI of over $500,000 per year, or require more than $40,000 per year in premium subsidy. A GAO report refutes that position. www.gao.gov-assets-670-669062

If farming operations that require more than $40,000 per legal person in crop insurance subsidy cannot then afford to purchase their needed crop insurance without such subsidies, (the government providing their expansion business plan with unlimited risk management) then they may be detoured from expansion and competing against family farms .The playing field will be leveled. Family farms of the acreage and AGI that qualify under the new proposal, will still receive the subsidy.

(The budget also would eliminate an insurance policy that allows farmers to guarantee revenue based on harvest prices, instead of those projected before planting, when the former is higher, saving $11.9 billion over 10 years, DRC Food and Ag Task force should discuss whether we oppose that budget provision)

DRC Supports access to fair and open markets that benefit farmers, workers, consumers and the marketplace: Crop and livestock producers need a much more competitive and open marketplace so they are not forced to be virtual or actual serfs of big food manufacturers, dairy processors, meatpackers and processors, and retailers. There need to be enough buyers of the fruits of farms and sellers of agricultural inputs that the competitive benefits of markets can work for farmers. A more vibrant marketplace should cover the cost of production, including fair pay for workers, plus reasonable profits and provide a measure of economic stability too often absent in the current marketplace. A more vibrant marketplace with more choices for farmers and consumers is essential, but it cannot happen without breaking up the agribusiness cartels who control seed, chemical, meatpacking, poultry and grocery chain markets and vigorous enforcement of existing anti-trust laws. Congress should amend the Packers and Stockyards Act, 1921, to prohibit the use of certain anti-competitive forward contracts as proposed in the Captive Supply Reform Act.

Manipulation of livestock markets must be stopped. Because of the consolidation of meatpacker firms in recent decades, livestock markets are extremely concentrated. The market power of these remaining firms, both foreign and domestic, enables the use of marketing and pricing mechanisms that shift economic risks onto the backs of farmers and ranchers. Meatpackers use of packer-owned livestock as a major tool for exerting unfair market power over farmers and ranchers, freezing independent farmers out of the market and artificially lowering farmgate prices to farmers and ranchers while consumer food prices continue to rise. Even when ranchers are able to retain ownership of their livestock, meatpackers impose formula contracts and marketing agreements are often negotiated in secret, where packers have all the information and power.

Anti-trust enforcement in agriculture and food sector must be enhanced. Our market economy relies on the long-established role of the federal government to enforce anti-trust law, ensuring fair and open competition that promotes a thriving economy, and limiting the destabilizing control of those markets by a few large entities. To ignore these responsibilities is to imperil our economy and the well-being of our farmers, consumers and rural communities.