

THE FARM BILL: NAVIGATING THE COMPLEXITIES OF AGRICULTURAL POLICY AND BEYOND



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WHAT IS THE FARM BILL?

The Farm Bill is a comprehensive piece of legislation that is passed by the United States Congress and terminates after 5 years. It focuses on agricultural and food policies, as well as provisions related to nutrition assistance programs, conservation initiatives, rural development, and trade policies. The Farm Bill plays a crucial role in shaping the nation's agricultural sector and ensuring the stability and sustainability of the food system.

The Farm Bill provides stability and support to farmers, ranchers, and landowners by offering financial assistance, insurance options, and price support programs. These measures help protect against unpredictable market conditions, natural disasters, and other unforeseen risks, ensuring the livelihoods of farmers and the stability of the agricultural sector.

Furthermore, the Farm Bill supports conservation efforts and promotes sustainable farming practices. It provides funding and incentives for farmers, ranchers, and landowners to adopt practices that protect natural resources, reduce soil erosion, conserve water, and preserve wildlife habitats. These conservation measures are crucial for maintaining the long-term health and sustainability of the environment and ensuring the availability of resources for future generations.

The Farm Bill's importance is far reaching and affects more than just its name sake, "Farm." Off the farm, the Farm Bill plays a significant role in shaping the nation's food system. It includes provisions related to nutrition programs like the Supplemental Nutrition Assistance Program (SNAP), which helps millions of low-income individuals and families access nutritious food. By setting funding levels and eligibility criteria for these programs, the Farm Bill helps address food insecurity and promotes public health.

Additionally, the Farm Bill supports rural development by investing in infrastructure, broadband access, and economic development programs. These help improve the quality of life in rural areas, create job opportunities, and strengthen rural communities.

Overall, the Farm Bill is critical because it addresses the unique challenges of agriculture, food, nutrition, conservation, and rural development. It helps ensure the stability and sustainability of the agricultural sector, promotes access to nutritious food, protects the environment, and supports rural communities.

WHAT ARE THE PARTS OF THE FARM BILL?

The Farm Bill is divided into 12 titles, each focusing on a specific area. Here is a brief explanation of each title:

Title I. Commodities: This title provides farmers with programs related to price and income supports, as well as risk management tools for major commodity crops such as wheat, corn, soybeans, peanuts, cotton, rice, dairy, sugar, and other grains and oil seeds. Title 1 establishes and regulates the Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and the Noninsured Crop Disaster Assistance Program (NAP). It aims to stabilize farm incomes and ensure a stable food supply with unpredictable market conditions.

Title II. Conservation: This title focuses on programs that promote environmental stewardship and conservation practices on agricultural lands. It provides funding, incentives, and assistance for farmers, ranchers, and growers to implement conservation measures to protect soil, water, and wildlife habitats. Conservation Reserve Program (CRP), Environmental Quality Incentive Program (EQIP), and Conservation Stewardship Program (CSP) are some of the many programs established and regulated in this title.

Title III. Trade: This title addresses international trade policies and programs that support agricultural exports. It aims to expand market access for US agricultural products and provide incentives for innovation and economic growth. The Market Access Program (MAP) and Foreign Market Development (FMD) are covered in this title.

Title IV. Nutrition: This title includes food nutrition programs such as the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. It provides assistance to low-income individuals and families to access nutritious food. This is the largest title, by allocated funding, in the farm bill.

Title V. Credit: This title deals with agricultural credit programs that provide loans and loan guarantees to farmers and ranchers. It aims to ensure access to credit for agricultural operations to start, maintain, or seek capital, especially during times of financial stress. Credit can be obtained directly from the Farm Service Agency (FSA) or through guaranteed loans from private agricultural lenders.

Title VI. Rural development: This title focuses on programs that support economic development and infrastructure in rural areas. It includes initiatives to improve access to healthcare, education, housing, capital investments, and broadband internet in rural communities.

Title VII. Research: This title supports agricultural research and extension activities. It funds research programs to enhance productivity, sustainability, and competitiveness in the agricultural sector.

Title VIII. Forestry: This title addresses programs related to forest management and conservation. It supports initiatives to protect and enhance forest resources, including wildfire prevention and reforestation efforts.

Title IX. Energy: This title promotes renewable energy production and energy efficiency in the agricultural sector. It includes programs that incentivize the research and production of biofuels, biomass, and other forms of renewable energy.

Title X. Specialty crops and horticulture: This title focuses on programs that support the production and marketing of fruits, vegetables, and other specialty crops, along with organic farming and certification. It aims to enhance the competitiveness of these industries and improve access to healthy foods.

Title XI. Crop insurance: This title deals with federal crop insurance programs that provide yield and revenue risk management tools to farmers. It aims to protect against crop losses due to natural weather events, pests, and other unforeseen market events. Crop insurance is a public-private partnership that provides insurance products that are federally subsidized. The Risk Management Agency (RMA) is authorized through this title to research, develop, and modify insurance policies and products.

Title XII. Miscellaneous: This title covers various other provisions that do not fall under the other titles. It may include provisions related to agricultural research, food safety, and other miscellaneous programs. Areas of focus in Title XII are benefits for socially disadvantaged, veteran, and beginning farmers and ranchers; agricultural labor safety and workforce development; and livestock health.

FARM BILL PROCESS

Why does it take a long time to get a new Farm Bill, and why do we often see extensions? The process for passing the Farm Bill involves several steps and typically takes place over the course of several months (and sometimes years). Here is a general overview of the process:

- 1 Drafting and committee work:** The process begins with the drafting of the Farm Bill by the Agriculture Committees in both the House of Representatives and the Senate. These committees hold hearings, gather input from stakeholders, and draft the legislation for the bill.
- 2 Committee markup:** Once a draft of the Farm Bill is ready, it goes through a markup process in the respective committees. During markup, committee members propose amendments and make changes to the bill. The committees debate and vote on these amendments, shaping the final version of the bill. The committees vote on the final version of the bill to send to the full House and Senate.
- 3 Floor debate and voting:** After coming out of committee, the Farm Bill moves to the floor of the House and the Senate for debate and voting. Members of Congress have the opportunity to propose additional amendments and voice their opinions on the bill. The bill must pass both chambers of Congress with a majority vote.
- 4 Conference committee:** If there are differences between the House and Senate versions of the bill, a conference committee is formed to reconcile these differences. The conference committee is composed of members from both chambers who work together to negotiate and reach a compromise on the final bill.
- 5 Final vote and approval:** Once the conference committee reaches an agreement, the final version of the Farm Bill is presented to both the House and the Senate for a final vote. If approved by both chambers, the bill is sent to the President for signature.
- 6 Presidential signature:** The President has the option to sign the bill into law or veto it. If the President signs the bill, it becomes law. If the President vetoes the bill, Congress can override the veto with a two-thirds majority vote in both chambers.

ANALYSIS OF WHAT TO LOOK FOR IN THE NEXT FARM BILL

The 2018 Farm Bill was set to expire in September of 2023. Congress passed a 1-year extension to allow for additional time to debate and develop a stronger Farm Bill. The extension is set to expire on September 30, 2024, and it is likely that Congress will fail to pass a new Farm Bill before the expiration. Another year-long extension is expected, but we are far enough along in the process that we should not have to wait another year to get the new bill passed. The House Agriculture Committee has released their draft of the Farm Bill, and Senators John Boozman (R-AR) and Debbie Stabenow (D-MI) have each released separate frameworks outlining their respective parties' priorities for the Farm Bill. Stabenow, as the Senate Agriculture Committee Chairwoman, will need to release the text of the actual bill.

There is a chance that a bill could be passed during the lame duck session after the 2024 election, but this will depend on the outcome of the elections. It is most likely that we will see a new Farm Bill passed with the new Congress in 2025. It should be one of the first major pieces of legislation each chamber of Congress takes up.

The new congresses will need to appoint new Agriculture Committee members, and that could delay or even reset the Farm Bill process. There will also be a new president, and this will mean new political appointees at USDA. This will not delay the passing of the bill, but it could delay the administration and implementation of new or modified programs. It would be expected many of the new provisions in the new Farm Bill would be effective for the 2025 year, but this gives very little solace to the farmers who are facing negative margins in 2024 because of dropping crop prices and high input costs.

During the Agriculture Committee's drafting process, there has been a consistent theme from agriculture stakeholders: "Put the farm back in the Farm Bill." Many groups and representatives have adopted this motto while seeking input on Farm Bill legislation. Another consistent theme is "Do No Harm" to crop insurance. Crop insurance is an important tool for farmers as it provides a crucial safety net against unpredictable weather events, pests, and market fluctuations, helping to mitigate financial risks and ensure the viability of their operations. Indications are that the program will not see decreases in funding, and enhancements will be made to benefit farmers and ranchers.

Between the House Farm Bill Draft and the frameworks released by Boozman and Stabenow, we have a good understanding of the issues that will be addressed in the next Farm Bill. The following is a list of key issues that could be addressed:

- Redirecting conservation and climate funding in the Inflation Reduction Act.
- Increase PLC reference prices to address inflation on farm inputs.
- Increase the ARC guarantee and payment rate.
- Farm program payment limits that are more in line with historical limits.
- Adjusted gross income restriction removed from some programs.
- Adjusted gross income restriction adjustment.
- Base acre increases when planted acres have been more than base acres.
- Market loan amounts and rates to reflect an increase in operating capital needs.
- Dairy margin coverage enhancements.
- Trade program enhancements to address the growing agriculture trade deficit.
- Rural infrastructure to address population losses in rural areas.
- Restriction of the use of the Commodity Credit Corporation by the Agriculture Secretary and USDA.
- Increase crop insurance premium support for beginning farmers and ranchers.
- Supplemental coverage option premium subsidy and coverage increases.
- Higher MPCl coverage level subsidy support.
- Emphasis on specialty crop research and development.
- Risk management tools for poultry farmers.
- Enhancements to Whole-Farm Revenue Protection.
- A&O cap increases and inflation adjustments for agencies.
- Reduction in commercial solar incentives on productive agricultural land.
- Address California's Prop 12 restrictions.
- Increase sugar loan rates.
- Address foreign land ownership.

CONCLUSION

The Farm Bill stands as a vital piece of legislation that encompasses a wide range of policies and provisions crucial to the stability, sustainability, and prosperity of the agricultural sector, food system, and rural communities. It addresses the unique challenges faced by farmers, ranchers, and landowners, providing them with the necessary support, financial assistance, and risk management tools to navigate unpredictable market conditions and unforeseen risks.

However, it is important to recognize that the Farm Bill is not the sole solution to all the challenges faced by the food and agriculture industry. As you strive to protect your livelihood and mitigate risks, it is essential to seek additional support and expertise from trusted partners. One such partner is Gallagher, a leading risk management and insurance provider for the food and agriculture industry.

Gallagher understands the complexities and unique needs of the food and agricultural sector, offering tailored risk management solutions and insurance options to protect against market volatility, natural disasters, and other unforeseen events. With their expertise and industry knowledge, Gallagher can assist you in navigating the intricacies of risk management and insurance, ensuring the long-term sustainability and success of your operations.

As we look towards the future and anticipate the passing of a new Farm Bill, it is crucial for stakeholders in the food and agriculture industry to stay informed, engaged, and proactive. By leveraging the resources and expertise provided by Gallagher and other trusted partners, you can enhance your risk management strategies, protect your assets, and thrive in an ever-changing agricultural landscape.

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Matthew Farrell is the Director of Ag Advisory Services with Gallagher's Crop practice. He has dedicated his 17+ year career in agriculture to working with family farms to help grow and protect revenue. The past 10 years have been spent specializing in providing producers and landowners across the United States with the advantages they need for making informed farm program decisions and maintaining eligibility within farming operations.

Farrell has worked with commodity, permanent, and specialty crop farmers, dairy and livestock operations, and landowners with strategic advisory on USDA FSA farm programs, legislative guidance, farm bill governance, and farm financial solutions. As a leading expert on farm programs and eligibility compliance, Matthew has presented to farm groups, associations, attorneys, bankers, and accountants. He has written for online publications and appeared on podcasts and radio shows, as well as RFD-TV's Market Day Report. He has a degree in Agricultural Engineering and a Masters in Ag Economics, both from Mississippi State University.