



## 2012 Farm Bill: Fiscally Responsible Farm Policy

### Overview

The next farm bill will likely face intense scrutiny by Congress as the Joint Select Committee on Deficit Reduction examines ways to achieve unprecedented levels of deficit reduction. Any reductions in agriculture programs made by the Joint Committee will likely impact the level of funding available for the next farm bill.

Our national farm and food policy affects all Americans, urban and rural, food producers and food consumers. We have the opportunity to shape this important policy only once every few years. Our nation's family farmers, who are those most vulnerable to risk, need an effective and fiscally responsible safety net to mitigate the effects of weather and market volatility in order to achieve our food and energy security goals and to preserve jobs in rural America. Agriculture is willing to bear its fair share of cuts in order to contribute toward deficit reduction, but they must be proportional (\$11 to \$16 billion) to cuts in other sectors.

As proposed federal budget cuts are considered, it is of critical importance to differentiate between primary and secondary economic drivers. Production agriculture is a primary economic driver, and as such, when production agriculture is prospering, a multiplier effect results and jobs and tax revenues at the local, state, and national levels are added without raising tax rates. Budget cuts that adversely impact the productivity and profitability of production agriculture are counterproductive to our overall national economic interests. Family farmer- and rancher-owned and -operated food, fuel, and fiber production is the most economically, socially and environmentally beneficial way to meet the needs of our nation.

Congress should pass a new farm bill that offers stability and economic opportunity to farmers and rural communities with the following principles.

### Risk Management and Disasters

**Risk management** must be made economical for all farmers, regardless of crop or geographic region, and more insurance products should be made available that protect against changes in the cost of production. Farmers also need protection against losses due to weather-related disasters, high input costs or devastatingly low prices. National Farmers Union (NFU) supports efforts aimed at streamlining and eliminating duplication among existing farm bill programs.

Risk management provisions in the next farm bill should extend the availability and affordability of federal crop insurance programs to farmers in portions of the country that have not historically carried significant levels of crop insurance, thereby reducing the need for disaster aid.

Crop insurance coverage should be improved for organic producers, including ending the existing surcharge on organic policies and the full implementation of coverage levels based on organic prices. Additionally, crop insurance products and other risk management tools should be developed for specialty crop producers.

Funding levels for crop insurance must remain fully adequate to deliver risk protection to farmers, as it is the most critical and effective safety net for farmers and crop insurance has already been subjected to recent significant cuts.

A **permanent disaster program** was created in the 2008 Farm Bill to deal with the unpredictability and inefficiency of previous ad hoc disaster assistance. The current program assists producers during times of natural disasters in a fiscally responsible way but needs to be simplified and made more transparent. Between 1996 and 2002, approximately **\$30 billion** was spent on ad hoc disaster and economic emergency programs. Extending the Supplemental Revenue Assistance Payments (SURE) Program and similar disaster assistance programs for five years in the 2012 Farm Bill has been projected to cost **\$8.9 billion**.

The next farm bill should use the funding from and **combine parts of the SURE, Average Crop Revenue Election (ACRE), countercyclical and direct payment programs** to create an all-encompassing farm program to protect farmers from disasters and contribute to deficit reduction. The program should link eligibility for this program to risk management protection purchased. A farm-level trigger should be utilized, which would more accurately reflect local growing conditions and yields. This program should use gains and/or losses on a whole farm basis, including compensation for losses resulting from farmers' inability to plant or harvest crops for reasons beyond their control.

**Mandatory disaster assistance** should be continued for growers of noninsured specialty crops (similar to the Noninsured Crop Disaster Assistance Program [NAP] included in the 2008 Farm Bill), and the program should be improved so that payments are reflective of actual market prices for both conventionally grown and organic specialty crops.

### **Conservation, Energy and Rural Development**

Farm bill programs should maintain the ability to effectively and efficiently help agriculture provide natural resource conservation and renewable energy benefits.

The **conservation programs** represent an important opportunity to continue providing farmers and ranchers with a variety of tools to be good stewards of the environment. These programs provide multiple natural resource benefits, but demand often outweighs available funding. Conservation programs also help mitigate the effects of natural disasters, saving valuable resources.

NFU supports a conservation title in the next farm bill that includes both a **working lands program and a retirement program; however, working lands programs must be given priority when considering funding levels**. It is vital to continue providing financial and technical assistance to farmers through a working lands program to install and maintain conservation practices. This allows farmers to cost-share in adopting conservation practices suited to local conditions and yields benefits both for agricultural productivity and for the environment. Working lands programs are also critical for retaining conservation benefits of land returning to production from retirement. A scaled down land retirement program should also be retained with a stronger focus on conserving fragile lands and ecosystems, particularly highly erodible lands, in retirement contracts and easements.

The **energy title** of the farm bill helps to create additional revenue streams for farmers, creates jobs in rural America, and enhances energy security.

NFU supports maintaining an energy title in the farm bill and including the **Rural Energy for America Program (REAP), the Biomass Crop Assistance Program (BCAP), and the Biorefinery Assistance Program**. These programs provide continued investment and economic growth in rural communities by incentivizing a variety of renewable energy projects and promoting advanced technology. Renewable energy development has been responsible for some of the most significant rural economic growth that has occurred in recent years. Farm bill energy programs must be reauthorized and adequately funded in order to continue to build this growing sector of our rural economy.

**Rural development programs create jobs in rural America** and provide vital services by investing in ways for farmers to add value to their operations, broadband deployment, health care for the underserved, and cooperative development. If existing rural development programs are combined due to deficit reduction efforts, the remaining programs must be given broader authority to continue to achieve necessary rural development goals.

### **Dairy**

Dairy policy is failing America's dairy producers. The prolonged period of extremely low milk prices dairy farmers experienced two years ago and the slow recovery since that time shows that our federal dairy policy is fragmented and dysfunctional and must be addressed in the next farm bill. Supply management must be part of the solution but the current dairy safety nets should not be replaced by an untested insurance program.

Future dairy policy should include an **effective supply management program** that uses a fixed base as well as a refundable assessment, collected on all milk at all times, not only when margins are low. Such a program would provide a fiscally responsible way to manage risk in dairy production at minimal cost to the American taxpayer.

NFU does not support the elimination of the **Milk Income Loss Contract (MILC) Program** and **Dairy Product Price Support Program (DPPSP)** in order to fund an untested insurance program. Instead, the existing MILC program should be combined with an increase in the current DPPSP level in order to reflect an adequate safety net. The next dairy policy should include a **variable make allowance**, which would change in direct proportion to prices such that both farmers and processors would have an incentive to raise milk prices. The existing federal milk marketing order system should be maintained with the addition of a **price discovery mechanism**, such as a Consumer Price Index (CPI) formula.

Policies must be enacted that build upon the findings of the 2010 U.S. Department of Agriculture and U.S. Department of Justice workshops to address anticompetitive practices in the dairy industry.

### **Livestock**

A **livestock title** should be maintained in order to balance the problems of unequal market power and should include increased enforcement of the Packers and Stockyards Act, re-establishment of functional markets and resolving captive supply issues. The current non-competitive livestock marketplace results in farmers and ranchers being paid less for their products than the true and fair value of the commodities they produce. NFU remains steadfast in its support for the traditional agricultural system which is based on independent family farmers and ranchers.

NFU supports a livestock title in the next farm bill that will allow for the **full implementation of the Grain Inspection, Packers and Stockyards Administration (GIPSA) rule** proposed in 2010, which will help to bring competition back into livestock and poultry markets.

We must build upon the findings of the 2010 U.S. Department of Agriculture and U.S. Department of Justice workshops to address anticompetitive practices in livestock and the greater agricultural marketplace.

### **Nutrition**

The mutual goals of providing a safety net for low-income Americans and supporting family farmers can be achieved by **expanding opportunities and incentives for federal nutrition program recipients to access healthy, locally grown food** and establishing Electronic Benefits Transfer (EBT) at all farmers markets, farm stands, community-supported agriculture and other direct marketing outlets.

**Federal nutrition programs**, such as the Supplemental Nutrition Assistance Program (SNAP), serve as particularly important social safety nets during difficult economic times and must be protected. NFU does not support cuts to nutrition benefits for the neediest among us.

**Loan and grant opportunities for farmers supporting local and regional food systems** should be expanded, including farmers markets, mid-tier value chains, farm-to-institution sales, urban gardens, community-supported agriculture and other forms of value-added enterprises and direct marketing.

### **Specialty Crops and Organics**

Mandatory investments should be made to **strengthen and support the specialty crop industry**, including nutrition, risk management, research, pest management and trade promotion programs.

Adequate funding for Farm Service Agency **direct and guaranteed loan programs** should be provided along with implementation of other programs and provisions that support beginning farmers and ranchers, such as termination of lending term limits and funding specifically designated for beginning and socially disadvantaged farmers and ranchers.

Programs that provide financial and technical **support for farmers during the organic certification process such as the National Organic Certification Cost-Share Program**, organic crop research, enforcement of organic standards, and the collection of organic market and production data are critical for the continued development of this growing sector of the farm economy.

### **Research**

Robust funding should be made available for **USDA research programs** that are comparable to the budgets of other scientific institutions such as the National Institutes of Health, the National Science Foundation, or the Department of Energy and will allow USDA to address critical environmental, nutritional and food security challenges.