# FARM BUREAU'S 2013 FARM BILL PROPOSAL

***Balanced***
***Flexible***
***Responsible***



**INFORMATION TOOLKIT**

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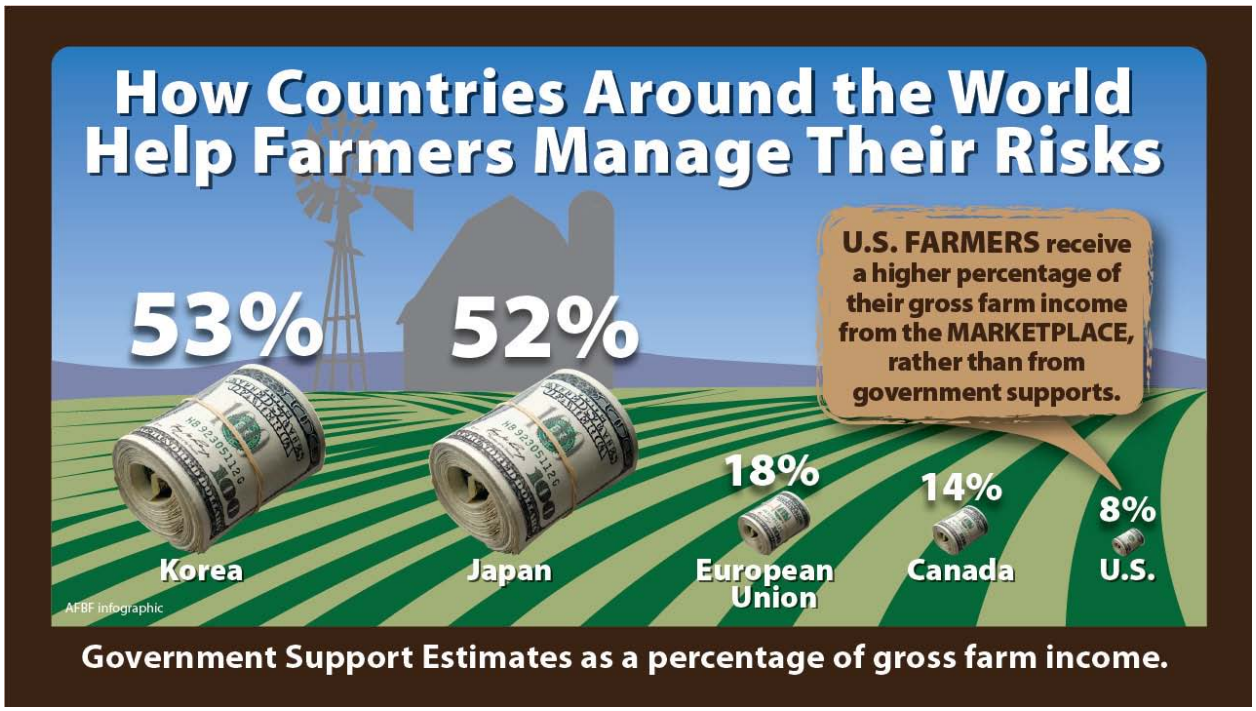


# Introduction

A thriving agricultural economy benefits all Americans, and depends on a sound farm bill. The farm bill helps farmers and ranchers deal with the risks that threaten their ability to produce the food, fiber and fuel we all need.

As the Agriculture Committees in Congress begin to draft a 2013 farm bill against a backdrop of decreasing government funding, Farm Bureau has put forward a farm bill proposal that is financially responsible, provides a measure of equity across crop sectors and helps farmers and ranchers deal with the weather and market risks they face.

American Farm Bureau Federation policy supports strengthening crop insurance and offering farmers a choice of program options to complete their "safety net." In addition, AFBF supports providing programs that encourage farmers to follow market signals rather than make planting decisions based on government payments.

Farm Bureau developed this proposal recognizing the budgetary environment of today and tomorrow. Agriculture has been singled out by numerous congressional leaders. Whether we like it or not, Congress is sending a clear message that the federal dollars that were there in the past are simply not going to be there tomorrow. Farmers should not expect to receive the same level of support as they have—even as recently as three or four years ago. This proposal recognizes that fact and makes every effort to try to use the limited resources we have available in the best way possible.

Also, Farm Bureau is a general farm organization. Individual commodity groups are obviously able to push for their own crop's interest. Farm Bureau stretches across all of agriculture, and providing significantly higher benefits to one crop would mean that other crops would be forced to take a larger hit.

Farm Bureau's farm bill proposal meets the policy objectives outlined by its grassroots leaders. The proposal is budget-responsible, yet it also advocates for a meaningful safety net by calling for the higher funding base provided by the Senate, as opposed to the deeper cuts requested by the House Budget Committee or the president's recent budget submission. The proposal is comprehensive and provides risk management tools as a safety net for a broad range of producers, from row crop to fruit and vegetable growers.

The top-level recommendations included in Farm Bureau's proposal are:

- Support the lower Senate budget reduction number of $23 billion;
- Structure the farm bill proposal to achieve this level of cost reduction and, if funding is further reduced, to proportionately reduce the safety net programs as necessary (rather than require a total rewrite);
- Allow program crop producers to choose either a Stacked Income Protection Plan (STAX) or a target price program, on top of participation in crop insurance and marketing loans, as the three legs of a safety net;
- Establish a STAX program for all program commodities, as well as for apples, potatoes, tomatoes, grapes and sweet corn; and
- Provide a target price program for all program commodities except cotton.*

The purpose of this toolkit is to help you answer questions about Farm Bureau's farm bill proposal.

# FAQs

**Why does the farm bill budget have to be reduced?**

With federal government debt of more than $16 trillion, made worse by an annual deficit of about $900 billion, Congress must cut the cost of federal programs. The farm bill is no exception. In fact, the Senate in early 2013 proposed to avoid budget sequestration by taking all domestic budget cuts needed to avoid the sequester (a total of $31 billion) from farm programs. If it was not already evident that the farm bill has become a target in the budget debate, the Senate's sequestration proposal confirmed it.

* Due to Brazil's successful challenge of U.S. cotton programs, a target-price program and current marketing loan rate for cotton cannot be provided. Additional information is on page 4.

It's important to note that agriculture is not alone. It wasn't very long ago that supporting funding cuts in Defense programs, Social Security and Medicare was considered "political suicide." Today, there are serious proposals to reduce the cost of Social Security and Medicare, and Defense programs are included in the sequestration.

In April 2013, the House and Senate passed their respective fiscal 2014 budgets, requiring authorizing committees to find ways to cut the cost of programs under their authority by set amounts. The House budget calls for $31 billion in cuts to the commodity and conservation titles of the farm bill over 10 years. It calls for an additional $130 billion in cuts to the nutrition title. The Senate budget requires $23 billion in farm bill cuts, including the nutrition title.

**Why not hold out for more farm bill funding?**

While certainly we can and will push for the smallest cuts possible, the political reality is there is no possibility of increased funding for most federal programs. The opposite, budget cuts, is the reality. Agriculture can have a hard-line position on farm bill funding or get a new, workable farm bill in place, but it can't have both. If farmers and ranchers are to have the program certainty they need for farm financing and planning, Congress must enact a new farm bill before the current one expires in September 2013.

Against that backdrop, there are no crop sectors that come out as winners. In developing Farm Bureau's proposal, the goal was to minimize the pain to farmers as much as possible. Farm Bureau has recommended that Congress use the lower budget reduction number of $23 billion in the Senate, rather than the House number of $31 billion out of commodity and conversation programs alone.

**Why is cotton not eligible for target prices in the proposal?**

The biggest reason for this is a ruling in a case brought by Brazil to the World Trade Organization against the U.S. cotton program. Under that agreement, the U.S. is bound to reform payments made to U.S. cotton growers. The countercyclical payments for cotton producers under a target price program were ruled to be in conflict with WTO guidelines.

**So, what is this STAX program, anyway?**

The Stacked Income Protection Plan (STAX) was actually initially proposed by the National Cotton Council last year as part of the development of what we hoped would be the 2012 farm bill. Budget constraints have forced us to make modifications to the program. As suggested by Farm Bureau, it is an insurance-like product designed to provide a fiscally responsible and effective safety net for program crop farmers and growers of tomatoes, potatoes, apples, grapes and sweet corn. The program would be administered by USDA's Risk Management Agency in a manner consistent with the current crop insurance delivery system. It is designed to complement existing crop insurance programs. It does not change any features of existing insurance policies.

The STAX plan addresses revenue losses on an area-wide basis, with a county being the designated area of coverage. In counties lacking sufficient data, larger geographical areas such as county groupings may be necessary to preserve the integrity of the program. The "stacked" feature of the program implies that the coverage would sit on top of the producer's individual crop insurance product.

**Can farmers choose what option works best for them?**

Yes, under Farm Bureau's STAX proposal, all program crop farmers would be allowed to purchase coverage for county income losses ranging between 10 percent and 25 percent. The upper and lower levels of coverage are flexible and are selected by the farmer. A wider coverage band will cost the farmer more in premium than a narrower band. Farmers would receive an indemnity if county revenue fell more than 10 percent of expected revenue but not more than the deductible level (and the maximum deductible is 25 percent).

With a top coverage level at 90 percent, STAX offers the same upper end of coverage as existing area-wide insurance products. Since the vast majority of farmers purchase insurance at levels of 75 percent or lower, the STAX program's lower coverage of 75 percent would not provide a disincentive to purchase buy-up coverage.

The STAX premium subsidy is set at 70 percent, with the farmer paying the remaining 30 percent of the premium. Farm Bureau does not propose or support payment limits or means testing for the STAX program.

**How does a target price program work?**

The program would set price targets for each of the program crops. If prices drop below those target prices, farmers would be able to receive a safety net payment to make up the difference. These are called countercyclical payments because they go up as market prices fall further below the targets.

**Where do we stand on dairy?**

Farm Bureau supports the concept of a gross margin insurance program for dairy farmers to help them remain in business when high production costs, low market prices or a combination severely threaten their profitability. The new gross margin insurance program would replace the current milk price support and Milk Income Loss Contract programs, which protect against price declines but not against production cost surges that can be equally detrimental to a dairy farmer's ability to continue producing milk and dairy products for consumers.

**What happens next?**

We believe the action will begin with the Senate Agriculture Committee. This is advantageous for the Farm Bureau proposal, since it is pegged off of Senate budget numbers. Much work remains from that point forward. Provisions will likely change. Compromises will be made. But the AFBF board of directors overwhelmingly approved this farm bill proposal with the thought that Farm Bureau could provide the leadership required as the Senate and House work to fill a tall order: a long-term farm bill with safety net provisions and risk management tools for farmers of all crops and regions—within a very challenging budget environment.

# Messages

| General | Budget |
| --- | --- |
| • Farm Bureau is the first (and, so far, only) agricultural organization to offer a comprehensive farm bill proposal in 2013.<br>• Farm Bureau is the nation's largest general farm organization. Other farm groups representing a single crop can propose policies that just work for that crop. Farm Bureau must lead by putting forward a comprehensive proposal that works for all crops, meets budget requirements and has a good chance of moving the farm bill process along and being enacted.<br>• Our proposal meets the nation's trade commitments. Farmers in many nations that compete with the United States for markets support their farmers at a far higher percentage of income than in our nation. To compete, U.S. farmers need access to a workable economic safety net. | • There is no way to avoid cuts to the farm bill. The best possible outcome in this budget environment is to write a farm bill that maintains a meaningful safety net for producers within the budget constraints we face.<br>• Farm Bureau recommends that Congress enact the lower budget reduction number of $23 billion (rather than the House number of $31 billion).<br>• This proposal protects and strengthens the federal crop insurance program, which has become a critical risk management tool for most producers.<br>• It is nearly impossible to write an effective farm bill with the budget we face. While we would prefer to have more funding, the Farm Bureau proposal shows one way it can be done. |
| **Flexibility for producers** | **Specialty Crops** |
| • Farm Bureau's farm bill proposal offers producers a choice of program options.<br>• The proposal would ensure equity across program commodities.<br>• Farmers repeatedly have said that they would rather produce for the market than for government payments. Our proposal would provide farm programs that encourage producers to follow market signals.<br>• The proposal protects farmers from catastrophic occurrences, but it does not guarantee them a profit. | • Our proposal responds to calls for the farm bill to provide more support for fruit and vegetable production and contribute to healthy diets.<br>• By covering the five specialty crops included in our proposal (apples, potatoes, tomatoes, grapes and sweet corn), the farm bill will benefit producers in 44 states.<br>• While other fruits and vegetables that are produced on a smaller or more localized scale are not included in the proposal, Farm Bureau would like to cover all crops under a stacked income protection plan (STAX) in the future. |

# Additional Resources

- Farm Bureau's 2013 Farm Bill Proposal— http://bit.ly/1538jPv.
- Use Farm Bureau's FBACT Insider website to stay up-to-date on the issue and take action —www.fbactinsider.org.
- Info-graphic on page 2 (for sharing)— http://bit.ly/YNEpeV.
- Video of AFBF farm policy specialist Mary Kay Thatcher explaining the farm bill proposal— http://bit.ly/YvXXFc.
- AFBF Newsline radio story/actualities— http://bit.ly/11KLoWs.
- April 8 news story in The Hill.
- More resources to come. We'll provide an update of this document when those resources are added within the next week.