Farm Groups Offer Conflicting Views On Commodity Title

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Oklahoma wheat grower Scott Neufeld has long benefited from the certainty and planting flexibility provided by the direct payments that were first offered in the 1996 "Freedom to Farm" bill. But as Congress moved to discontinue those payments last year, Neufeld fully embraced the House Agriculture Committee's price support options, designed to protect growers when markets start to tank, which he believes will ultimately occur.

"Crop insurance is important, but won't do us any good if we see steep price declines," emphasized the Fairview farmer who chairs the Oklahoma Farm Bureau's Farm Bill Committee.

From his perspective, House Agriculture Chairman Lucas is on exactly the right track, but he questions the Senate-passed version of the commodity title. His main concern is the lack of price protection in years when commodity prices are low.

"We're disappointed that most of the risk management tools included in the Senate bill are revenue based with very little focus on the price components of actual marketing," Neufeld said. "There is no mechanism to manage risk when steep price declines happen. They will happen and they may last for several marketing years." The northwest Oklahoma farmer is also concerned about the so called "shallow loss" provision of the Senate bill.

"We can manage crop losses up to 15 percent, but deeper losses need to be protected," Neufeld said. "I would rather have real protection in years when deep losses are experienced than have minimal protection year to year."

About 60 miles away near Pond Creek, Okla., Jeff Scott has a much different perspective, offering strong concerns about the commodity title developed by the House Agriculture Committee last year. He, too, has enjoyed the ability to plant whatever crops he believes will be most profitable on his farm in north central Oklahoma. "Freedom to Farm" enabled him to move away from what he describes as his "monocultural heritage" of winter wheat and grazing stocker cattle.

He's now rotating wheat and canola, which offers the additional conservation and yield benefits of a crop rotation. Yields for winter wheat typically increase by 10-20 percent the year following canola.

The canola industry also brings much needed employment to Oklahoma's third congressional district, represented by House Agriculture Committee Chairman Frank Lucas. Northstar Agri Industries plans to build a canola processing facility in Enid, creating approximately 55 full time jobs with a total annual payroll of $3.75 million.

Yet, Scott is concerned about the commodity title developed last year by the House Agriculture Committee, preferring the Senate version instead.

"I don't want to see a new recoupling policy come in that could lead to shifts in planting intentions," Scott said.

These two sharply contrasting views are at the heart of the debate over how farm programs should be written for the future – without the direct payments that served as the basis for "Freedom to Farm." Unless commodity groups and farm organizations can agree on a new commodity title as part of a more comprehensive farm bill, congressional leaders may use direct payments for deficit reduction – taking crucial dollars away from the farm bill baseline that could be used to fund other programs.

Although much of the coverage on the failure to pass a new farm bill in 2012 centered on differences in the food stamp and dairy programs, little has been written about the philosophical divide over the commodity title and the role it should play in helping farmers manage risk.

Both the House and Senate Agriculture Committees agreed to do away with direct payments as part of their respective farm bills last year, while continuing authority for marketing assistance loans. However, each committee offered different versions of the commodity title, coupled with enhancements to what many consider to be the new bedrock of the farm safety net: crop insurance.

The House Agriculture Committee's bill is somewhat similar to current programs in that it gives producers a choice between a counter-cyclical type of price program, called Price Loss Coverage (PLC), and a revenue program, Revenue Loss Coverage (RLC).

In PLC, the reference prices are higher than current target prices to protect producers in case of a market downturn, but growers would only receive a portion of that guaranteed price because the payment formula is based on a percentage of planted and prevented planted acres. The new RLC guarantee would be based on historical revenue at the county level – a change from the Average Crop Revenue Election (ACRE) program in which guarantees were based on the state level. Both would calculate payments on planting a specific crop (limited by a producer's base acres), ending 17 years of decoupling payments from production.

The Senate Agriculture Committee offered a revised revenue protection program called Agriculture Risk Coverage (ARC), which includes an option for farmers to select coverage at either the county or individual level.

For most of last year, farmers like Scott had a champion for their cause: Sen. Pat Roberts, who helped author "Freedom to Farm." Roberts was the most vocal Senate critic of the House Agriculture Committee's approach.

Shortly after the Senate passed a new farm bill last summer, Roberts told *Agri-Pulse* that the "big fight" between the Senate and House commodity title would be over target prices, dating back to the 1970's. He argued that these targets, now called "reference prices" are "allegedly" set at the cost of production, even though "you can't define one price for all regions of the country."

"If the target price is $6, $5.50, or $5 for wheat in Kansas, guess what are they (growers) going to plant? They are going to plant wheat, so they are farming not for the market but for the target prices. They are farming for the government again. And in the World Trade Organization (WTO), that really raises a red flag. You've already seen cotton burned by the WTO stove, and I don't think it would behoove corn or wheat or soybeans or anybody else to go down that road.

"I don't know why the House is so infatuated with that except it does guarantee a price. I don't know who else in America is guaranteed a price….How do you defend that? I don't want to go to target prices. That will be the big fight."

Fast-forward to 2013 and Roberts – who was viewed as a thorn in the side of many southerners – was replaced by one. The new ranking minority member, Thad Cochran, R-Miss., is a former chair of the Senate Agriculture Committee. With his long understanding of the unique needs of southern commodities, Cochran is expected to march alongside Chairman Lucas on the commodity title. However, he has not made any public comments on his preferences for the commodity title and has not responded to interview requests.

Some of Cochran's fellow Republicans – and even a few Democrats on the committee – may not be pleased with the presumed change in perspective. But for now, the focus seems to have moved toward getting any type of new farm bill passed, rather than policy specifics.

"We know that direct payments are going away – either as part of some unrelated legislation this year or as part of a new farm bill," noted a farm lobbyist who asked not to be identified. "The question is whether farm groups can each give a little and decide on a commodity title – before we lose about $46 billion (over 10 yrs.) the direct payments currently represent in the (funding) baseline." Δ

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