

U.S Agricultural Policy: An Overview

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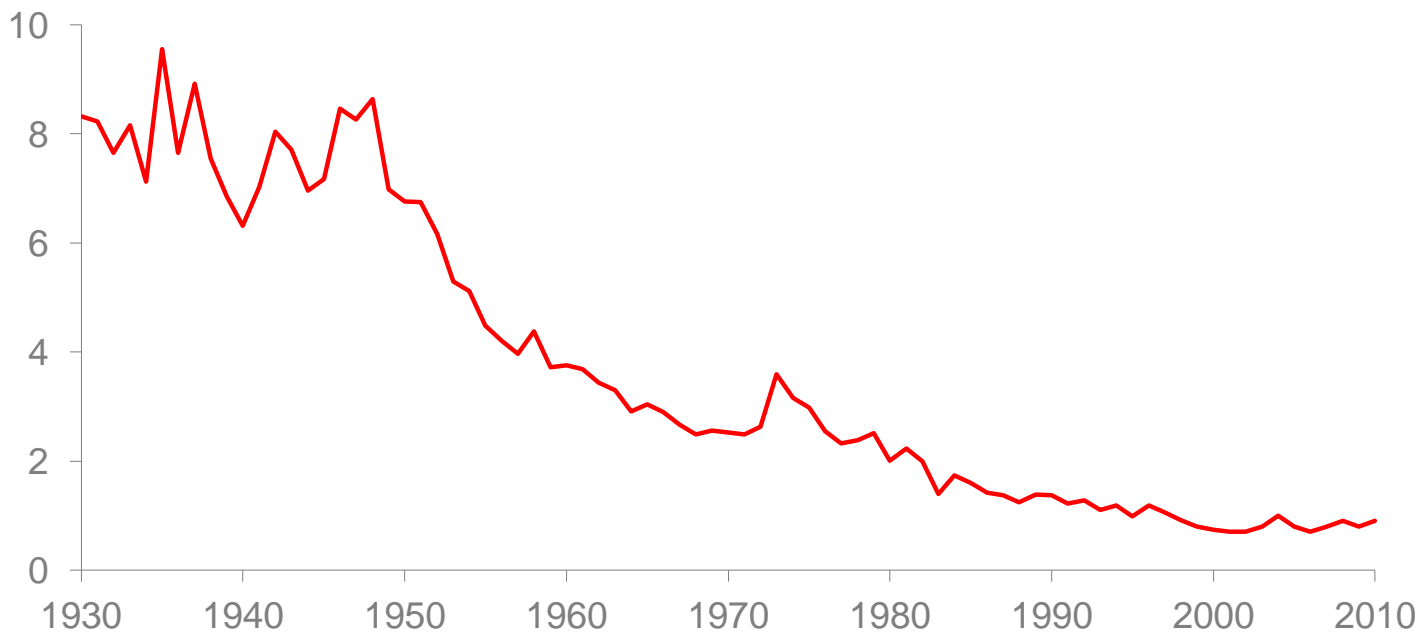


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Agriculture's share of U.S. GDP has fallen to less than one percent

Percent



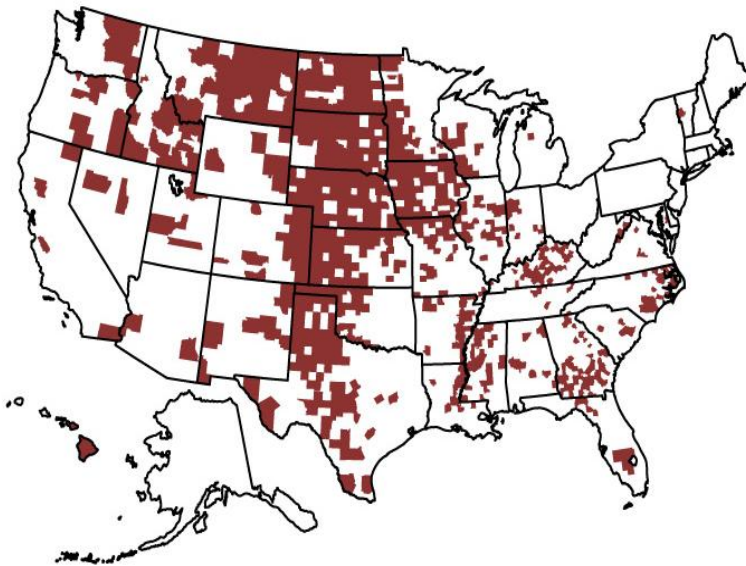
Source: Economic Research Service, USDA



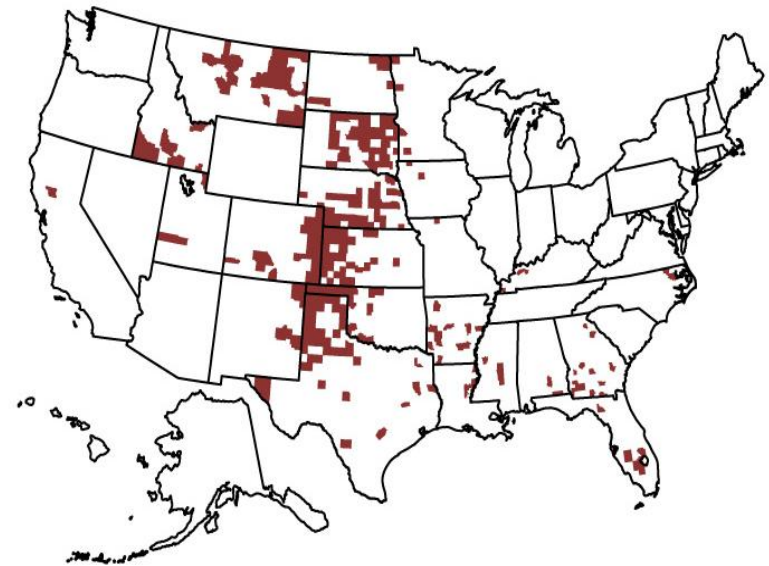
Agriculture's role in rural economies has been diminished

Farm Earnings Less Important in Local Economies Now Than 30 Years Ago

Farming accounted for 20 percent or more of earnings in 877 nonmetro counties in 1969.



By 1999, farming accounted for 20 percent or more of earnings in only 258 nonmetro counties.

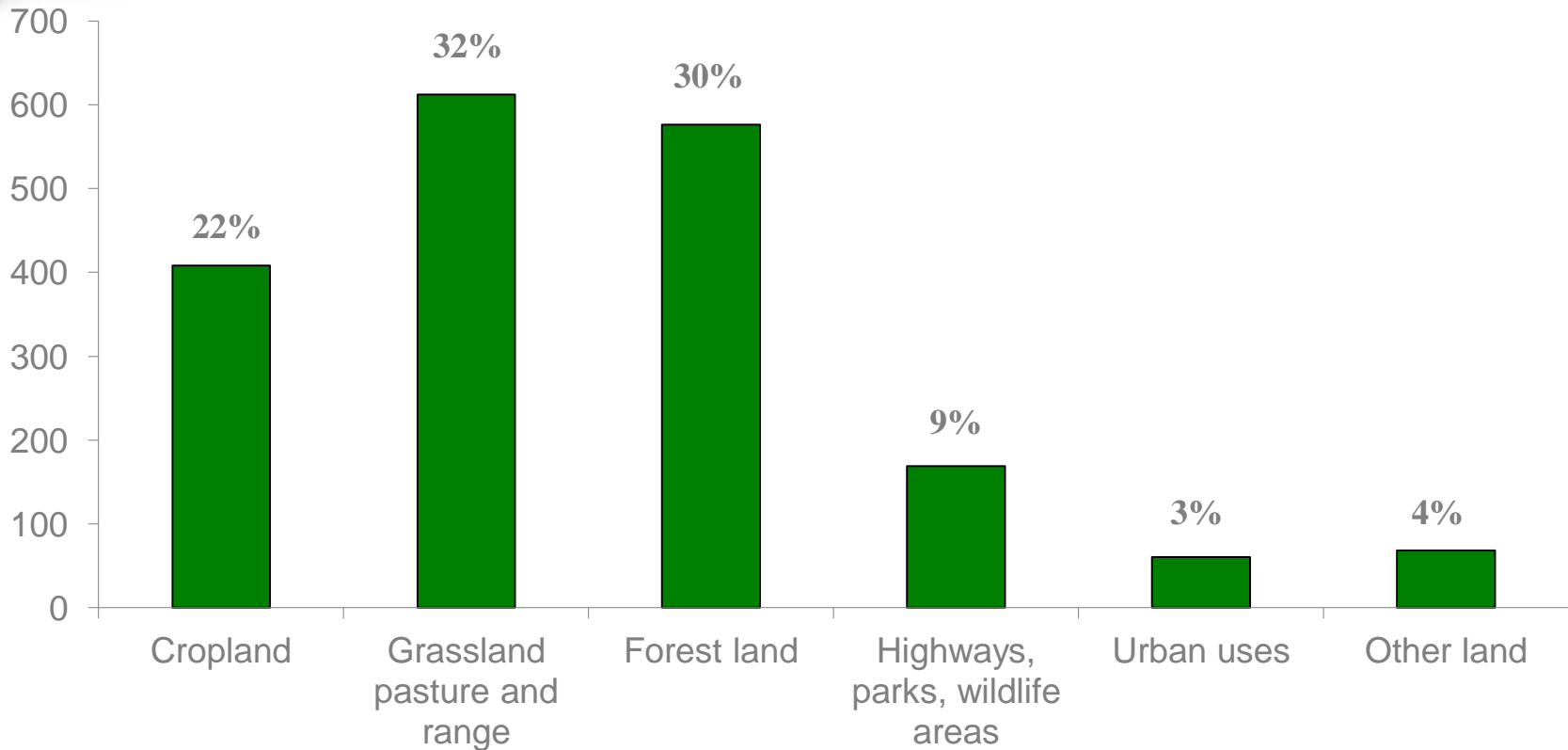


Source: Economic Research Service, USDA.



But agriculture remains a major land use...

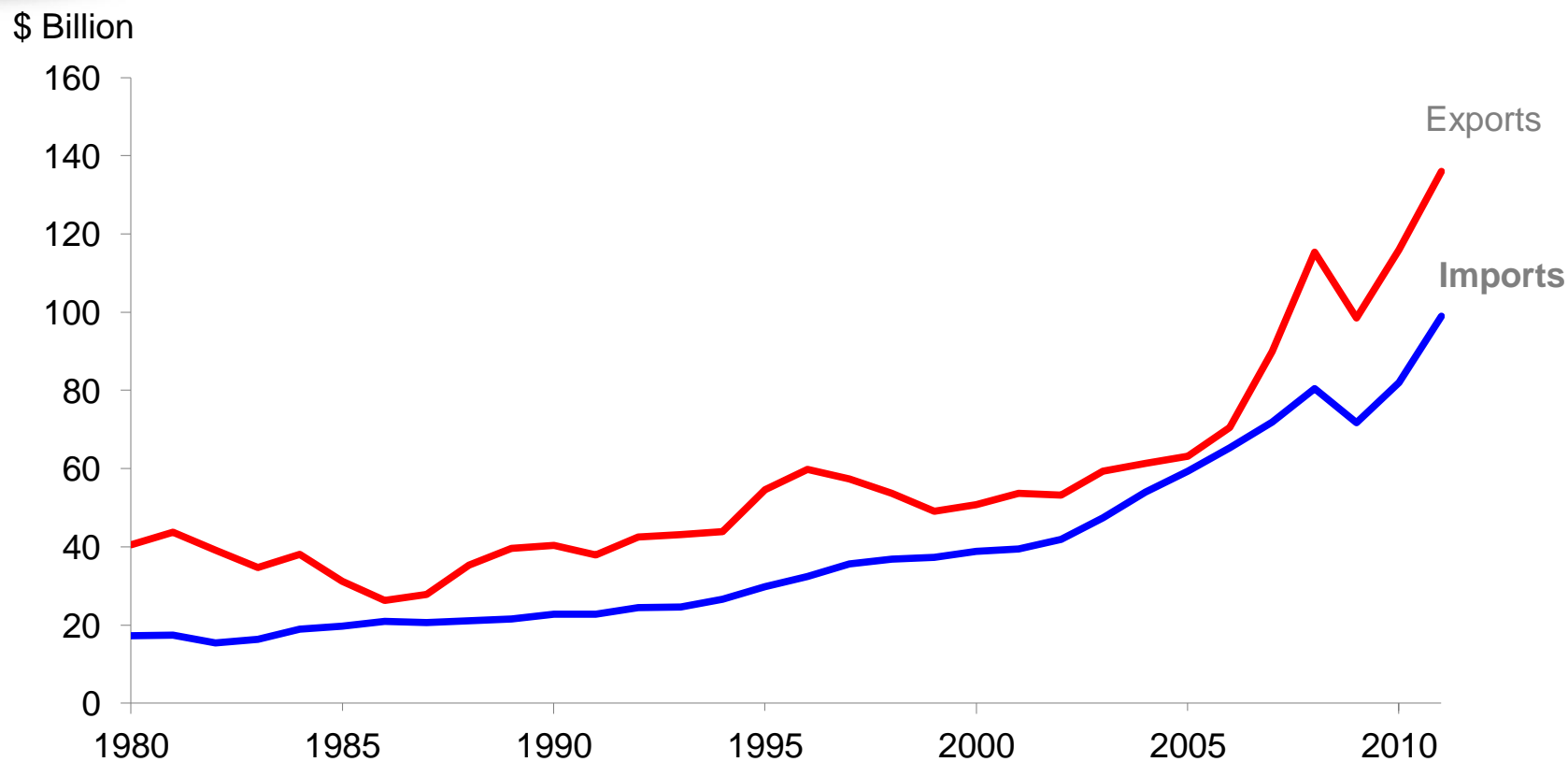
million acres



Source: *Major Uses of Land in the United States, 2007*, EIB-89, ERS/USDA



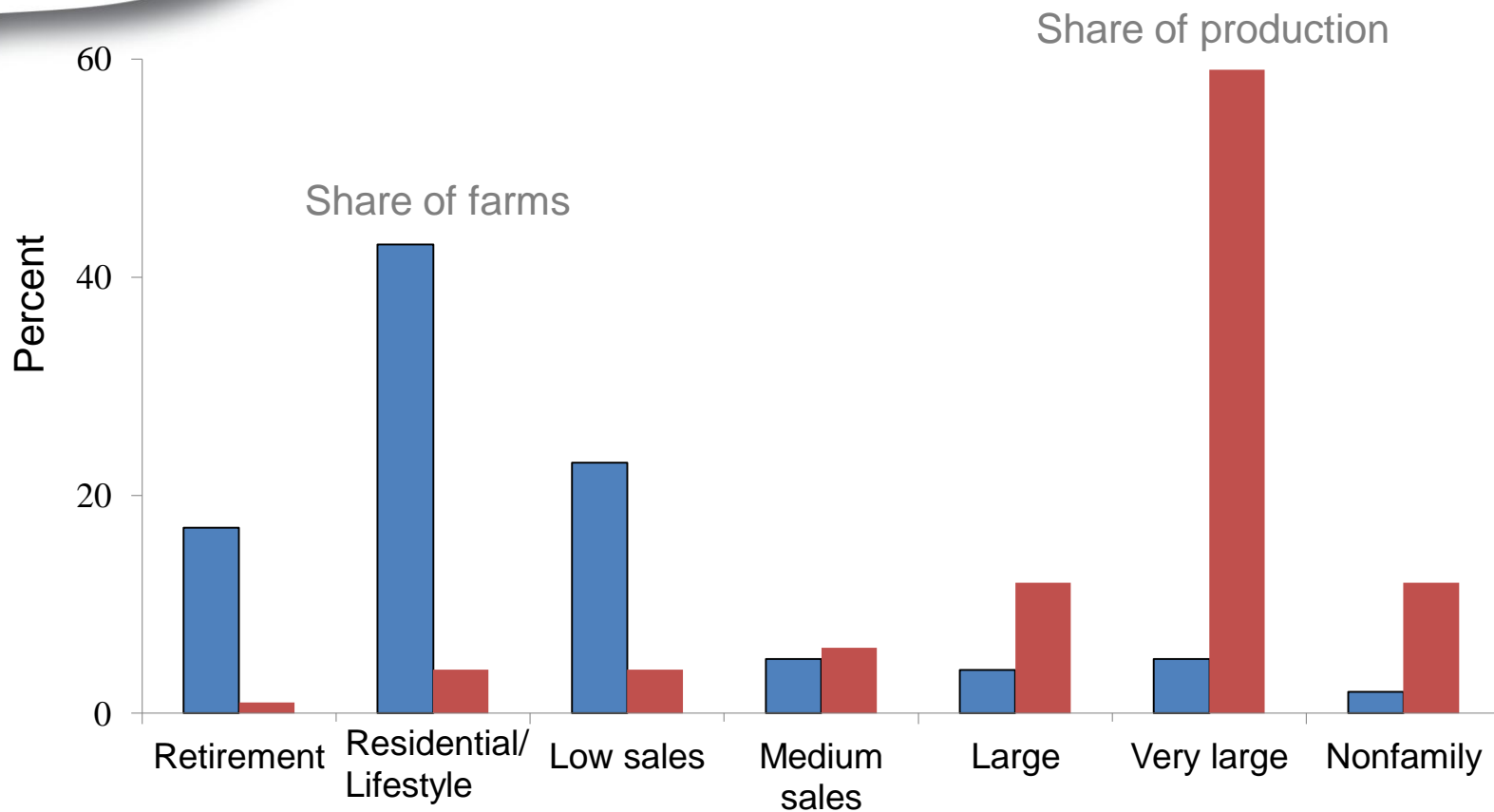
...and plays an important role in US trade



Source: Foreign Agricultural Trade of the United States, USDA.



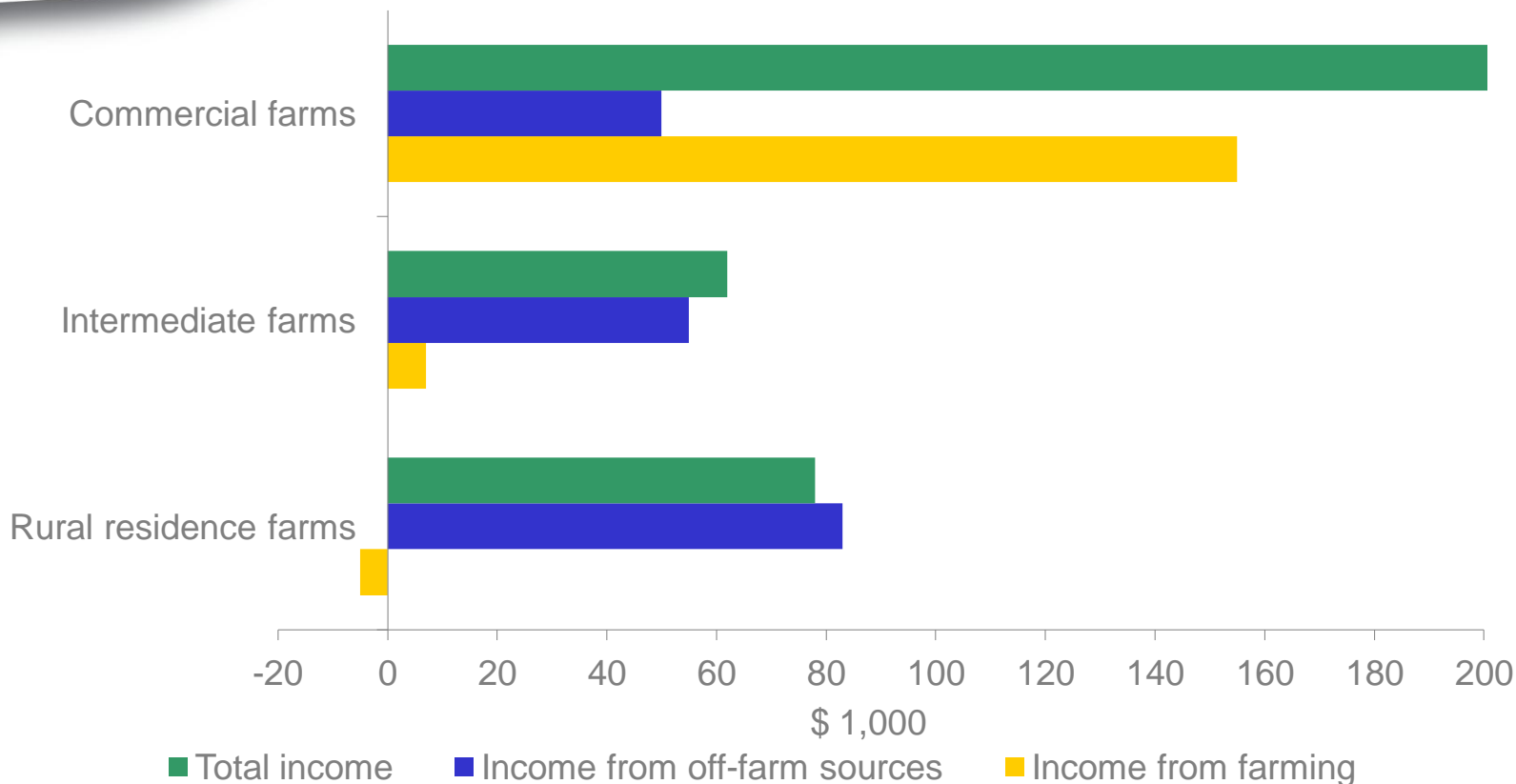
Fewer, larger farms responsible for most production, but many small farms remain



Source: USDA, National Agricultural Statistics Service, Economic Research Service, 2010 Agricultural Resource Management Survey, Phase III.



Farm household income comes from both farm and off-farm sources



Source: 2011 USDA *Agricultural Resource Management Study*,
Economic Research Service, USDA.

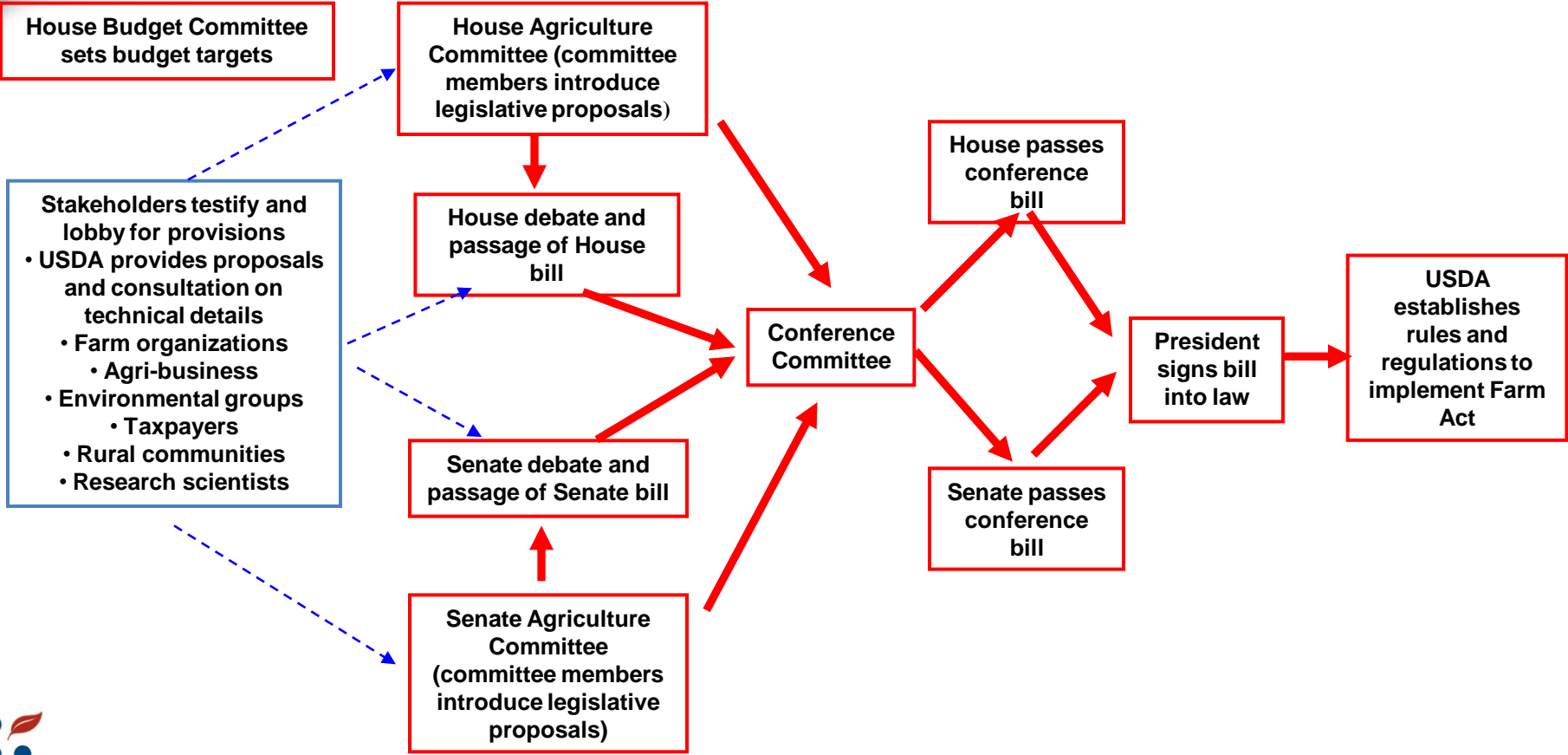


Factors shaping farm policy debate

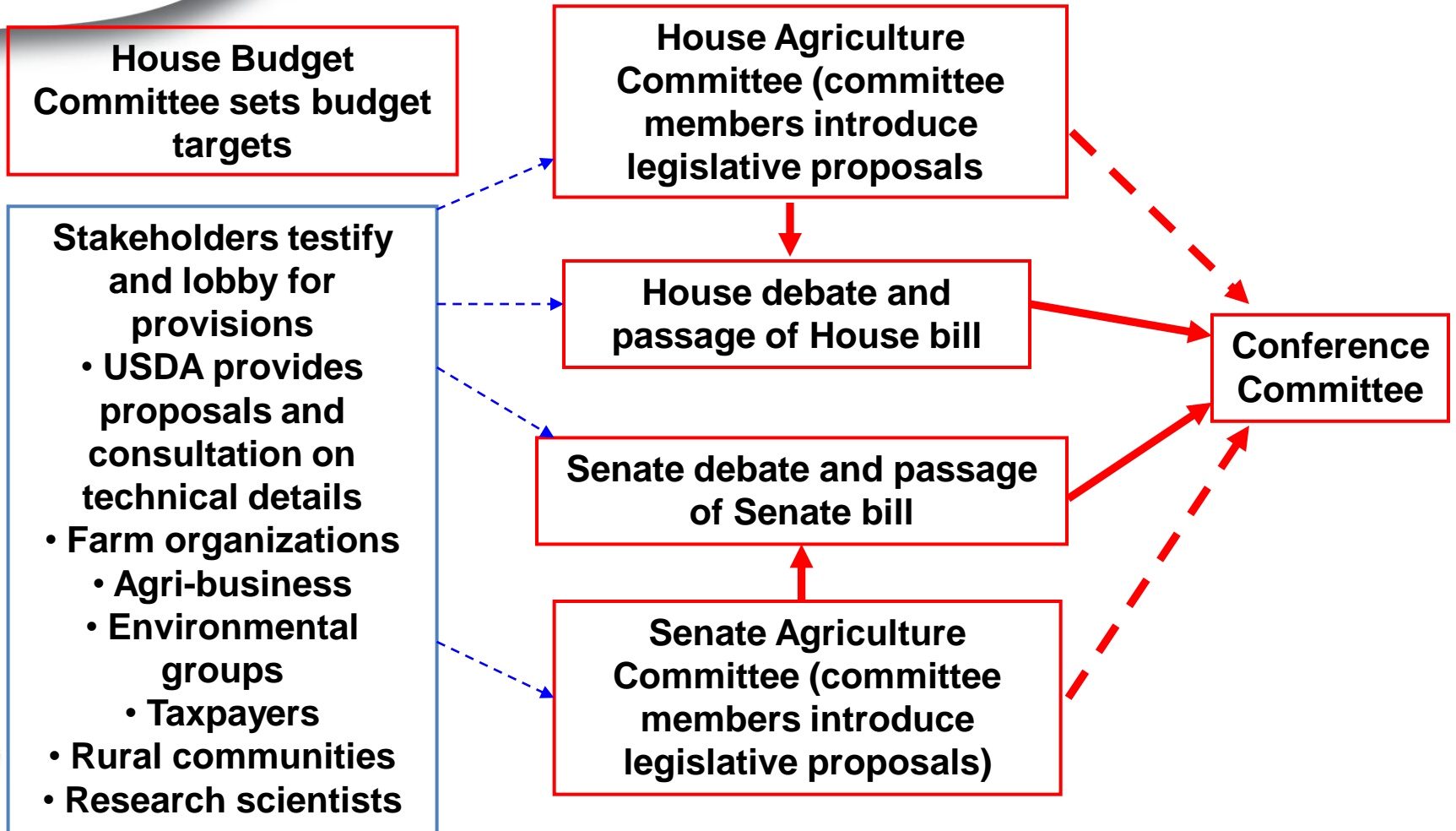
- Budget situation
 - budget reduction pressure
 - agricultural baseline issues
- Social and political landscape
 - equity issues
 - competing, non-commodity interests
- Market issues
 - high/volatile commodity prices
- International trade commitments/trade disputes



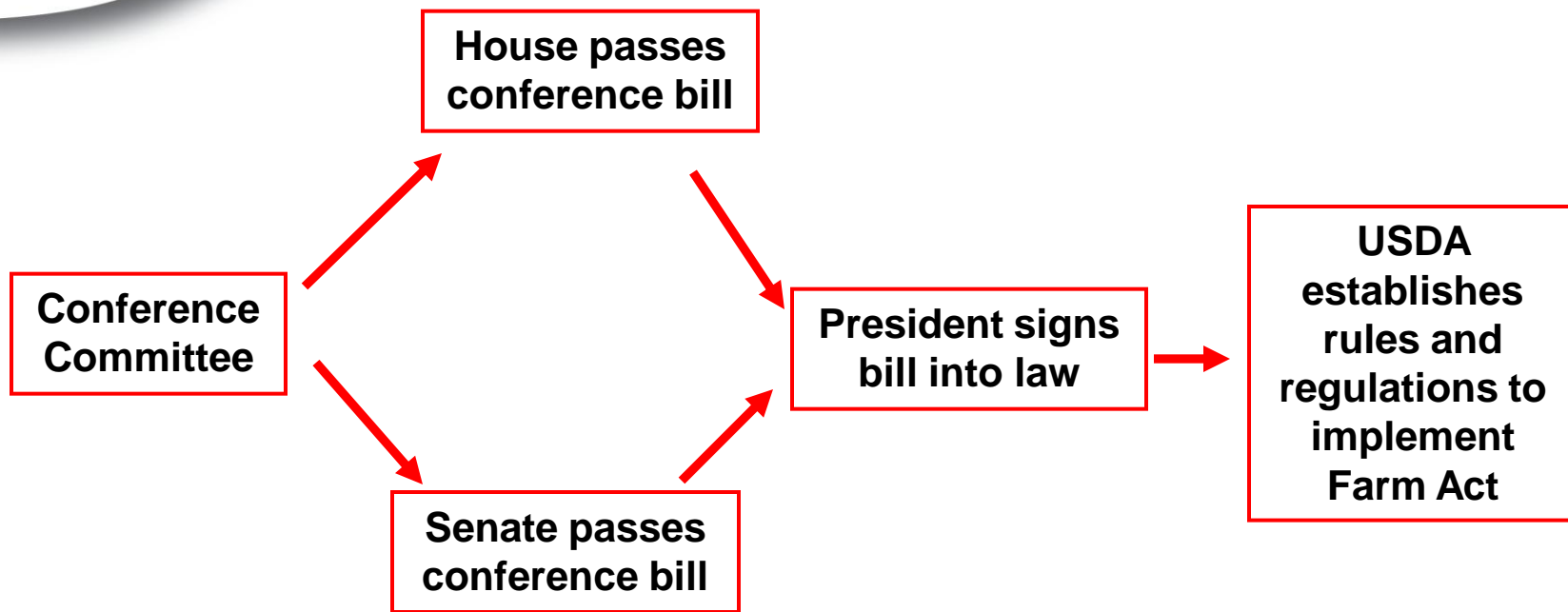
Farm Bill Legislative Process




Farm Bill Legislative Process



Farm Act Legislative Process





Not all authorized funding is guaranteed...

- Mandatory (“entitlement”) programs
 - Agriculture Committee jurisdiction; multi-year
 - Govt. costs vary depending on participation levels, market conditions, etc.
 - For example: commodity programs, SNAP
- Discretionary programs
 - Appropriations Committee jurisdiction; annual
 - When spending reaches the designated level, no more can be spent (unless more appropriated)
 - For example: research programs, some conservation programs





...and farm programs can change between Farm Acts

- To meet needs not covered by existing program
 - For example: disaster assistance; Recovery Act
- To cut spending
 - For example: budget reconciliation to reduce deficit
- When policy opportunities arise
 - For example: tobacco buyout gained votes for overall tax bill



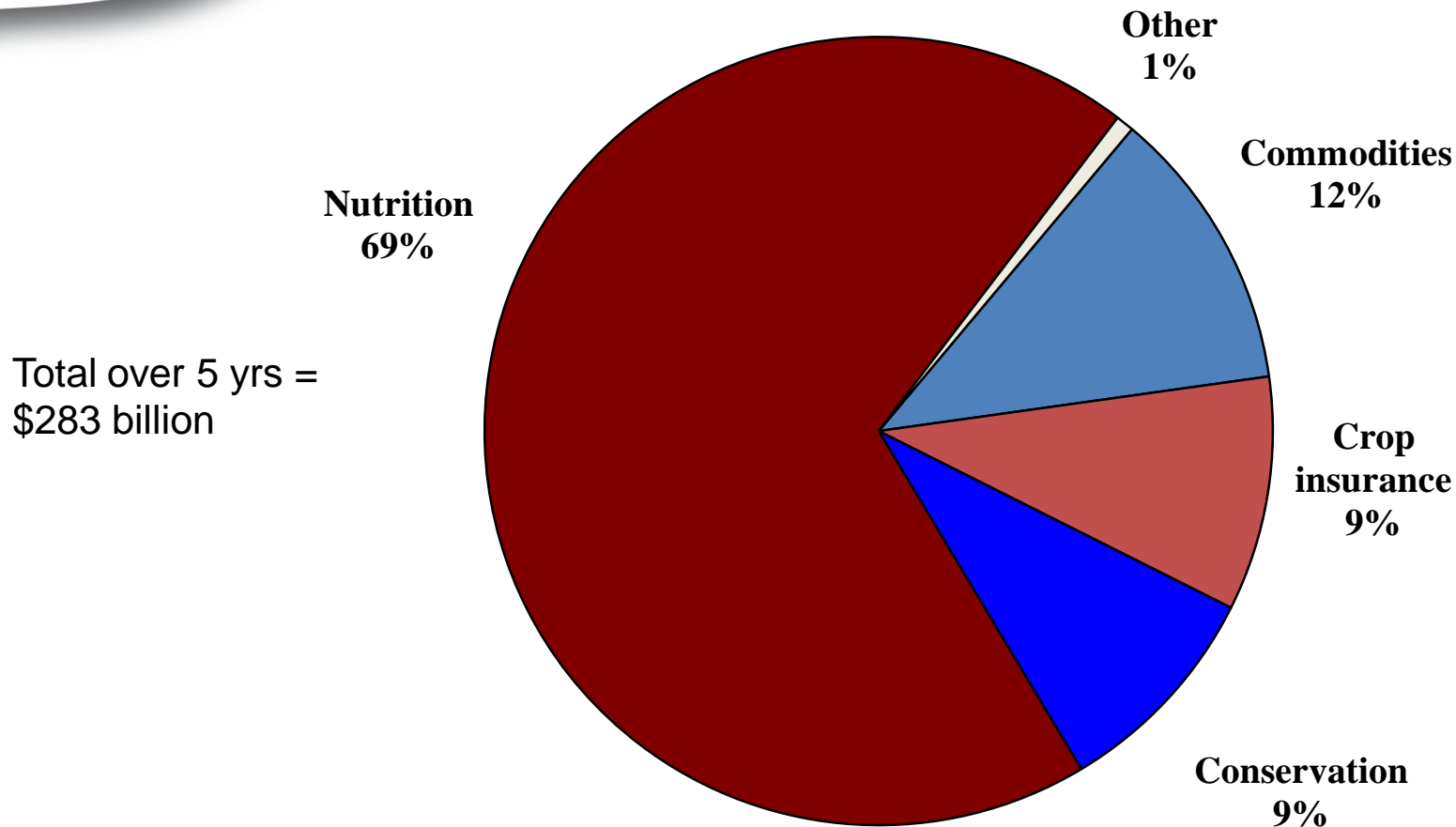
2008 Farm Act: Broad and complex legislation



- Commodity Programs
- Conservation
- Trade
- Nutrition Programs
- Credit
- Rural Development
- Agricultural Research, Education, and Extension
- Forestry
- Energy
- Horticulture & Organic Agriculture
- Livestock
- Crop Insurance
- Commodity Futures
- Miscellaneous
- Trade & Taxes



Commodity programs/crop insurance just over 20 percent of projected 2008 Farm Act budget

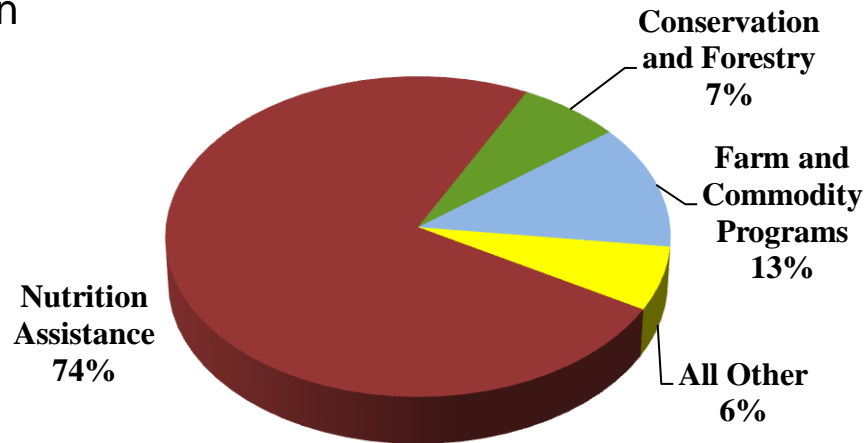


Source: USDA, ERS using Congressional Budget Office estimates.

Farm and commodity programs are expected to account for 13% of USDA's FY 2012 Outlays

Total = \$145 billion

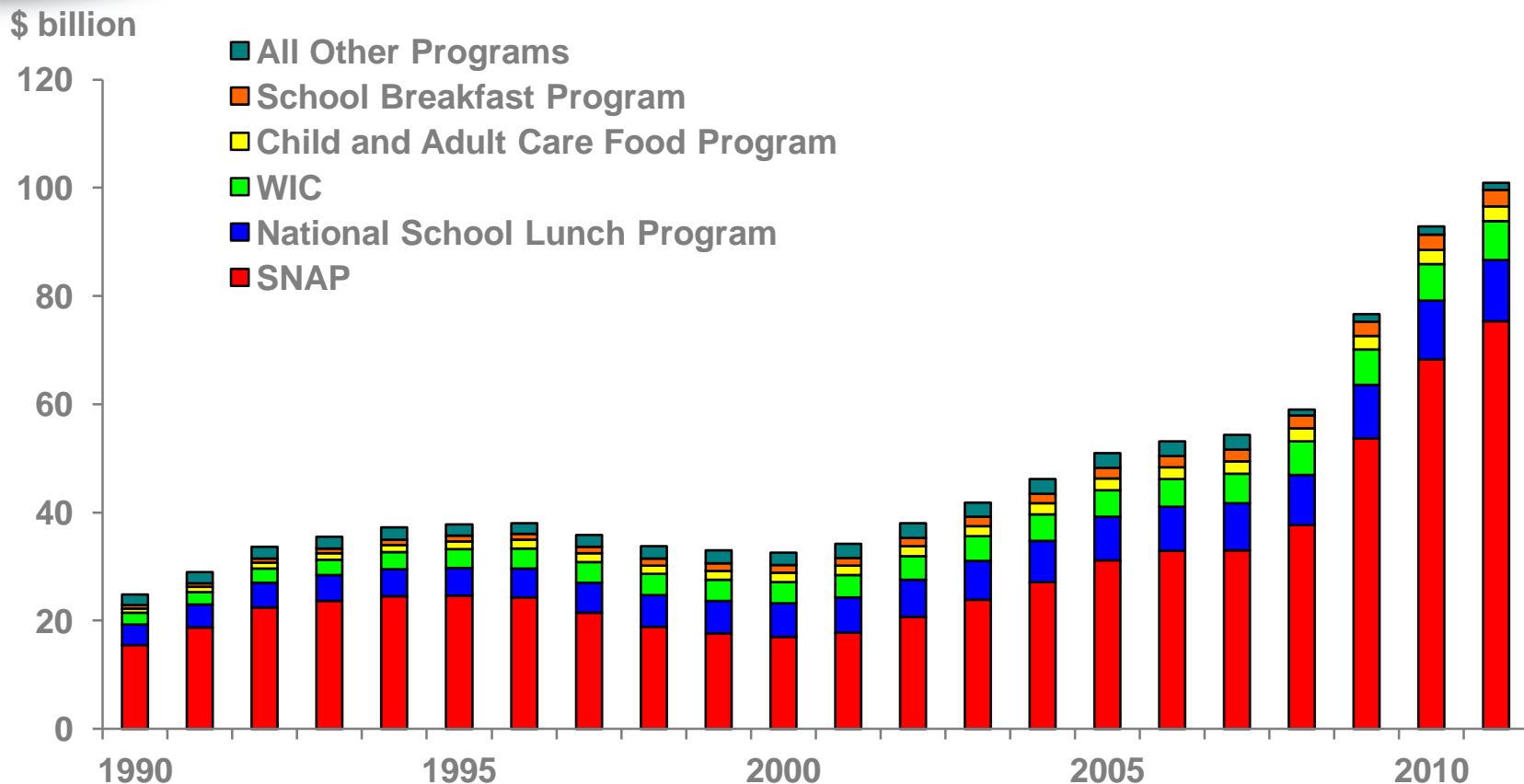
2012 Outlays



Farm and Commodity Programs include direct payments, counter-cyclical payments, marketing loan benefits, ACRE payments, disaster payments, and crop insurance. All Other includes rural development, research, food safety, and marketing and regulatory function.



Nutrition program spending supports multiple programs, but the largest share funds SNAP



Source: USDA, Food and Nutrition Service.



Provisions with largest direct impact on agricultural producers

- Commodity programs
 - Price support
 - Income support
 - Risk management
- Conservation
 - Working lands
 - Land retirement



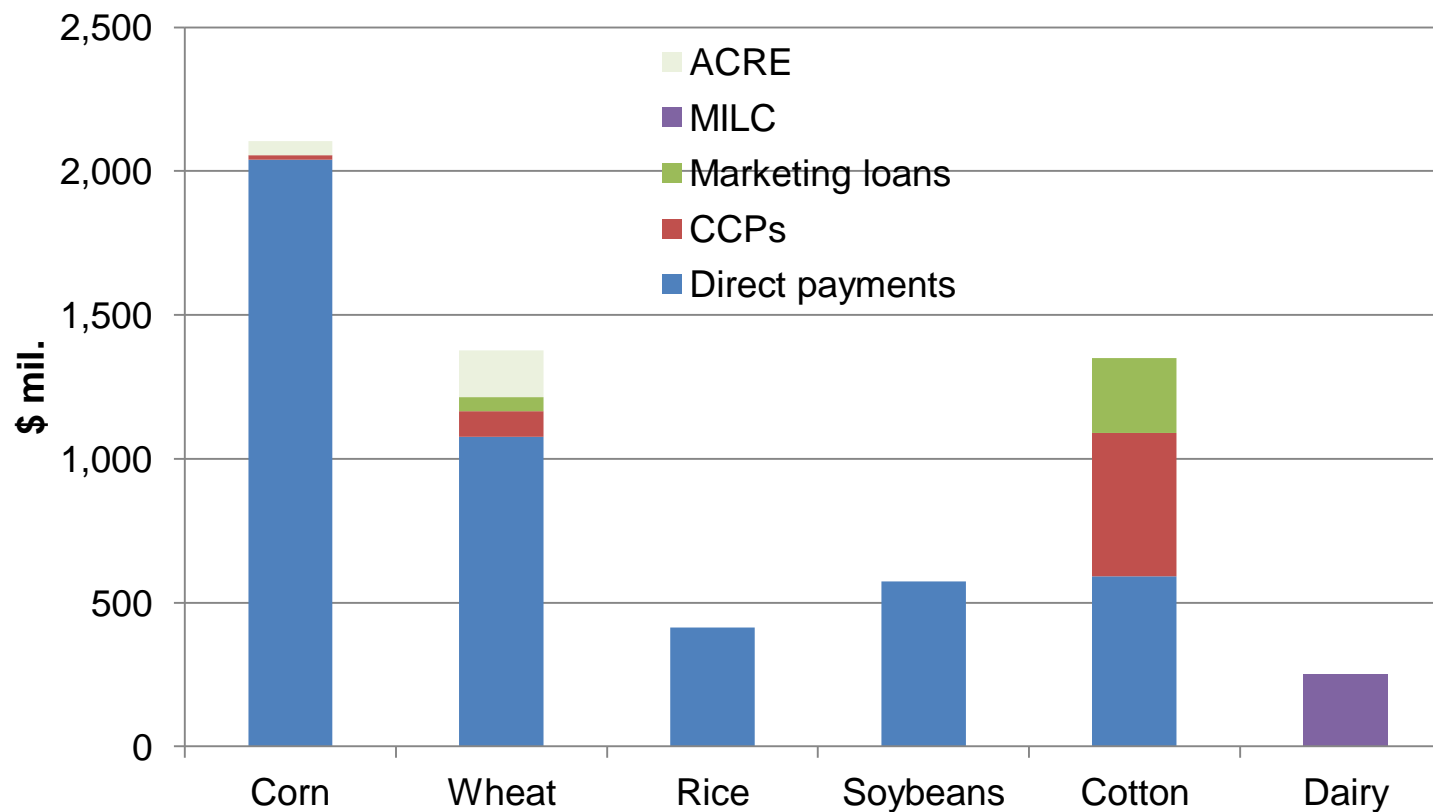


Key commodity programs

- Price support programs
 - Sugar
 - Dairy
- Risk management programs
 - Crop Insurance
 - Supplemental Agricultural Disaster Assistance
- Income support programs
 - Marketing loans
 - Direct payments
 - Counter-cyclical payments
 - Average Crop Revenue Election (ACRE)
 - Milk Income Loss Contracts (MILC)



Average income support program payments, 2007-2010



ACRE program



- Reduction in traditional program benefits
- Payments based on rolling national average prices and state & farm yields



Supplemental Agricultural Disaster Assistance



- Standing disaster program to assist farmers and ranchers who lose crops, livestock or trees due to disasters such as floods or drought
- Requires declaration of disaster and evidence of losses

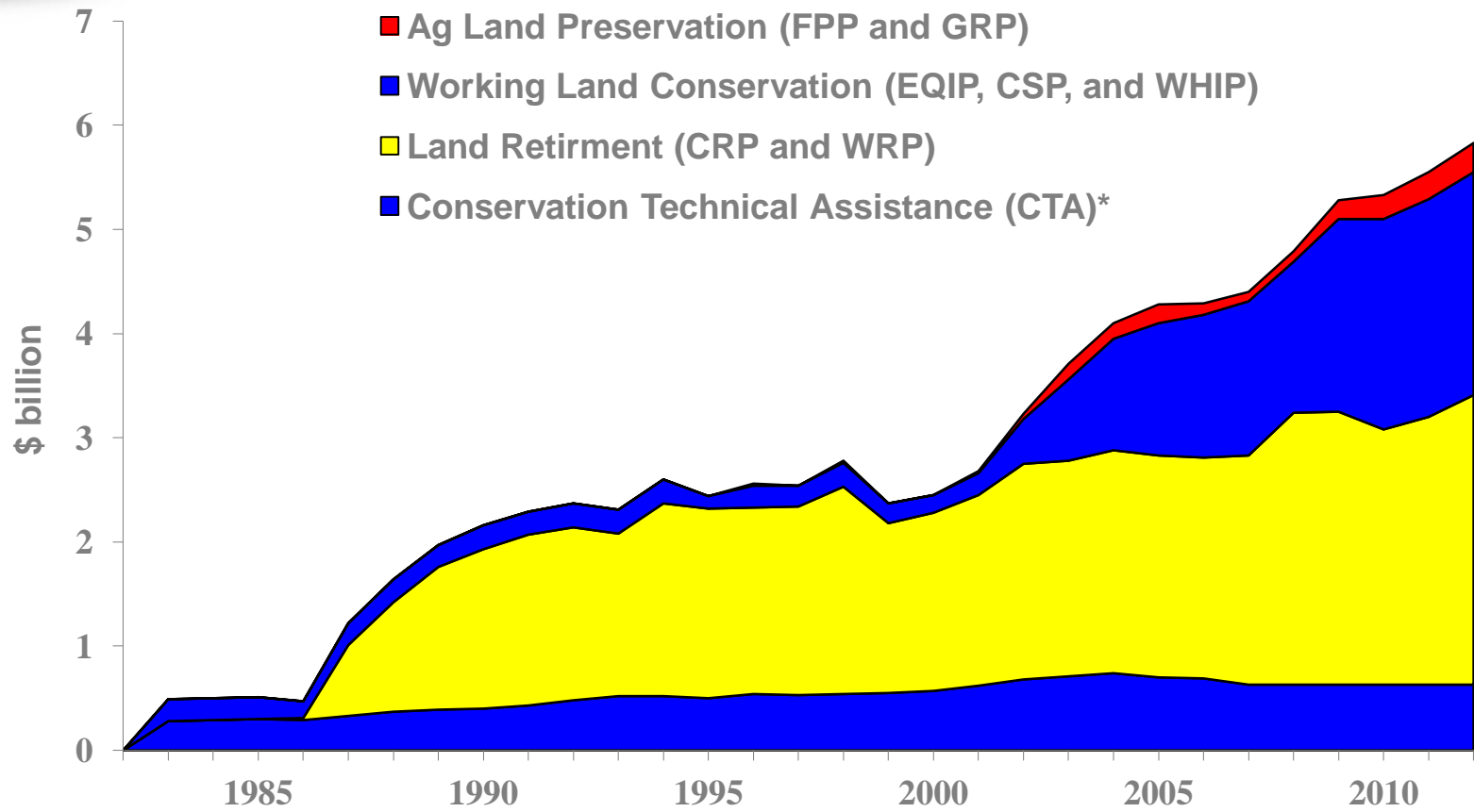


Crop Insurance program

- Provides protection for revenue and yield risk
- USDA's Risk Management Agency subsidizes
 - Premiums for producers
 - Administrative costs and policy risk for companies



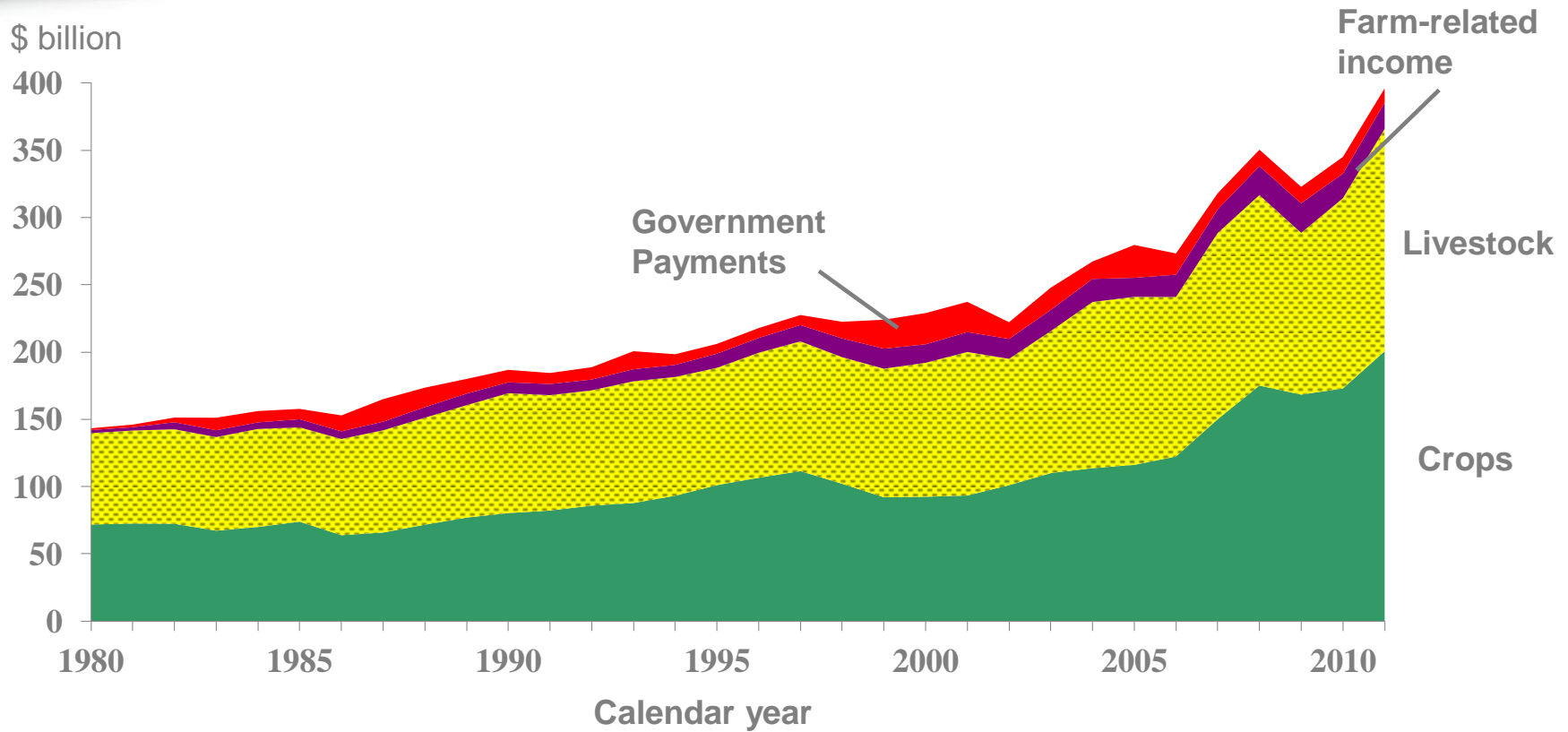
Working lands programs gaining as share of USDA conservation outlays



Source: Office of Budget and Policy Analysis, USDA, and Congressional Budget Office

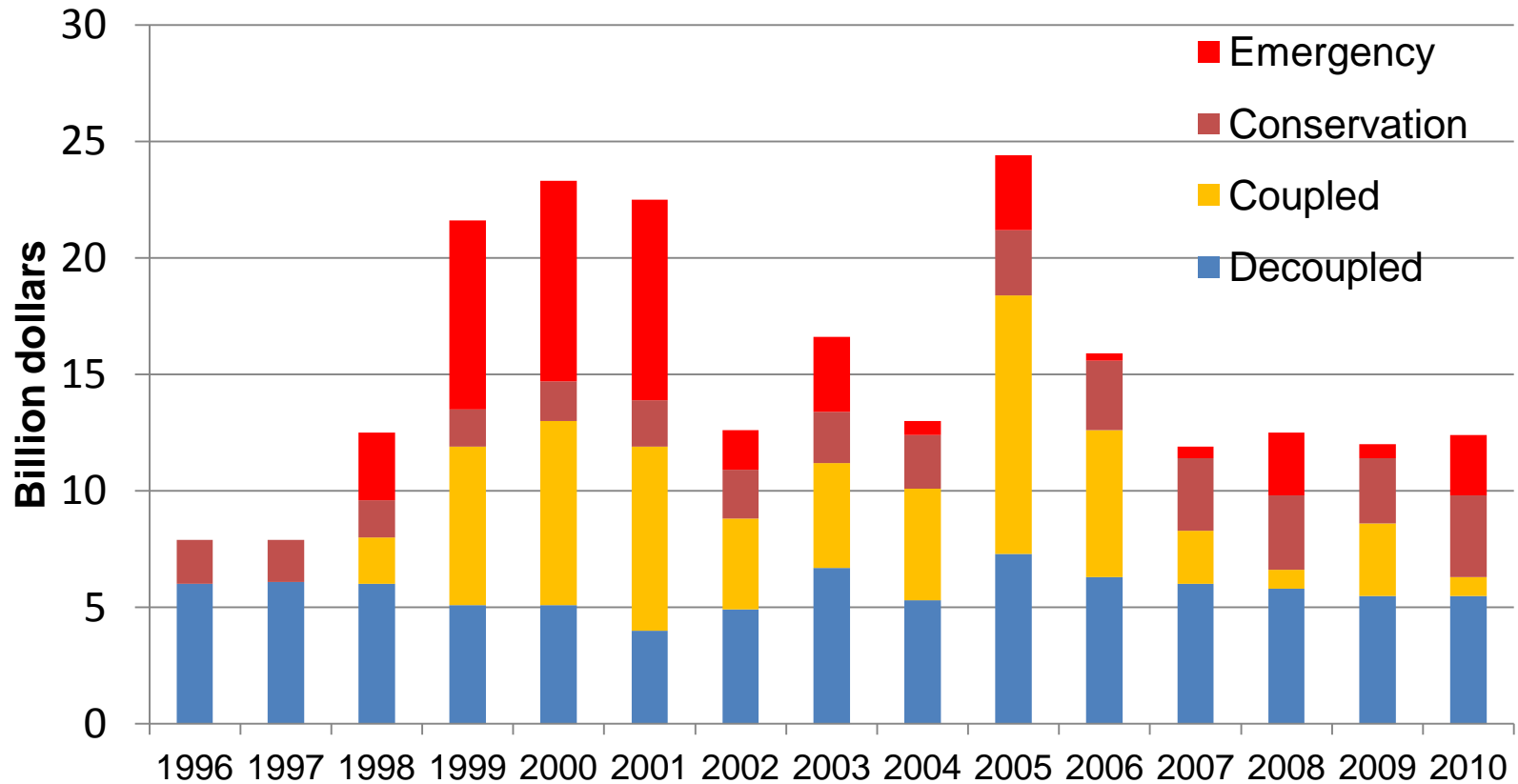


Government payments are only a small share of farm cash receipts



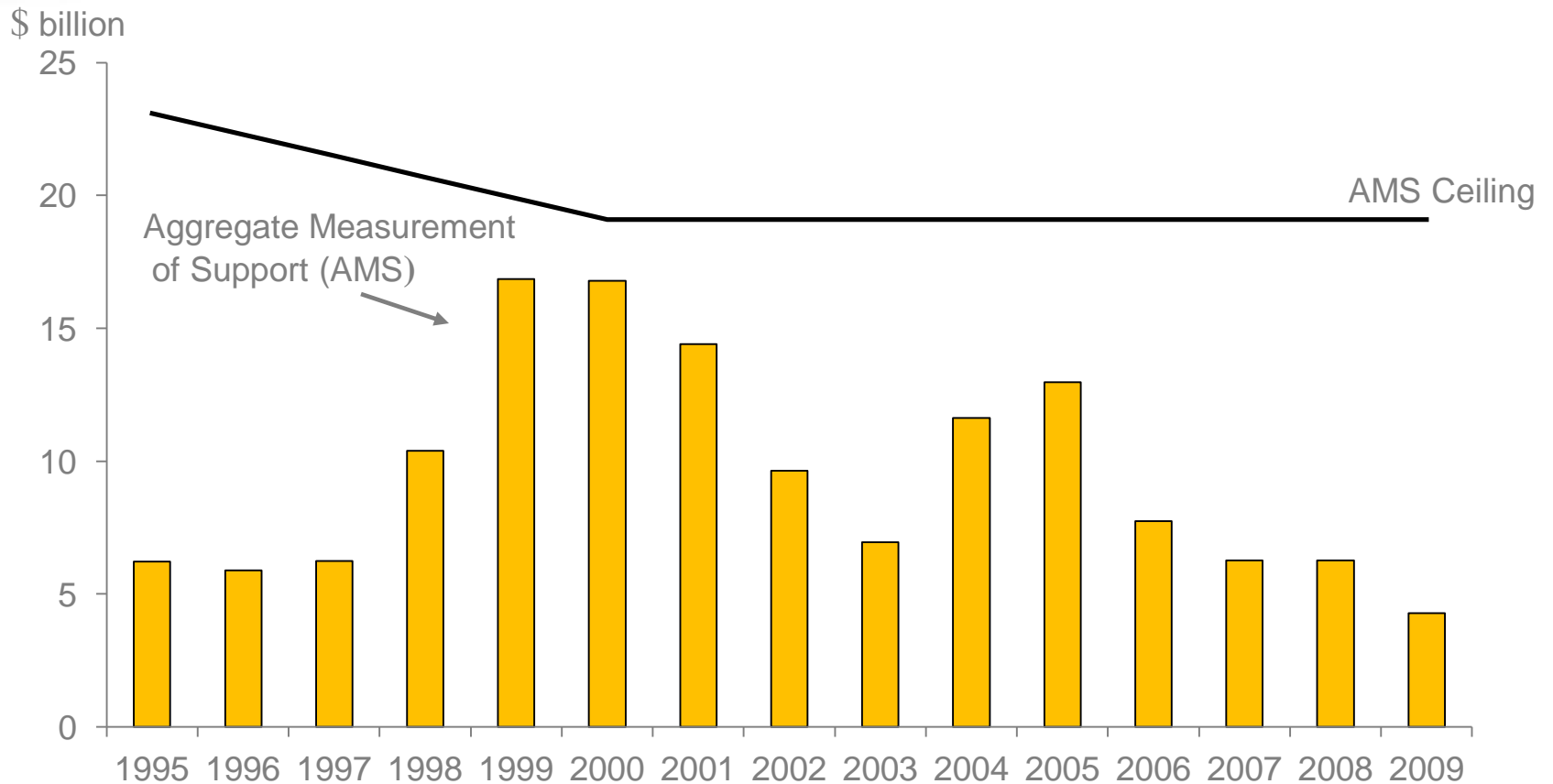
Source: *Farm Income Data*, Updated November 2011. Economic Research Service, USDA.

Direct government payments vary over time



Source: UDSA, Economic Research Service, Farm Income Data,

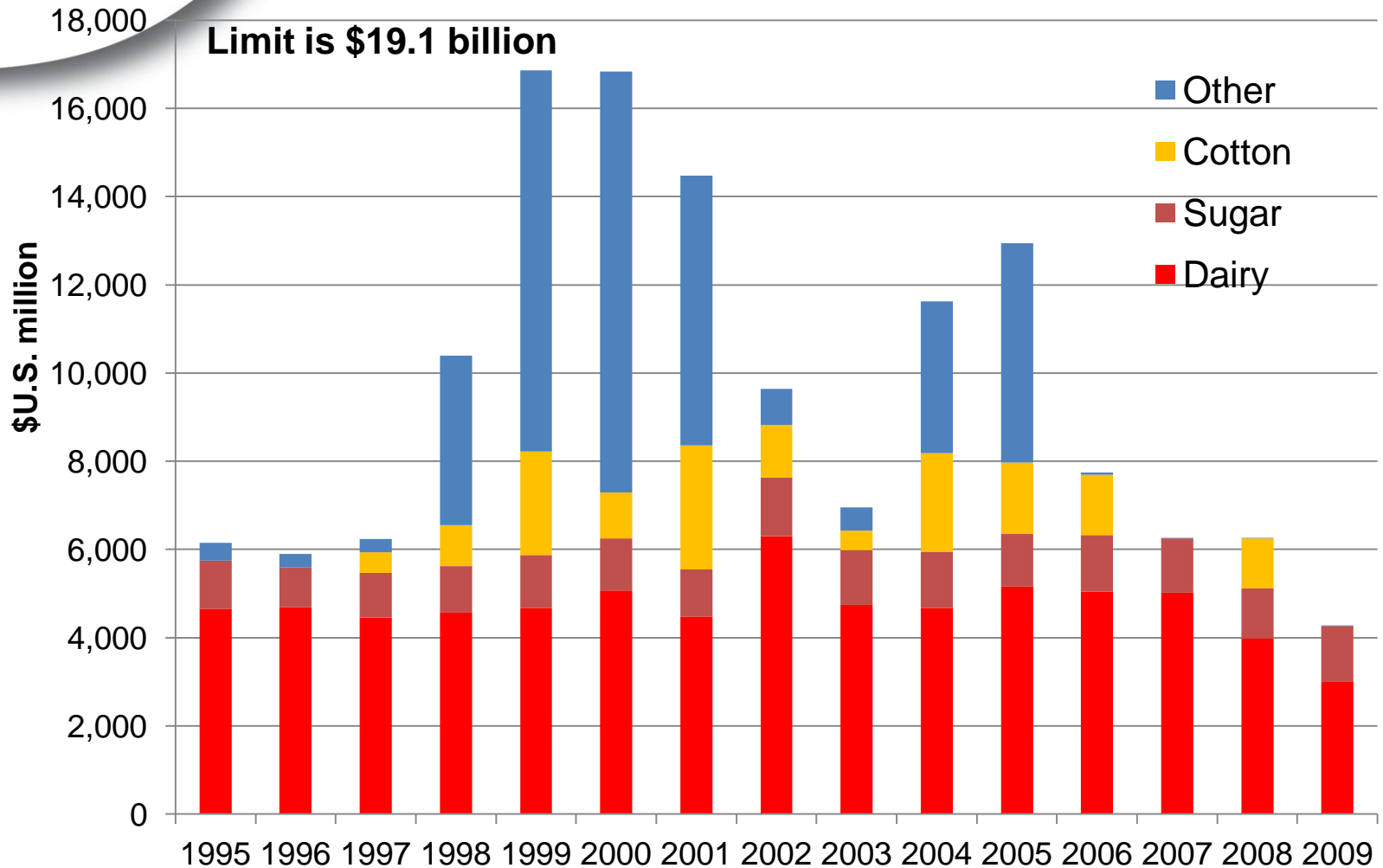
U.S. domestic support remains below WTO commitments



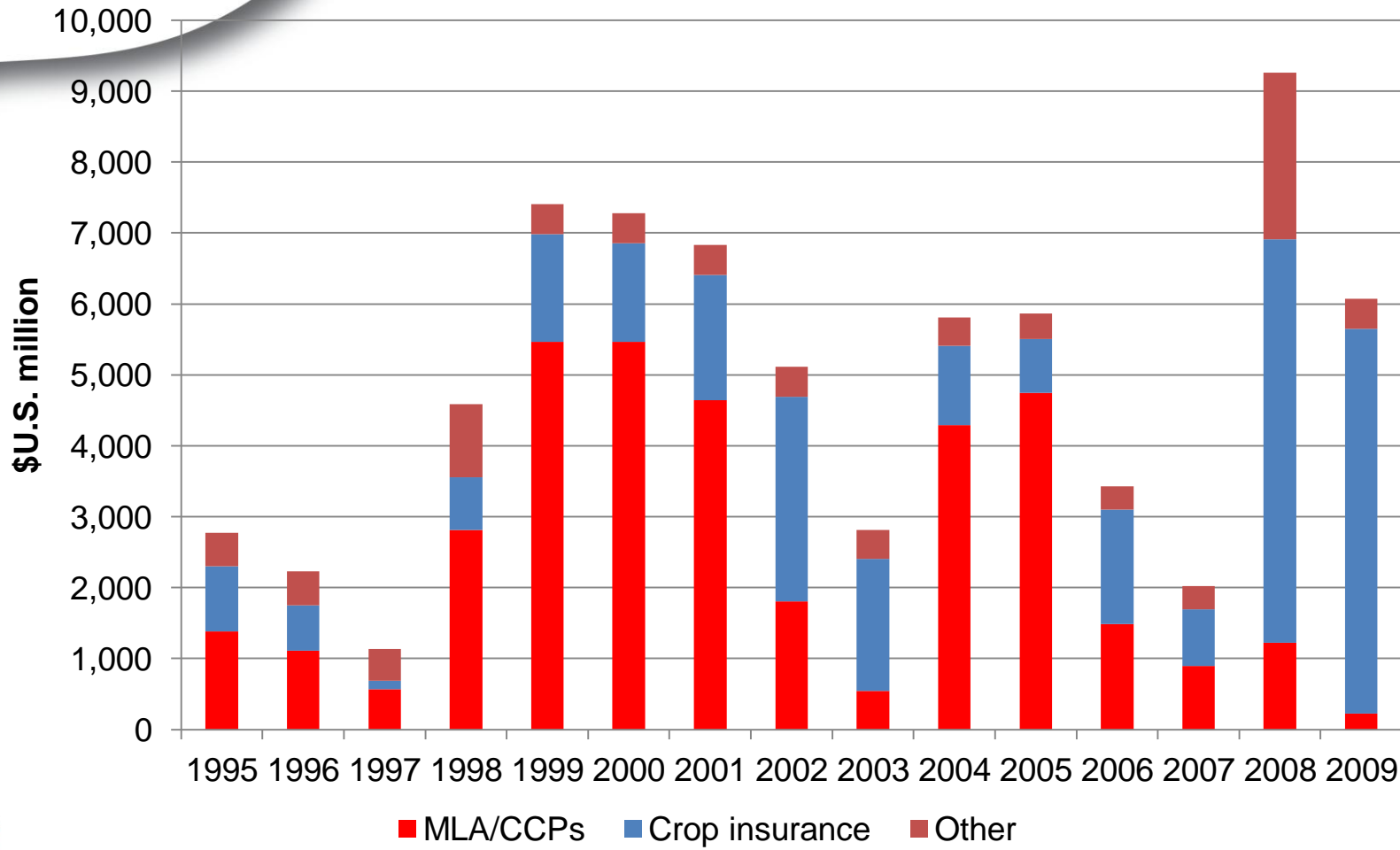
Source: U.S. domestic support notifications to WTO as of March 2012.



U.S. AMS: 1995 - 2009



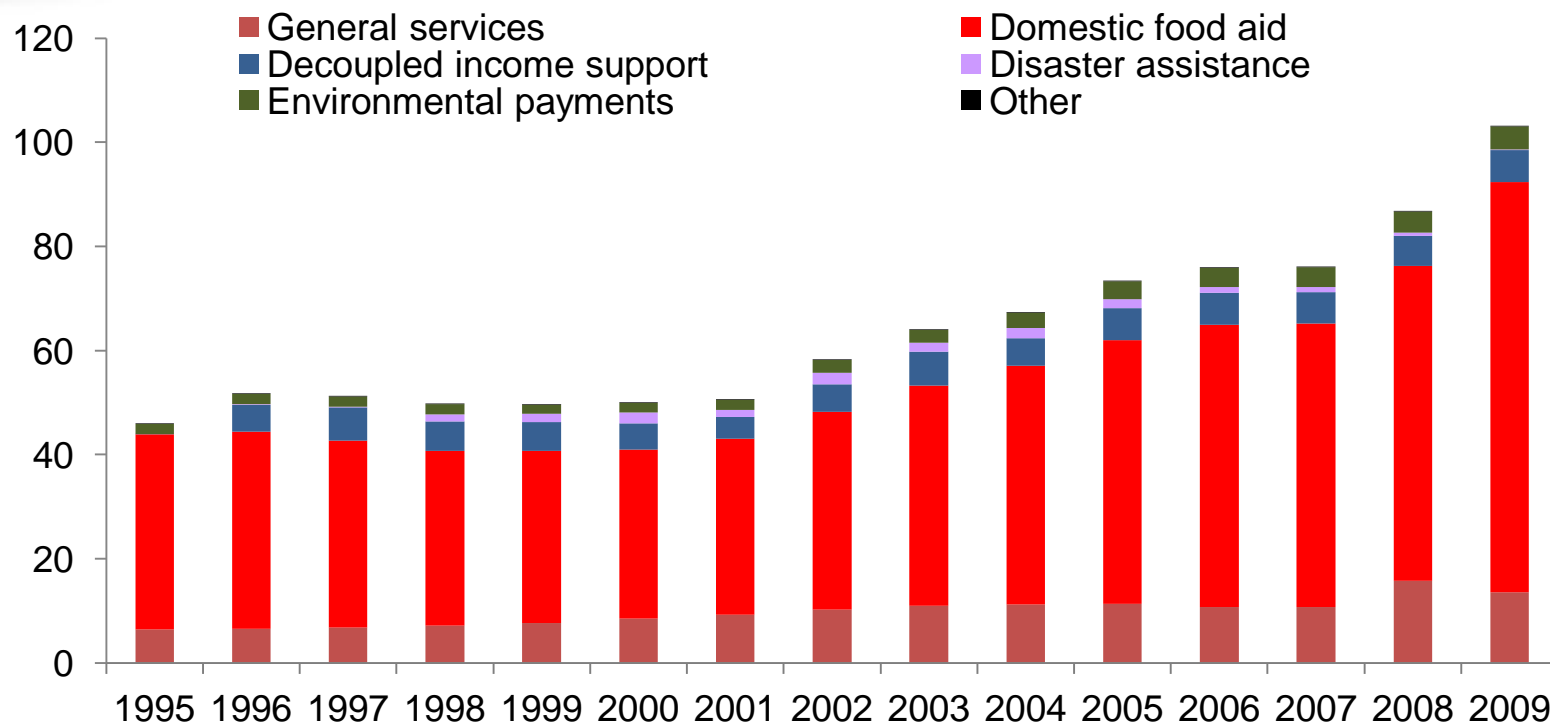
Non-product specific support is below 5% *de minimis* limit



Source: U.S. domestic support notifications to WTO as of March 2012.



U.S. green box expenditures continue to rise due to nutrition programs



Decoupled income support includes peanut and tobacco quota buyout.
Source: U.S. domestic support notifications to WTO as of March 2012.



Where do U.S. farm programs fit?

- **Amber** (AMS)
 - **Product-specific:** dairy and sugar price support programs, marketing loan program benefits, MILC (dairy) payments, ACRE payments, livestock disaster programs
 - **Non-product specific** SURE, crop insurance, Countercyclical Payments, grazing and irrigation subsidies
- **Green:**
 - food and nutrition assistance, Direct Payments, conservation, other decoupled payments (peanut and tobacco quota buyouts)





Highlights of 2012 Farm Bill: Senate-passed bill

- Commodity programs
 - Marketing loans and crop insurance remain
 - New Agriculture Risk Coverage (ARC) replaces Direct Payments, Counter-cyclical Payments, and ACRE
 - Supplemental Coverage Option (SCO) and Stacked Income Protection Plan (STAX) offer additional insurance-type coverage
 - Dairy margin insurance replaces dairy product price support and MILC
 - Sugar program remains the same



Highlights of 2012 Farm Bill: Senate-passed bill

- Conservation programs
 - Continues CRP, EQIP, CSP
 - Consolidates smaller current programs into
 - Agricultural Conservation Easement Program (ACEP)
 - Regional Conservation Partnership Program (RCPP)
 - Conservation compliance for crop insurance
- Disaster programs renewed for livestock
- Nutrition programs
 - Reduces SNAP expenditures by \$4 billion



Highlights of 2012 Farm Bill: House Agriculture Committee bill

- **Commodity programs**
 - Revenue Loss Coverage (RLC) or Price Loss Coverage (RLC) replace DP, CCP, and ACRE
 - Crop insurance, marketing loans, disaster, dairy, sugar similar to Senate
- **Conservation programs**
 - Similar to Senate
- **Nutrition programs**
 - Reduces SNAP expenditures by \$16 billion



Additional Resources

Economic Research Service (ERS) web site
<http://www.ers.usda.gov>

- Policy & program details, ag sector information
 - <http://www.ers.usda.gov/topics/farm-economy/farm-commodity-policy.aspx>

