



2012 Farm Bill

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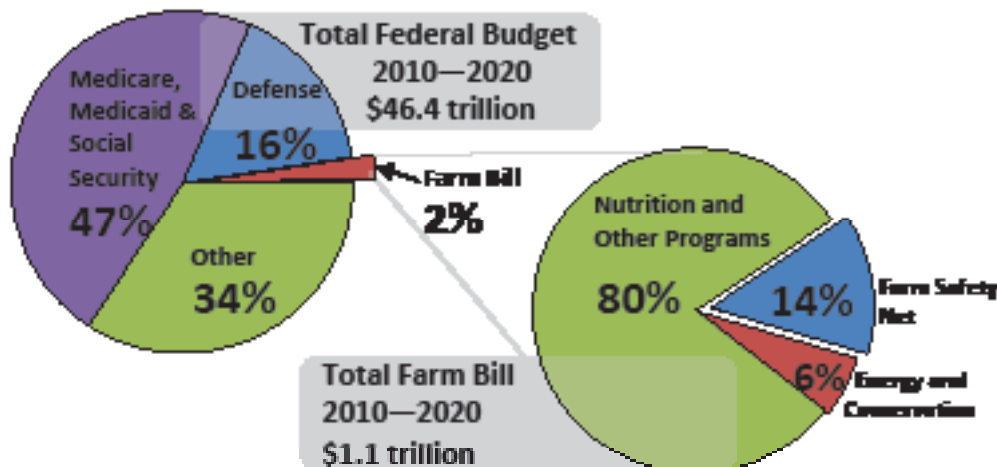
FISCALLY RESPONSIBLE FARM POLICY

The next farm bill will likely face intense scrutiny by Congress as the Joint Select Committee on Deficit Reduction examines ways to achieve unprecedented levels of deficit reduction. Any reductions in agriculture programs made by the Joint Committee will likely impact the level of funding available for the next farm bill.

In budget and appropriations bills passed by Congress between 2010 and 2012, **agriculture suffered funding cuts that were two to three times deeper than the federal average.** Agriculture programs, including those in the 2008 Farm Bill, have been repeatedly cut despite costing less than anticipated. Over ten years, the 2008 Farm Bill is expected to **save \$1.7 billion in commodity programs** and **\$5.6 billion in crop insurance** because it was designed to provide support for food producers only when market prices are low.

Baseline funding of the new farm bill will be determined from the actual spending levels of the 2008 Farm Bill. This means agriculture will receive less money in the future because we saved money—approximately \$20 billion—in the past. Rural America should not be punished for the efficiency of the 2008 Farm Bill.

During the next ten years, the current farm safety net is projected to make up **less than 0.28 percent of federal spending** and farm bill conservation and energy programs are expected to account for **0.12 percent of federal spending.**



Source: Congressional Budget Office



THE NEXT FARM BILL

Our national farm and food policy affects all Americans, urban and rural, food producers and food consumers. We have the opportunity to shape this important policy only once every few years. Our nation's family farmers, who are those most vulnerable to risk, need an effective and fiscally responsible safety net to mitigate the effects of weather and market volatility in order to achieve our food and energy security goals and to preserve jobs in rural America.

Family farmer- and rancher-owned and operated food, fuel, and fiber production is the most economically, socially and environmentally beneficial way to meet the needs of our nation.

Congress should pass a new farm bill that offers stability and economic opportunity to farmers and rural communities with the following principles:

- **Farmer-owned reserves** should be initiated to moderate the peaks and valleys of agricultural prices, which will help to protect farmers and the world's hungry against the damaging effects of price volatility.
- Federally backed **risk management products** must be made economical for all farmers, regardless of crop or geographic region, and more insurance products should be made available that protect against changes in the cost of production.
- **Protection for farmers against deep losses** due to weather-related disasters, high input costs or devastatingly low prices should be enacted by streamlining and eliminating duplication among existing farm bill programs.
- Farm bill programs should maintain the ability to effectively and efficiently **help agriculture provide natural resource conservation and renewable energy benefits**. Rural development programs have proven essential in the marked growth of the renewable energy industry across the country.
- Dairy policy is fragmented and dysfunctional and must be addressed in the next farm bill. Supply management must be part of the solution but the current **dairy safety nets** should not be replaced by an untested insurance program.
- A **livestock title** should be maintained in order to balance the problems of unequal market power and should include increased enforcement of the Packers and Stockyards Act, re-establishment of functional markets and resolving captive supply issues.



THE NEXT FARM BILL

- **Loan and grant opportunities for farmers supporting local and regional food systems** should be expanded, including farmers markets, mid-tier value chains, farm-to-institution sales, urban gardens, community-supported agriculture and other forms of value-added enterprises and direct marketing.
- Mandatory investments should be made to **strengthen and support the specialty crop industry**, including nutrition, risk management, research, pest management and trade promotion programs.
- Adequate funding for Farm Service Agency **direct and guaranteed loan programs** should be provided along with implementation of other programs and provisions that support beginning farmers and ranchers, such as termination of lending term limits and funding specifically designated for beginning and socially disadvantaged farmers and ranchers.
- Robust funding should be made available for **USDA research programs** that are comparable to the budgets of other scientific institutions such as the National Institutes of Health, the National Science Foundation, or the Department of Energy and will allow USDA to address critical environmental, nutritional and food security challenges.
- The mutual goals of providing a safety net for low-income Americans and supporting family farmers can be achieved by **expanding opportunities and incentives for federal nutrition program recipients to access healthy, locally grown food** and establishing Electronic Benefits Transfer (EBT) at all farmers markets, farm stands, community-supported agriculture and other direct marketing outlets.
- **Federal nutrition programs**, such as the Supplemental Nutrition Assistance Program (SNAP), serve as particularly important social safety nets during difficult economic times and must be protected.
- Programs and provisions that provide financial and technical **support for farmers during the organic certification process**, organic crop research, enforcement of organic standards, and the collection of organic market and production data that are critical for the continued development of this growing sector of the farm economy.

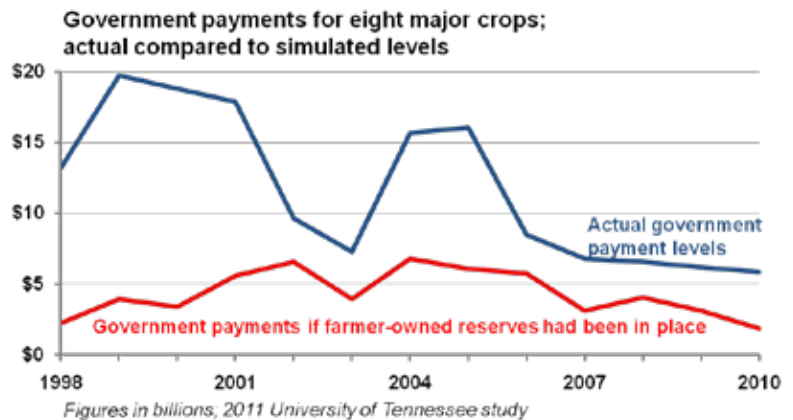


FARMER-OWNED RESERVES

In order to establish a more effective and more affordable safety net, **farmer-owned reserves should be established to reduce volatility in agricultural markets.** NFU has commissioned a study by the University of Tennessee that examines the possibility of farmer-owned reserves. The findings of that study, which include more detailed information about how the mechanism could work, are available at www.nfu.org/study.

Reduces Costs

- Our existing farm programs could be overwhelmed by a bumper crop or a catastrophic downturn. High production and low prices could result in huge farm program payouts, costing taxpayers money.
- If farmer-owned reserves had been in effect, government spending on farm programs could have been reduced by **more than half** between 1998 and 2010.



Beneficial for Many Stakeholders

- Farmer-owned reserves of three agricultural commodities – corn, soybeans and wheat – would reduce some of the boom-and-bust cycles that have plagued farmers and ranchers for centuries and would provide feed, food, and fuel commodity price stability for consumers around the world.
- Farmer-owned reserves would help **ensure our national food security** in case of disaster or dangerously high food prices. Federal policy keeps enough oil in strategic petroleum reserves that would fuel our country without imports for 75 days. Emergency food supplies are even more important.

How It Works

- In times of extremely high prices, farmer-owned reserves would open and farmers holding stocks of commodities would be encouraged to sell their commodities back into the market to increase market supply and decrease the inflated price levels.
- In times of extremely low prices, farmer-owned reserves would be built up as farmers are encouraged to hold onto their commodities in an effort to reduce market supply and increase prices.
- Storage rates for these reserve commodities would be paid to the farmer in advance and set at the prevailing commercial storage rate.



RISK MANAGEMENT AND PERMANENT DISASTER

Risk Management

Risk management is an important part of the farm safety net. **Crop insurance** ensures farmers are using multiple public- and private-sector tools to manage their risk.

NFU supports a risk management provision in the next farm bill that will:

- Extend the availability and affordability of federal crop insurance programs to farmers in portions of the country that have not historically carried significant levels of crop insurance, thereby reducing the need for disaster aid.
- Improve crop insurance coverage for organic producers, including ending the existing surcharge on organic policies and the full implementation of coverage levels based on organic prices.
- Encourage development of additional crop insurance products and other risk management tools for specialty crop producers.

Permanent Disaster Programs

The unpredictability and inefficiency of previous ad hoc disaster assistance was appropriately recognized and dealt with in the 2008 Farm Bill by the creation of a **permanent disaster program** that assists producers during times of natural disasters in a fiscally responsible way.

Between 1996 and 2002, approximately **\$30 billion** was spent on ad hoc disaster programs. The cost to extend the Supplemental Revenue Assistance Payments (SURE) Program and similar disaster assistance programs for five years in the 2012 Farm Bill is projected to be **\$8.9 billion**.

NFU supports a permanent disaster program in the next farm bill that will:

- Combine parts of the SURE, Average Crop Revenue Election (ACRE) and countercyclical programs to create an all-encompassing permanent disaster program.
- Link eligibility and payment levels in permanent disaster programs to the level of risk management protection purchased.
- Continue mandatory disaster assistance for growers of noninsured specialty crops (similar to the Noninsured Crop Disaster Assistance Program (NAP) included in the 2008 Farm Bill), and improve the program so that payments are reflective of actual market prices for both conventionally grown and organic specialty crops.
- Use a farm-level trigger for payments in times of disaster, which will accurately reflect local growing conditions and yield.

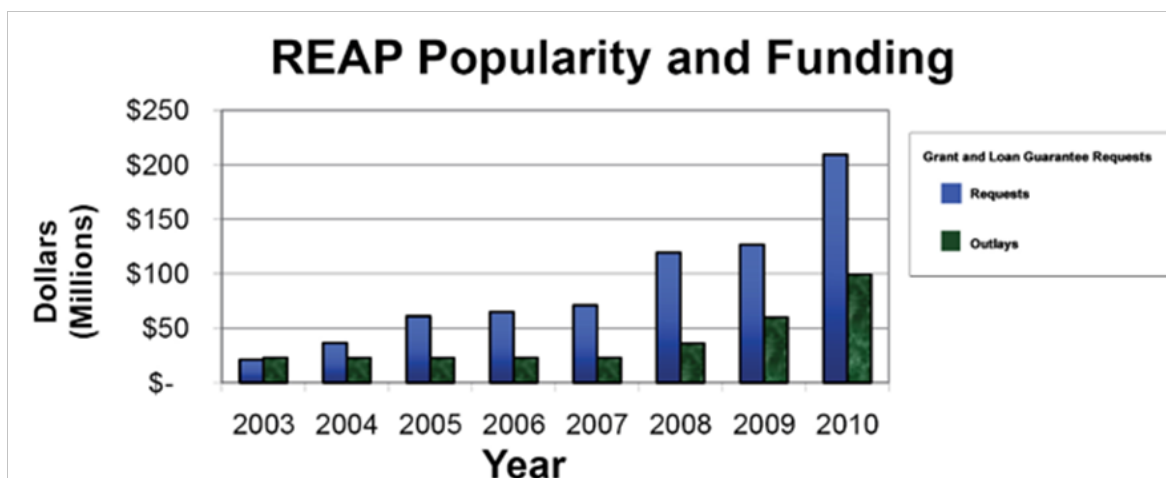


ENERGY PROGRAMS

The energy title of the farm bill helps to create additional revenue streams for farmers, creates jobs in rural America, and enhances energy security. Farm bill energy programs are scheduled to expire permanently if they are not renewed in 2012.

NFU supports an energy title in the farm bill that includes:

- **The Rural Energy for America Program (REAP)**, which provides grants and loan guarantees for energy efficiency and renewable energy projects, including biofuels, biomass, geothermal, solar, and wind. It also includes support for feasibility studies and energy technical assistance.
- **The Biomass Crop Assistance Program (BCAP)**, which is the first-ever energy crop program to help encourage farmers to grow sustainable energy crops such as switchgrass. It reimburses farmers for up to 75 percent of the cost of growing energy crops dedicated to production of cellulosic biofuels.
- **The Biorefinery Assistance Program**, which provides grants and loan guarantees to help build advanced biorefineries and is critical to jumpstarting advanced biofuels production.



Source: Environmental Law and Policy Center



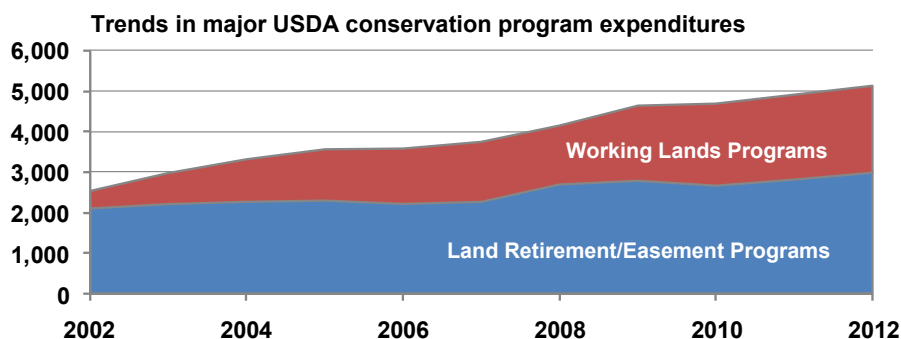
CONSERVATION PROGRAMS

The conservation title of the farm bill represents an opportunity to continue providing farmers and ranchers with a variety of tools to be good stewards of the environment. Programs provide multiple natural resource benefits, yet many programs are chronically underfunded to meet demand, and some programs expire in 2012*.

NFU supports a conservation title in the next farm bill that includes:

- **Working Lands Programs**, which provide critical financial and technical assistance to farmers to install and maintain conservation practices. These programs allow for farmers to cost-share in adopting conservation practices suited to local conditions and yields benefits both for agricultural productivity and for the environment. Working lands programs are also critical for retaining conservation benefits of land returning to production from retirement.
 - Environmental Quality Incentives Program (EQIP)
 - Wildlife Habitat Incentives Program (WHIP)
 - Conservation Stewardship Program (CSP)

- **Land retirement programs**, which provide multiple natural resource benefits by enrollment of agricultural lands, particularly fragile lands, in retirement contracts and easements. Landowners can receive support to establish long-term conservation practices on eligible lands.
 - Conservation Reserve Program (CRP)
 - Farmland Protection Program (FPP)
 - Grassland Reserve Program (GRP)*
 - Wetlands Reserve Program (WRP)*



Figures in millions; Office of Budget and Policy Analysis (2002-2007) and Congressional Budget Office (2008-2012)



LIVESTOCK PROGRAMS

The current non-competitive livestock marketplace results in farmers and ranchers being paid less for their products than the true and fair value of the commodities they produce. NFU remains steadfast in its support for the traditional agricultural system which is based on independent family farmers and ranchers.

The livestock marketplace is non-competitive.

- About **1.1 million pork and beef operations** have gone out of business in the last 30 years as competition among buyers in livestock markets has decreased. Today, the top four swine processors control approximately **65 percent** of their market and the top four beef packers control more than **81 percent** of their market.
- In 1980, beef producers received, on average, 62 percent of the retail dollar. That portion has fallen to about **42 percent** today. Over the same time frame, hog producers saw their share shrink from 50 percent of the retail dollar to about **24 percent**.
- When livestock markets are non-competitive, environmentally responsible, family-owned producers are put out of business and beginning farmers are prevented from getting into the livestock industry.

NFU supports a livestock title in the next farm bill that will:

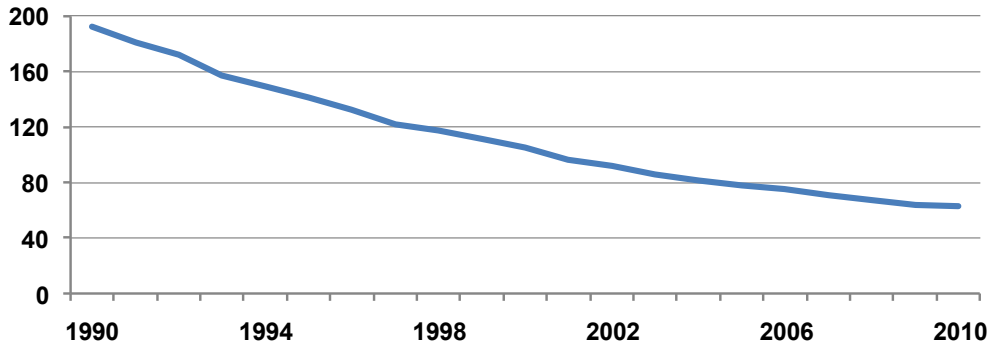
- Allow for the full implementation of the Grain Inspection, Packers and Stockyards Administration (GIPSA) rule proposed in 2010, which will help to bring competition back into livestock and poultry markets.
- Build upon the findings of the 2010 U.S. Department of Agriculture and U.S. Department of Justice workshops to address anticompetitive practices in livestock and the greater agricultural marketplace.



DAIRY PROGRAMS

Dairy policy is failing America's dairy producers. The prolonged period of extremely low milk prices dairy farmers experienced two years ago and the slow recovery since that time shows that our federal dairy policy is fragmented and dysfunctional.

Number of Dairy Operations, United States: 1990—2010



Figures in thousands; 2011 estimates, USDA NASS

NFU supports a farm bill that reforms federal dairy policy by including the following proven solutions:

- Future dairy policy should include an **effective supply management program** that uses a fixed base as well as a refundable assessment, collected on all milk at all times, not only when margins are low. Such a program would provide a fiscally responsible way to manage risk in dairy production at minimal cost to the American taxpayer.
- NFU currently does not support the elimination of the **Milk Income Loss Contract (MILC) Program** and **Dairy Product Price Support Program (DPPSP)** in order to fund an untested insurance program. Instead, the existing MILC program should be combined with an increase in the current DPPSP level in order to reflect an adequate safety net.
- The next dairy policy should include a **variable make allowance**, which would change in direct proportion to prices such that both farmers and processors would have an incentive to raise milk prices.
- The existing federal milk marketing order system should be maintained with the addition of a **price discovery mechanism**, such as a Consumer Price Index (CPI) formula.
- Dairy policies should be designed such that they would have the maximum benefit for **family dairies**.
- Policies must be enacted that build upon the findings of the 2010 U.S. Department of Agriculture and U.S. Department of Justice workshops to address anticompetitive practices in the dairy industry.



AGRICULTURE APPROPRIATIONS

As the Senate prepares to vote on the Fiscal Year 2012 Agriculture Appropriations Bill, NFU highlights three areas of particular importance:

GIPSA Rule

- NFU will oppose any amendment that may be introduced to delay or defund the Grain Inspection, Packers and Stockyards Administration (GIPSA) rulemaking process.
- The GIPSA rule is an important step toward restoring fair and competitive livestock and poultry markets for farmers and ranchers.

Horse Slaughter

- NFU strongly opposes any amendment to ban the slaughter of horses.

Rural Energy for America Program (REAP)

- NFU encourages an amendment be made to restore REAP funding to 2011 levels.
- The 2011 spending bill allocated a mere \$75 million to REAP.