FARM BILL INCHES FORWARD

The Senate version is done, now it's up to the House to make its move

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All eyes are on the House and its version of the next farm bill, which was awaiting consideration as July came to an end. Even if the House does get its bill approved before the August break, there will be only eight legislative days in September to iron out the differences between the House and Senate versions.

Getting the bill done before the November elections seems a tall order as well, which pushes final action on the bill into what is expected to be a busy postelection, lame-duck session of Congress. At that time, lawmakers will address the 2001 and 2003 tax cuts and estate tax provisions that expire at the end of this year, in addition to the across-the-board cuts that are scheduled to go into effect January 2013.

The pricey list of expiring provisions could make savings in the farm bill, which will likely end up at around $28 billion over 10 years, look intriguing to lawmakers searching for ways to "pay" for the provisions to continue.

Highlights of Senate Bill. The Senate considered more than 70 amendments to the bill presented by the Senate Ag Committee, making several key changes. Under the approved plan, direct payments, counter-cyclical payments and the Average Crop Revenue Election program are gone. In their place: the Agriculture Risk Coverage (ARC) program, a "shallow-loss" program that would cover revenue losses of 11% to 21%. The rest would be left up to crop insurance.

ARC payments would be made on acreage planted and considered planted, a major shift from acreage bases as they currently stand. Under this approach, soybeans would come out the winner because current acres exceed the historical bases. Cotton, rice and peanuts—Southern crops—are viewed as the big losers under this approach, as well as wheat (see sidebar).

Crop Insurance Drops. In the Senate version, conservation compliance would be required in order to participate in crop insurance. For those with more than $750,000 in adjusted gross income, there could be a 15% reduction in the premium subsidy. It is estimated this would impact 1,500 producers nationwide and save $1 billion over 10 years.

The Supplemental Coverage Option (SCO) would allow the purchase of additional coverage on an area, yield and loss basis. Coverage would kick in if losses exceed 21% for producers enrolled in ARC and 10% for all others.

Another tweak in the Senate bill would restore the $75,000 payment limit for benefits under the marketing loan program. Given that commodity prices are currently above the loan rates, this limitation probably won't impact many farmers. ■

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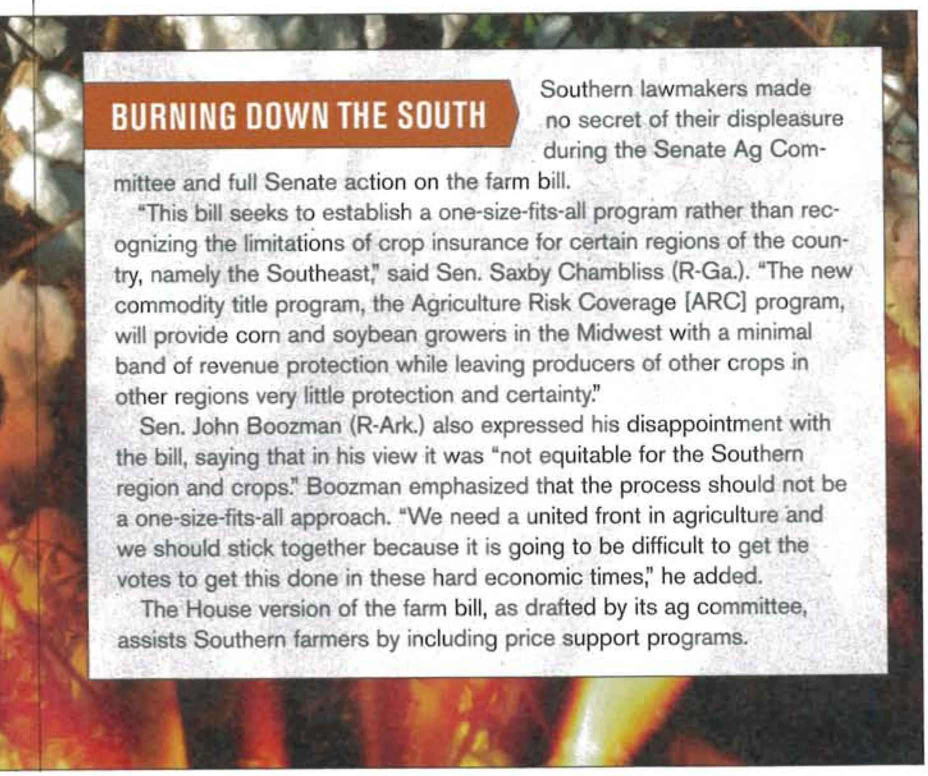

BURNING DOWN THE SOUTH

Southern lawmakers made no secret of their displeasure during the Senate Ag Committee and full Senate action on the farm bill.

"This bill seeks to establish a one-size-fits-all program rather than recognizing the limitations of crop insurance for certain regions of the country, namely the Southeast," said Sen. Saxby Chambliss (R-Ga.). "The new commodity title program, the Agriculture Risk Coverage [ARC] program, will provide corn and soybean growers in the Midwest with a minimal band of revenue protection while leaving producers of other crops in other regions very little protection and certainty."

Sen. John Boozman (R-Ark.) also expressed his disappointment with the bill, saying that in his view it was "not equitable for the Southern region and crops." Boozman emphasized that the process should not be a one-size-fits-all approach. "We need a united front in agriculture and we should stick together because it is going to be difficult to get the votes to get this done in these hard economic times," he added.

The House version of the farm bill, as drafted by its ag committee, assists Southern farmers by including price support programs.