Senators Try To Put Finishing Touches On Commodity Title In New Farm Bill

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With the Senate Agriculture Committee expected to start marking up the 2012 Farm Bill soon after the Easter recess, the biggest question remaining is: What will the new commodity title look like?

That's not to say that all of the other titles have been completely finalized. But most of the "heavy lifting" on conservation and other titles was already done last fall when Senate Agriculture Committee Chairman Debbie Stabenow, D-Mich, and House Agriculture Committee Chairman Frank Lucas, R-Okla, put together a farm bill designed to save $23 billion for the Joint Select Committee on Deficit Reduction.

The commodity title was completed then, too, but not without some controversy over whether or not it contained all of the right provisions. So others have been trying to offer alternatives, with the latest coming from Senators Kent Conrad (D-ND), Max Baucus (D-MT), and John Hoeven (R-ND). Last week they unveiled their version of a new safety net, the "Revenue Loss Assistance and Crop Insurance Enhancement Act of 2012."

The trio and their staff members, who have been working on fine-tuning the details of the plan for months, say the measure will save $16.4 billion over the next ten years, after investing about $28 billion in a new shallow loss program. It would eliminate direct payments and the Average Crop Revenue Election (ACRE) program in a way that they say "reduces farm program complexity and duplication, strengthens the federal crop insurance program, and permanently extends livestock disaster assistance."

"This legislation achieves my two main goals in a new Farm Bill – it maintains a strong safety net for producers while, at the same time, contributing to deficit reduction," Senator Conrad said in a statement. "This proposal complements crop insurance, is much easier to administer than current farm programs, and gives our family farmers the support and flexibility they need to succeed."

"I've spent a lot of time over the last year traveling around Montana and talking to producers about what's important to them – things like the Livestock Disaster Assistance program we created in 2008 and a fair plan to chip in on deficit reduction while still making sure our farmers and ranchers are protected from volatile markets and weather," Senator Baucus said.

"This is bipartisan legislation that provides a cost-effective safety net for our farmers with enhanced crop insurance," Senator Hoeven said. "It will serve our producers well and at the same time help with deficit reduction."

The three lawmakers hope their plan will become the basis for a new commodity title in the 2012 Farm Bill. Whether or not they are successful remains to be seen, but Farm Bill veterans like Conrad and Baucus can't be counted out---even though other members of the Senate Agriculture Committee, like Sen. John Thune, R-SD, have offered their own plans which they believe would be more workable nationwide and much easier to administer. And some members of the crop insurance industry have expressed concerns about the potential impact on crop insurance – something that Chairman Stabenow has long told producers she would protect.

Crop insurance industry sources contacted by Agri-Pulse said they had not seen Senator Conrad's legislation as introduced, but that they have heard that his proposal "seeks to complement crop insurance." And they hoped that the final bill would "include adjustments to provisions contained in an earlier draft that would discourage producer purchase of higher levels of crop insurance coverage."

"Results for the 2011 crop year clearly demonstrated both the need for and the strength of private sector-delivered crop insurance, and we want this farm bill to improve and enhance crop insurance rather than reverse that trend," noted one crop insurance industry source.

The legislation creates the Revenue Loss Assistance Program (RLAP), an initiative that combines Supplemental Agricultural Disaster Assistance (SURE) and Average Crop Revenue Election (ACRE). The RLAP provides farmers who purchase crop insurance with assistance for losses between 12 and 25 percent of their average historic revenue.

An eligible loss under RLAP can be due to any combination of decreased yields, declining prices or quality discounts. RLAP is based on individual farm performance with assistance provided on a commodity specific basis. Farmers would need to comply with conservation requirements on their farms in order to be eligible for RLAP payments.

RLAP provides assistance for farmers who suffered losses on acres planted for harvest at a 65 percent payment rate. The rate drops to 45 percent for acreage unable to be planted due to bad weather. Total acreage covered under RLAP for a producer will not be able to exceed that producer's total base acres.

The legislation also establishes a Supplemental Coverage Option (SCO), which will allow producers to obtain area-wide federal crop insurance coverage in addition to the individual coverage they currently purchase.

The Supplemental Coverage Option provides producers with an opportunity to cover their risk between the 12-25 percent loss range and their individual crop insurance policy. It is an area coverage plan triggered on county losses, with a 25 percent deductible. The premium subsidy woud be 70 percent – higher than the average 60 percent subsidy that is currently provided.

The legislation also provides for new "yield plug." Currently, a farmer with a poor Actual Production History (APH) yield can replace it with a yield that represents 60 percent of the county average yield (T-Yield). This legislation would increase the yield plug to 70 percent.

In addition, the new legislation extends the SURE Programs for crops for the 2012 crop year with a modification to expedite crop revenue loss payments by about one year.

The bill also permanently extends the three livestock disaster programs and the Tree Assistance Program authorized in the 2008 Farm Bill.

Finally, the legislation continues, the current commodity marketing loan program and counter-cyclical program with their same price triggers. Counter-cyclical program payments would be paid on 75 percent rather than 85 percent of base acres.

Payments made under this bill would be limited to those who make an adjusted gross income of $999,000 so those making over $1 million/year cannot receive RLAP or counter-cyclical payments. In addition, the total amount of RLAP or counter-cyclical program payments cannot exceed $105,000. Δ

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