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FARM BUREAU ARKANSAS
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Farm Bill Funding

Agriculture is critically important to the United States. Our nation depends on farmers and ranchers to provide the food, fiber and fuel we need. Since the first farm bill in 1933, Congress has recognized the importance of agriculture, and worked to provide a safety net for agriculture producers in times of economic and environmental difficulty.

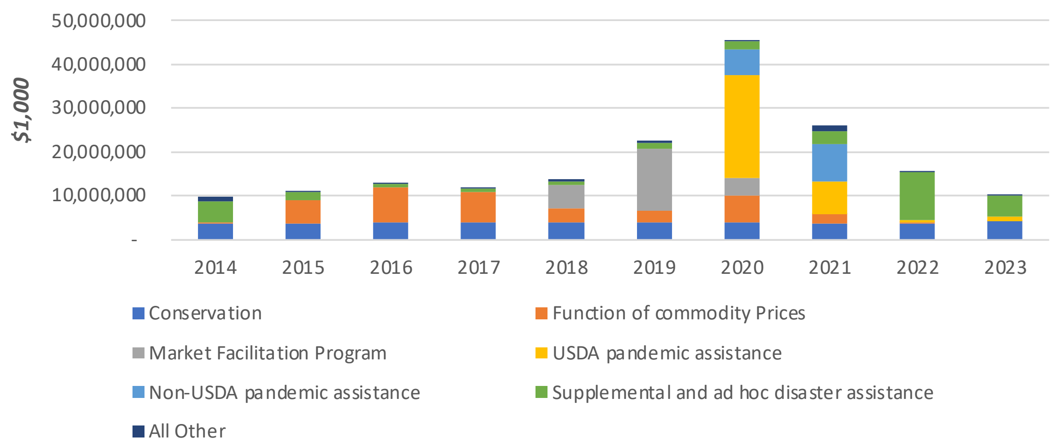
Farm Bureau policy calls for several changes to be implemented in the 2023 U.S. farm bill to strengthen the safety net protections and reduce the need for ad-hoc programs. In this article, we outline a few priority areas of focus as it aligns with Farm Bureau policy.

Farm Bureau Policy: We support increasing baseline for farm bill program spending.

The Congressional Budget Office (CBO) projects spending for the farm bill for 10 years based upon the current bill. This is important because the baseline is the benchmark by which any proposed changes in law will be measured. The passage of budget neutral bills in recent years has kept farm program payments to farmers virtually flat. Changes to the baseline could result in shifts in funding priorities and potentially impact the availability and accessibility of financial assistance for farmers. It is crucial for policy makers to consider the potential consequences of altering the baseline and ensure that funding decisions align with the needs and priorities of the agricultural sector.

Since the passage of the 2018 U.S. Farm Bill, Congress has supplemented farm bill payments at historic levels and for many different reasons. Weather disasters, global tariffs, the Covid 19 pandemic and inflation leading to record-high input prices have resulted in the need for billions of dollars in ad hoc programs to support farmers and prevent bankruptcies. In fact, between 2018 and 2021, ad-hoc assistance comprised approximately 70% of all direct farm payments, including commodity programs and crop insurance.

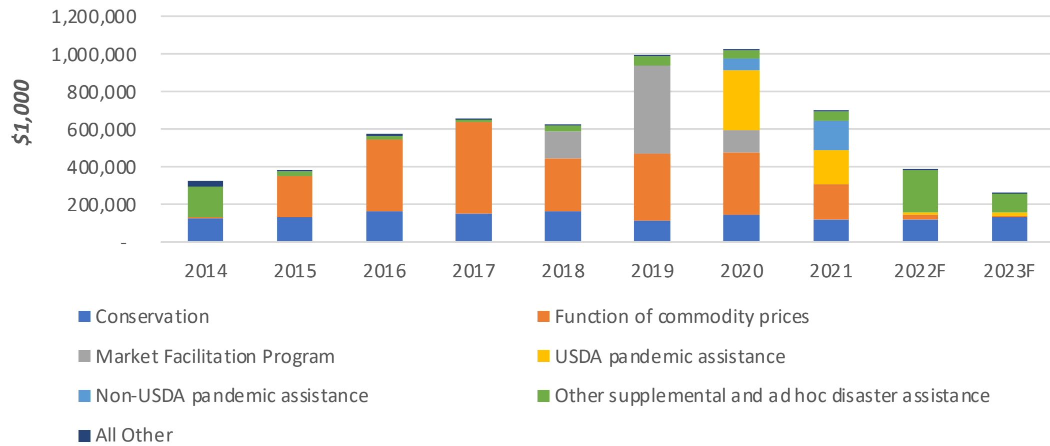
Total Direct Government Payments to All U.S. Farmers



Source: U.S. Department of Agriculture Economic Research Service

This suggests that current farm bill funding is inadequate to meet the changing needs of agriculture. Ad-hoc disaster programs are slow. After each disaster, Congress must act to create programs and allocate funds. Once those programs and allocations are completed, USDA must write rules and implement the programs. Farmers must apply and applications must be reviewed and approved before farmers can be made whole. These ad-hoc programs are not captured in the CBO baseline for the farm bill, because each one is created as an independent program.

Total Direct Government Payments to Arkansas Farmers



Source: U.S. Department of Agriculture Economic Research Service

Farm Bureau Policy: We support a reference price increase for all Title I commodities.

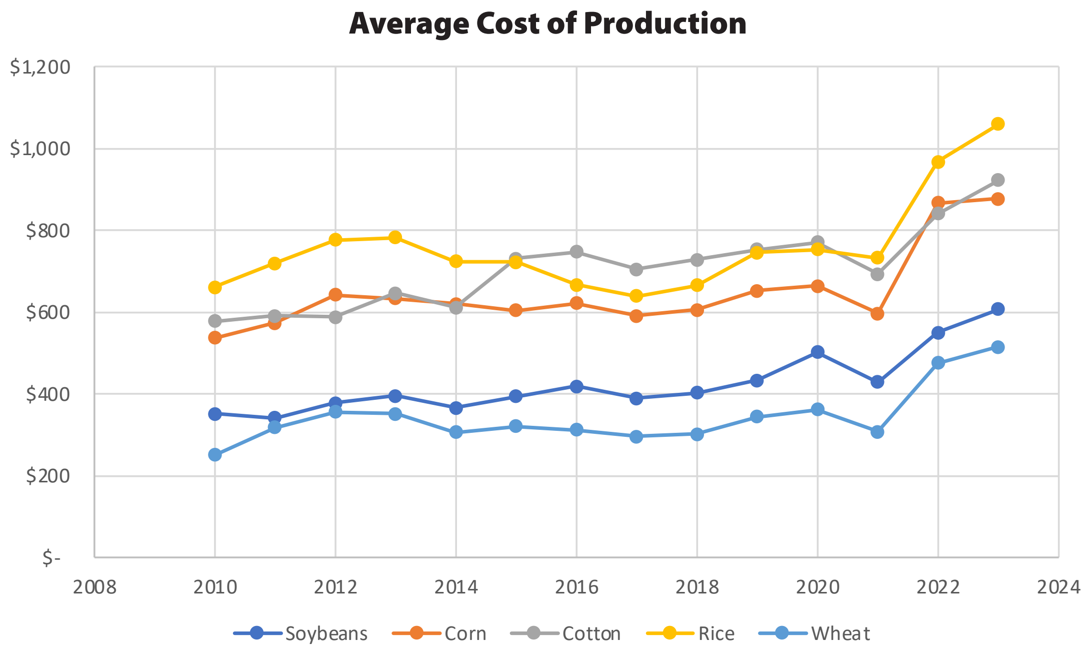
Within the farm bill, reference prices are set for specific crops as a means of providing price support and stability for farmers. However, it is increasingly evident that these reference prices are not adequate for the increase seen in production costs. This discrepancy can significantly impact farmers' ability to cover expenses and maintain sustainable agricultural practices. The Price Loss Coverage (PLC) program and the Agriculture Risk Coverage (ARC) program each rely on statutory reference prices to set the price floor for covered commodities. The current reference prices were set in the 2014 bill and left unchanged in the 2018 bill. Congress used the cost of production for each covered commodity as the basis for setting those prices. These reference prices have failed to keep pace with inflation and to account for the year-to-year increase in production costs. The lack of flexibility in reference prices can impede farmers' ability to invest in new technologies, adopt sustainable practices and navigate the ever-changing agricultural landscape.

Statutory Reference Prices: 2018 Farm Bill

Rice	$14/cwt
Soybeans	$8.40/bu
Corn	$3.70/bushel
Seed Cotton	$0.367/lb
Wheat	$5.50/bu
Sorghum	$3.95/bu

The 2018 bill included a reference price escalator provision that increases price protection above the statutory reference price. PLC triggers payments whenever the marketing year average price is less than the effective reference price. The effective reference price is the higher of the statutory reference price or 85% of the five-year Olympic average of Market year average (MYA) prices, with the maximum effective reference price of 115% of the statutory reference price. Current CBO baseline estimates suggest the escalator clause will likely trigger for corn and soybeans in upcoming years, but it is unlikely to trigger for seed cotton or rice. There have been discussions about incorporating mechanisms that take into account the actual expenses incurred by farmers. This could involve periodic reassessments of reference prices to ensure those reflect the current economic realities and the true costs of agriculture production. Doing this would allow for more effective support to farmers, promote sustainability and maintain the long-term viability of the agricultural industry.

As the chart below illustrates, the average cost of production has risen sharply since 2018. Both the PLC and ARC programs are at risk of becoming obsolete without an update to reference prices.



Source: University of Arkansas Division of Agriculture Enterprise Budgets

While farm bill reference prices aim to provide stability and income support for farmers, they often fall short in addressing the escalating production costs faced by agricultural operations. Rising expenses, coupled with fixed reference prices, can strain farmers' profitability during times of market distress. It is crucial for farmers, stakeholders and consumers to bring these issues to the attention of their elected officials when discussing the farm bill. Engage in conversations with policymakers, participate in agricultural forums and advocate for adjustments to reference prices that better reflect the true costs of production. By actively voicing concerns and proposing solutions, we can work towards a farm bill that provides meaningful support to farmers and sustains a resilient agriculture industry for generations to come.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