

Scouting a 2023 Farm Bill

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“Scouting” Questions – 2023 FB

- Can a Farm Bill be completed by ...
 - end of 2023?
 - before '24 crop year?
- Does having a Farm Bill deadline ...
 - add useful pressure to find useful compromises?
 - favor maintaining status quo policy?
- Does 2024 election promote compromise?

Legislative buildup – FB precursor actions

- Reconciliation produces IRA (FY 2022)
 - \$30 billion in new spending on climate smart agriculture to be spent through Farm Bill Conservation programs
 - Can it be spent?
 - Current estimates are that more than one-third of this money won't be able to be spent on time
- Debt ceiling deal (June 2023)
 - Raises allowance for federal debt, modifies SNAP work requirements
- **Sept 30 2023** –
 - Farm Bill 2018 Expires (reversion to permanent law)
 - FY 2023 appropriations end (new omnibus budget or continuing resolution)

Political landscape and FB

- Intra-party negotiation is increasingly difficult in federal government -
 - Leadership now negotiates with a determinatively large “wing” (e.g. Freedom Caucus or Green New Deal) within its party prior to making centrist compromise
 - Political risk of ignoring these “wings” and just rolling out a bipartisan compromise
 - Particularly evidenced in spending on climate and low income assistance
- Political models of “Farm Bill”
 - “Bipartisan success story” – partnering rural (farm production, land management) and urban (food assistance) interests
- Increasingly difficult to achieve –
 - 2008 FB expired twice before replaced with 2014 Farm Bill
 - 2018 FB 1st vote failed in the house (immigration deal)

“Bipartisan Success Story”

- *Is 2012 the right political model for 2023?*
- *If it is, what can/should we expect?*

Year	Congress	Presidency	Senate	House
2008	110 th	Republican	Democrat	Democrat
2014	113 th	Democrat	Democrat	Republican
2018	115 th	Republican	Republican	Republican
2023	118 th	Democrat	Democrat	Republican

Year	Identifier	Title	House Vote	Senate Vote
2008	H.R.2419	Food, Conservation, and Energy Act of 2008	316-108	82-13
2014	H.R.2642	Agricultural Act of 2014	251-166	68-32
2018	H.R.2	Agricultural Improvement Act of 2018	369-47	87-13

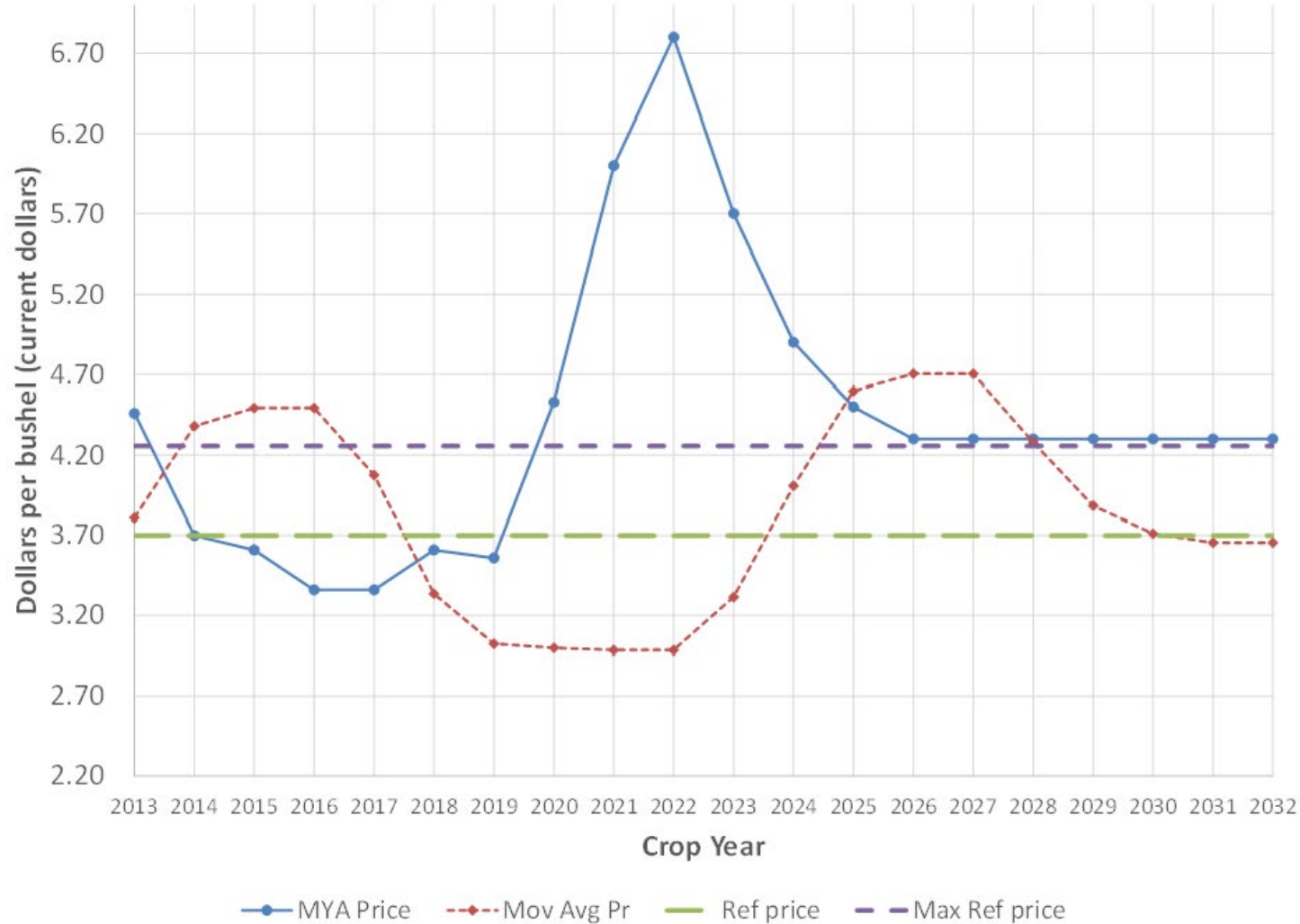
Budget / Spending

- 2018 farm bill
 - Spending estimate at passage – \$870 billion over ten years
 - Post-pandemic - \$1,300 billion over ten years
 - Driven by nutrition spending increases
- CBO - May 2023
 - Farm Bill baseline published by CBO
 - Total spend - \$1,430 billion over ten years
 - Nutrition - \$1.2 billion (84% of total)
- CBO federal deficit projections
 - Increasing from 5 to 7% of GDP for the next ten years

Farm Group Priorities for FB

Farm Bill Area	Priorities indicated
Farm Safety Net	<ul style="list-style-type: none">• Maintain the risk management focus with a combination of crop insurance and shallow loss countercyclical support• Improvements/expansions to crop insurance• Revisit price support in shallow loss support options
Trade	<ul style="list-style-type: none">• Increase support to market development and market access programs
Conservation	<ul style="list-style-type: none">• Prioritize voluntary conservation• Cap CRP enrollments• Favor cost-share options for sustainable practice adoption
Nutrition	<ul style="list-style-type: none">• Maintain the nutrition title as part of the farm bill• Advance domestic food security and food access through SNAP and related programs

Price protection example – Corn



The red dashed line is the moving average MYA price, trying to account for current prices in setting the payment rate but it is bounded below (ref. price) and above (1.15x ref. price) from following prices fully.

The pattern is repeated in MW row crops. The “band” of price protection is narrow relative to volatility and mislocated relative to inflated price levels.

Price protection: no payments in forecast



The red line gives the price protection. The blue line gives actual (or forecast) prices.

The LR forecast is for prices to be above the protection levels determined by reference prices. Similar for most row crops.

Of note – neither PLC (demo'd here) or ARC (similar to PLC but incorporates yield) account for rising input costs.

Profits fall but no payments projected...

FB priority - fix reference price rules.

SNAP (Nutrition) – Design issues (2018 ERS)

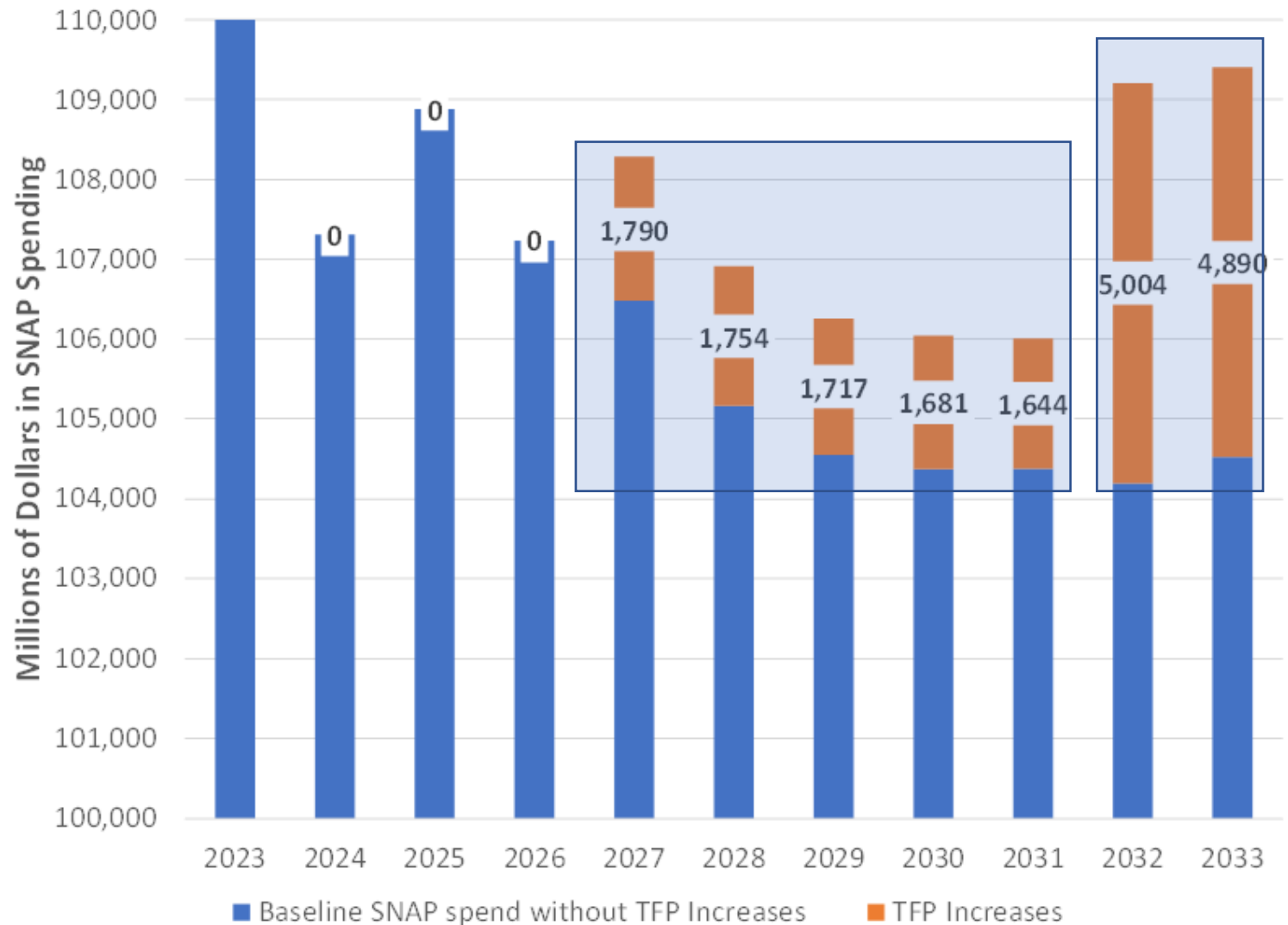
- Block grant operation
- Limiting food options in SNAP
- Limiting retailer participation
- Adequacy of SNAP benefits
- Program participation
- Work requirements

SNAP summary

- In the baseline –
 - SNAP average benefit increases from \$222 to \$265 ('23 to '33)
 - SNAP participation declines from 41 million to 34 million
- Effectively –
 - By 2023 to return to pre-pandemic SNAP rolls
 - Maintaining pandemic level SNAP benefits
- Thrifty Food Plan (TFP) – increasing cost of food and food access

SNAP benefits ramped up with TFP reformulation

- Thrifty Food Plan – benchmark for calculating SNAP maximum benefit was increased in 2021.
- Raised by USDA/Biden admin. w/o consulting Congress.
- Revisit every 5 years



Conservation Spending & IRA

Farm Bill Program	Farm Bill '23 Baseline (Est.) (Billion dollars)	IRA Increase (Billion Dollars)
Environmental Quality Incentives Program (EQIP)	\$22.28	\$8.50
Conservation Stewardship Program (CSP)	\$11.35	\$3.25
Agriculture Conservation Easement Program (ACEP)	\$4.95	\$1.40
Regional Conservation Partnership Program (RCPP)	\$3.30	\$4.95

Outlook – Farm Safety Net

- New Farm Bill that is baseline neutral, largely status quo
- Crop safety net to better counter current prices and increasing input costs
 - What are the targets for getting more money?
 - IRA Conservation Funds
 - Rollback future TFP updates
- What would that look like?
 - 1) Revenue side: Reset reference prices
 - 2) Cost side: Something like SNAP? (Waive limits, Categorical eligibility)
- State administration may have a larger role in determining farm payments

Outlook – SNAP

- New Farm Bill that is baseline neutral, largely status quo
- SNAP benefits hold, future TFP increases curtailed
 - Limit the ability of USDA to adjust TFP
 - Some sort of band like we see in Price Loss Coverage (PLC) for limiting increases
- Does Congress legislatively claw back state options in SNAP administration?

Expectations (at the moment)

- Conservation is done - unless the IRA comes under legislative attack
- FB Safety Net
 - Crop insurance – stays as is
 - Payment programs – structured more like SNAP?
 - Disaster/emergency support already exists – extend and formalize it to “income emergencies”
- SNAP
 - Structured more like Farm Safety Net?
 - Limits on benefit increases, limit budget exposure of the entitlement
 - More federalized – put more limits on state to state variability
- Wild Cards:
 - Exec actions (climate, immigration)
 - Appropriations (e.g. mandatory cuts in deal to fund government for 2024)

END

Questions/Comments?

References/links

- [Purdue Ag Econ Report – Farm Bill 2023 Policy Brief Series](#)
 - Series of 9 articles examining key farm bill debate points for 2023
- [Congressional Research Service – Farm Bill Budget Dynamics](#)
 - CRS's analysis of the May 2023 Baseline
- [Congressional Research Service – Farm Bill Primer](#)
 - Scope of current farm bill and how it fits in broader policy
- [Jonathon Coppess' Gardner Policy Series](#) (at FARMDOC)
 - Coppess writes weekly on farm policy issues but many articles in spring 2023 to current focus on Farm Bill issues

Appendix - Additional notes

Budget – 2018 Farm Bill

	2018 Passage	2021 CBO	2022 CBO
	<i>Billions</i>		
Total Spending	\$867	\$1,033	\$1,295
Spending by Title			
Nutrition	\$659	\$815	\$1,090
Crop Insurance	\$77	\$95	\$80
Commodity Programs	\$63	\$55	\$56
Conservation	\$58	\$59	\$59

Budget – FB Baselines

Year	Budget score (10-year spending)
2002 Farm Bill	+73 \$billion – passed under budget surplus with 50% of the increase going to refit commodity programs
2008 Farm Bill	Neutral – passed with PAYGO ⁴ rules, increased revenues (taxes and fees) to increase nutrition, conservation & disaster spending
2014 Farm Bill	-17 \$billion – passed following sequestration budget rules that has already reduced the baseline by 23 \$billion
2018 Farm Bill	Neutral – all increased spending areas were offset within the farm bill

Budget – Baseline for 2023 FB

	<u>Spending (\$mn)</u>		<u>Share of total</u>	
	2018	2023	2018	2023
Nutrition	\$663,828	\$1,205,440	76.5%	84.5%
Commodity Program	\$51,414	\$56,996	5.9%	4.0%
Crop Insurance	\$77,933	\$96,974	9.0%	6.8%
Conservation	\$59,748	\$57,479	6.9%	4.0%
Other	\$14,277	\$9,510	1.6%	0.7%
Total	\$867,200	\$1,426,399	100.0%	100.0%

- FB costs are increasing while deficits are soaring
- 5-7% of GDP over the next 10 years

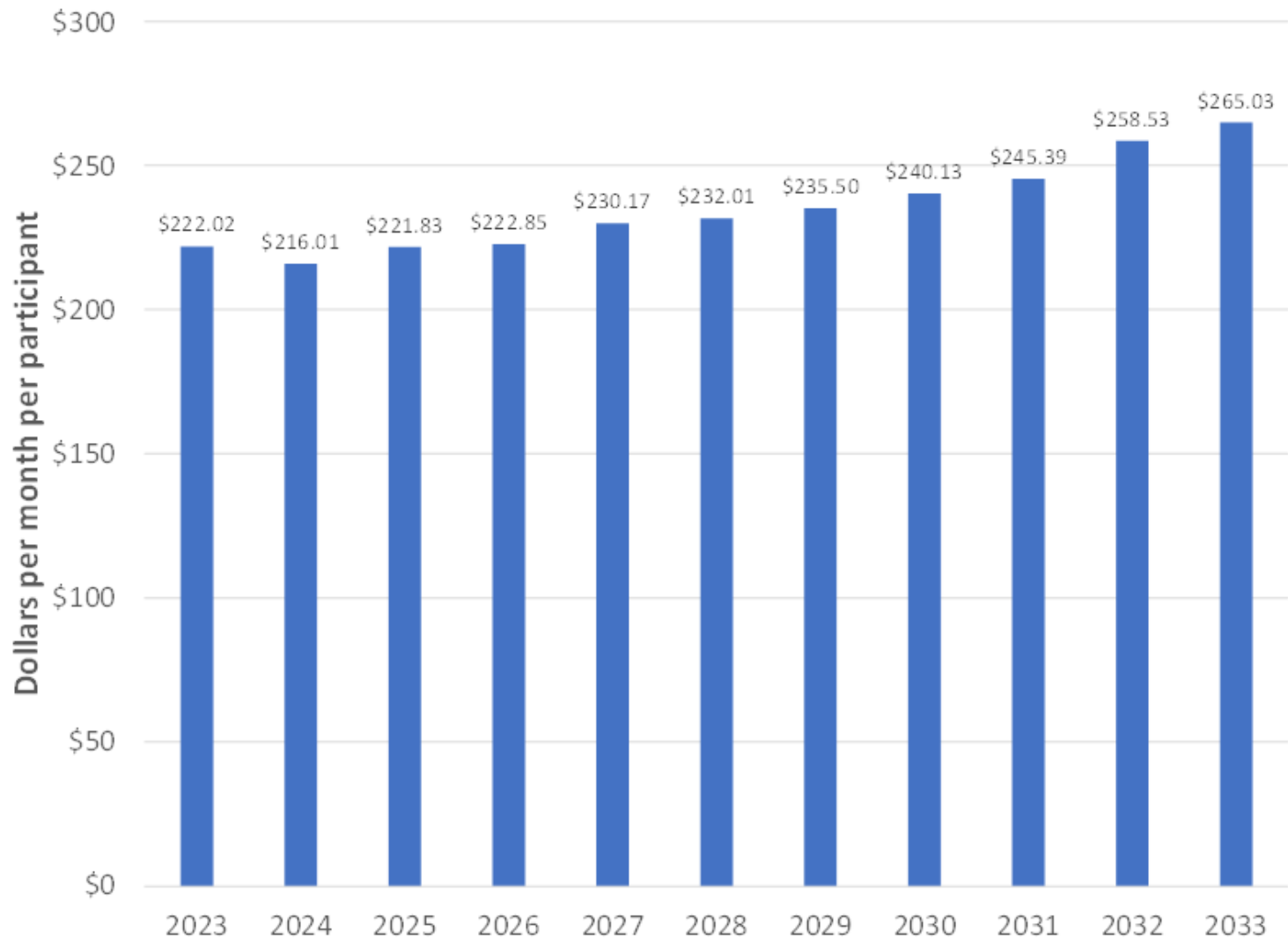
How to calculate PLC reference prices

Table 1. Determining the effective reference price for PLC

Step	Description
Step 1	Refer to statute for reference price of crop
Step 2	Calculate an olympic average price ² for the previous five crop years that have a determined MYA price ³ and multiply by 0.85
Step 3	Compare the outcome of Step 1 and Step 2, retain the higher of the two
Step 4	Calculate 1.15 multiplied by the statutory price from Step 1
Step 5	Compare the outcome of Step 3 and Step 4, retain the smaller of the two. This is the effective reference price

- Reference prices are set by statute (e.g. \$3.70 for corn)
- Can adjust to 1.15x the reference price if recent price history trends higher

SNAP – Projected Monthly Benefits

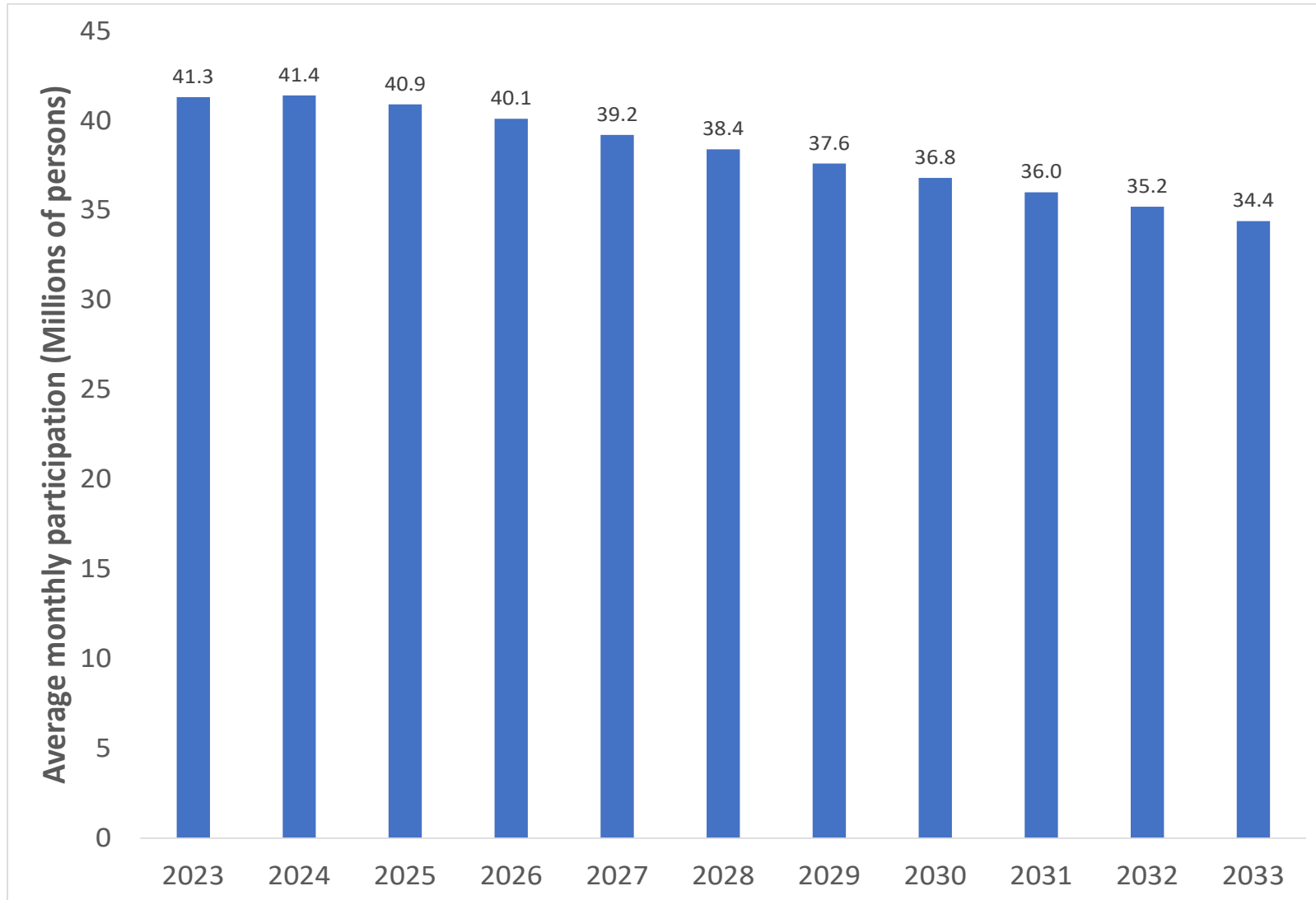


Forecast dynamics (SNAP and Safety Net)

Recent data tends to dominate the forecast level and volatility is not present in the basic estimates.

Inflation is a significant weight in these (and farm price) effects.

SNAP – Participation Levels



Economic recovery is in this forecast as shown by the return to pre-pandemic SNAP rolls.

Debt ceiling deal will speed this some.

Reducing rolls faster will be a target in the FB.