Introduction to the 2012 Farm Bill

The 2012 Farm Bill by Titles

History

The Farm Bill was originally created in 1933 as part of President F.D. Roosevelt's Agricultural Adjustment Act to help with farm income; farmers were paid to reduce production of seven main crops—in order to increase their prices and reduce surpluses—and at the same time to conserve soil and alleviate the Dust Bowl. This bill was initially declared unconstitutional by the Supreme Court as an overreach of powers of the federal government, but Farm Bills have consistently been passed every five or six years since 1965. The Agriculture Act of 1949 established "parity" prices for important crops to maintain farm income in the face of surpluses.

Goals of the Farm Bills in recent years reflect those who benefit from the legislation, and the list of beneficiaries has expanded over the years.[1] Goals include:

- Foster abundant supply of food and fiber
- Improve food security for the impoverished
- Support and stabilize farm income
- Provide credit for farm producers
- Expand agricultural exports, while protecting U.S. agricultural competitiveness
- Conserve natural resources
- Maintain vitality of rural communities
- Assist with energy independence and greenhouse gas concerns

These goals are expressed in the Titles of the Farm Bill, about twelve titles in the Senate's 2012 bill (the 2008 bill had 15 titles).

The **1973** farm bill—the **Agriculture and Consumer Protection Act**—was the first to include food stamp provision. Environmental Quality Incentives Program (EQIP), focused on helping livestock producers meet environmental requirements, was started in 1996 and expanded greatly in 2002. Renewable energy was added in 2002, and specialty crops (including organic) included in 2008. In 2008, the food stamp program was changed to Supplemental Nutrition Assistance Program (SNAP), and now nutrition activities account for more than two thirds of total spending.[2]

Budget

Total spending for the Farm Bill can be divided into "mandatory" and "discretionary" spending. **Mandatory** budget (often expressed in ten year totals) covers direct

---

1. Joe L. Outlaw, James W. Richardson, Steven L. Klose, "Farm Bill Stakeholders: Competitors or Collaborators?" *Choices: the Magazine of Food, Farm, and Resource Issues,* 26(2) 2011, http://www.choicesmagazine.org/choices-magazine/policy-issues/farm-bill-stakeholders-competitors-or-collaborators
2. Stephanie Mercier, "External factors that will drive the next farm bill debate," *Choices* 26(2), 2011.

commodity programs, crop insurance, nutrition programs, and some conservation, trade, and horticulture programs. The mandatory budget mostly does not cover research, bioenergy, and rural development, and WIC funding is also discretionary. **Discretionary** spending—defined in annual appropriation bills—is being reduced; in total for 2011 and 2012, it was reduced by 16%.

Bio-energy was first supported in 2002 for the purpose of expanding biodiesel production. However, this program has since become controversial because of high food prices. Current increased funding for SNAP (food and nutrition programs) stems from increased needs due to the recession. The 2008 bill increased funding for energy, conservation, and trade. Following on the 2008 Farm Bill, there will be less spending on traditional commodity programs while placing more emphasis on crop insurance to support farmer risk, to decrease direct payments and utilize market forces.

Table 1. Mandatory Budget Categories for Farm Bill, 2013[3]

Budget Authority in millions of dollars

	projected annual change*	**2013 (spending rank)**	**2014**
Commodity Programs	-$2100	5750 (4)	6005
Conservation	-$400	6093 (3)	5992
Trade		346 (5)	346
Nutrition	-$900	82,020 (1)	79,799
Energy		131 (6)	0
Horticulture and Organic		105 (7)	105
Crop Insurance	+$600	8412 (2)	8528
Total:	-$3000	102,862	100,773

*Baseline is March 2012. Avg. of House and Senate Cuts, 2013-2022 total, divided by ten. "Blank" indicates no data.

Note: U.S. Forest Service manages public lands and fire separately, with a budget of $4,860 million for 2013

<u>New Directions</u>

Support for the Farm Bill is being eroded by demographic changes: the number of farmers has been reduced while maintaining high productivity, and redistricting is further reducing the impact of rural America. At the same time, one of twelve jobs can be attributed to agriculture.

The 2012 Senate bill reshapes the structure of farm commodity support, expands crop insurance coverage, consolidates conservation programs, revises SNAP, and provides authority for discretionary programs through FY2017.

Reduced budgetary spending is expected to be a focus for 2013; a new budget should continue the reduction of direct payments. In the 2012 Senate bill, the structure of farm

3. From: Jim Monke, "Budget Issues Shaping a 2012 Farm Bill," Congressional Research Service, October 2012, www.fas/sgp/crs/misc/R42484; http://farmdocdaily.illinois.edu/005832print.html

commodity support is being changed by expanding crop insurance, conservation programs are being consolidated, and the SNAP program revised.[4] Note that in recent times, commodity prices have been high (risk reduction rather than income support has been needed); any need for direct support, e.g. in the face of regional drought or other disasters, could be addressed by discretionary spending.

At a 2011 meeting in North Dakota, Under Secretary Michael Scuse of USDA outlined Secretary Vilsack's priorities for the next Farm Bill, namely a *robust safety net* to protect against drought, fire, and early freeze; *research* to maintain the leadership of American agriculture and drive future breakthroughs, not covered by private investment; *conservation* to sustain productivity; and *expanded markets* to promote vibrant, fair markets at home and abroad. In addition, Scuse stated that everyone needs to advocate for the Farm Bill, because we all benefit: "It's about making sure every American has access to health food, … about keeping America at the forefront of agriculture research, … about generating energy from our homegrown crops."[5]

In 2011 there were 36,700 farms in Colorado with a combined acreage of 31,300,000 and an average size of 853 acres. The per capita income in 2010 for rural Colorado counties was $36,738, while the urban per capita income was $43,171. In 2007 (the last data available) 63.9% of Colorado farms had sales of less than $10,000; only 4.1% of farms had sales exceeding $500,000. The top five counties in agriculture sales in 2007 were Weld, Yuma, Morgan, Logan and Kit Carson.

Title I: COMMODITIES

The USDA considers milk and certain crops to be commodities. These crops are barley, corn, oats, sorghum, soybeans, wheat, rice, sugar, honey, peanuts, seeds for oil (like canola, safflower, sesame and sunflower), peas, lentils, chickpeas, flax and mustard seed and cotton.

An individual farmer has no control over the price set for her commodity crop. Since there are so many farmers, the action of one farmer to control supply does not affect the price. To maximize income, a farmer needs to maximize the acres he plants. This way of thinking led to the problems of the Dust Bowl. However poor soil and weather conditions were not the only farm problems. Thousands of farmers went broke during the 1920's and 1930's and again in the 1980's. (Remember the FarmAid concerts that started in 1985.) Over the years the farm bills have variously paid farmers to restrict their planting and have provided price supports.

Payment Programs

The 2008 Farm Bill had several payment programs for farmers. The Direct and Counter Cyclical programs started in 2002. The Direct program made fixed annual payments

4. Comparison of Senate Agriculture Committee 2012 Farm Bill (S.3240) with Current Law, Congressional Research Service.

5. "2012 Farm Bill: Issues and Challenges," NDSU, North Dakota, November 2011, http://www.ag.ndsu.nodak.edu/capts/2012%20Farm%20Bill%20Conference%20Summary_FINAL.pdf

based on farm production history. The Counter Cyclical program paid only when commodity prices were low. In 2009 farmers were given the option of participating in the ACRE program and foregoing part of the Direct and all of the Counter Cyclical programs. ACRE was based on price and yield for each farm and for all the farms in a State. Farmers (who were required to have crop insurance) were eligible for disaster payments under the SURE program when crop yields or quality were low due to weather conditions. The Senate version of the 2012 Farm Bill eliminates all these programs. Of the estimated $23 billion of cuts in this bill, $15 billion (65%) comes from these programs. The “Fiscal Cliff” bill extended the Direct, Counter-Cyclical and ACRE programs for the 2013 crop year. The SURE program was not extended for 2012 or 2013.

Millionaires

The 2008 Farm Bill initiated payment caps to high income farmers. The Senate version of the 2012 Bill expands these limits so that those with adjusted gross incomes of $750,000 are ineligible for payments under this section of the Bill.

Sugar Program

The Senate bill would continue the Sugar Program without change through 2017 as it largely operates at no cost to the Federal Government. The Sugar Program started with the 1981 Farm Act. The program uses price supports, domestic marketing allotments and tariff-rate quotas to influence the amount of sugar available to the US market and to keep prices above the world market level. The domestic sugar market is divided by the program between beet sugar (54.35%) and cane sugar (45.65%). The program works with sugar processors rather than producers because sugar cane and sugar beets cannot be stored before processing. If sugar stocks are too large, they can be used for the production of ethanol. The “Fiscal Cliff” bill extended the sugar program.

Dairy Programs

The Fiscal Cliff Bill extended the MILC (Milk Income Loss Contract) program through 9/30/13. This program compensates dairy producers when domestic milk prices fall below a specified level. Before this program was extended, there was concern that price supports would revert to a formula in the Agricultural Act of 1949, the last permanent farm legislation. The 1949 legislation established milk support prices based on 1948 production costs plus inflation. This would have increased the current support price from $18 to over $38.

Another program, the Dairy Product Price Support Program (DPPSP) supports the price of cheddar cheese, butter and nonfat dry milk by purchasing these products at prices established in the 2008 Farm Bill. If the Farm Service Agency does purchase any of these commodities they are distributed in the national school lunch program or may be sent as foreign aid. This program was extended through December 31, 2013.

The Senate Bill proposes to replace these two dairy programs with two new programs. The Dairy Production Market Protection Program (DPMPP) provides income support based on the difference between milk prices and feed costs. The Dairy Market

Stabilization Program (DMSP) operates as a production disincentive program when milk supplies are high.

Tobacco
In 2004, commodity support for tobacco ended. It has been replaced by the Tobacco Transition Payment Program, aka the “Tobacco Buyout”. The payment is based on the amount of tobacco grown. The program ends in 2014 and is funded through assessments on manufacturers and importers of tobacco products. This program is not part of the 2008 or proposed 2012 Farm Bills.

Marketing Loans
Marketing Assistance Loans provide interim financing to farmers at harvest time. This helps them meet their cash flow needs without having to sell their commodities at harvest when prices are traditionally lower. The Fiscal Cliff bill extended this program for 2013. The proposed Senate Farm Bill in 2012 extended this program but would have made loan rate adjustments for cotton after a World Trade Organization lawsuit by Brazil.

Title II: CONSERVATION

Under Secretary Michael Scuse of USDA has stated that the Conservation Reserve Program (CRP) has saved 8 billion tons of top soil in the last 25 years, last year alone resulted in sequestering 51 million tons of carbon, and protected 200,000 miles of rivers and streams.[6]

Secretary Vilsack has stated that through partnerships with land owners, in the last 30 years producers have reduced soil erosion by more than 40 percent, and agriculture has now become the lead in restoring wetlands, instead of being the leading cause of wetlands loss formerly.

He urges congress to continue the approach of voluntary (incentivized) conservation through locally driven programs as well as new partnerships to focus on large landscape-scale conservation programs such as for the upper Mississippi River.[7]

The 2012 Act consolidates 23 programs into four functions: Working Lands; Conservation Reserve Program; Regional Partnerships; Easements
It continues the voluntary approach to protection of soil, water, and wildlife.

Working Lands:
EQIP is a major program ($1750 million) giving incentives for farmers to conserve fragile lands, soil, water, and now wildlife; it now includes the former Wildlife Habitat Incentive Program, and requires a minimum of 5% of funds to go to payments benefitting wildlife habitat. It is administered by the Natural Resources and Conservation Service, formerly Soil Conservation Service. Funding for EQIP is authorized to be mandatory.

---

6. Ibid.
7. Release 0458.11, Office of Communications, USDA; remarks delivered Oct. 24, 2011 in Ankeny, Iowa.

Another major fund center is the Conservation Stewardship Program ($1100 million) which provides incentives for adoption of conservation technologies for farms, ranches, and forests. It will accept land coming out of the Conservation Reserve Program (which has ten year contracts) and an enrollment cap is removed for private forestland. Participants will be required to address additional resource concerns for contract renewal.

<u>Conservation Reserve Program ($2219 million):</u>
This program benefits soil and water quality and wildlife habitat by removing land from production agriculture. Its acreage will be reduced from 32 million acres to 25 million acres in 2017 in a “step-down process”, as contracts expire. There is a new focus on grassland conservation, adding grasslands to the list of eligible lands under the Grasslands Reserve Program. The program uses a bidding/ merit process to select lands for inclusion. It will allow some grazing and hay harvesting consistent with conservation.

Land enrolled is being reduced: 30 million acres in 2013 to 25 million in 2017; grasslands are capped at 1.5 million acres for 2013-2017.

<u>Regional Partnerships</u>:
This program will support regional projects for soil, water, or wildlife. It will use a competitive process for project selection. Examples are the Chesapeake Bay Watershed Program and Great Lakes Basin Program for Soil Erosion and Sediment Control.

<u>Agricultural Conservation Easement Program</u>: (*new*!)
This will consolidate three separate conservation easement programs that serve to protect agricultural lands from development and protect wetlands, formerly Wetlands Reserve Program. It will also protect grasslands, formerly under Grasslands Reserve Program. A partnership of collaborative producers, eligible partners and USDA is supported. The secretary must designate up to 8 critical conservation areas for multistate regions with large water bodies and water or quantity quality concerns.

TITLE III: TRADE

The United States maintains significant trade surpluses in agriculture. This is one area where we export more than we import. Trade continues to focus on opening new markets and fighting trade barriers. The Agriculture Reform Act also recognizes the importance of American leadership in times of food emergencies.

<u>Agricultural Trade Promotion</u>:
The export credit guarantee program provides credit guarantees to help ensure the availability of credit to finance the exports of U.S. agricultural products to countries where financing is not available. Current levels of export credit guarantees are reduced from $5.5 billion to $4.5 billion.

Market Access provides matching funds to promote U.S. agricultural products overseas.

Other programs provide funding or matching funds for foreign market development, emerging markets, and technical assistance for specialty crops.

The farm bill authorizes funds through 2017 for the Global Crop Diversity Trust. The Trust provides storage and maintenance of seed from food crops from all over the world in a facility in the Arctic Circle in northern Norway.

International Food Aid:
The Act speeds emergency food aid response before emergencies strike.
Food for Peace is the largest food aid program under the Committee's jurisdiction.

The Farmer to Farmer Program sends American citizens with valuable agricultural skills to areas in developing countries that need technical assistance.

The McGovern-Dole Program distributes food commodities through schools in developing countries through partner organizations. The program has projects in 40 countries and feeds about 5 million children in need every year.

The Bill puts into action recommendations to research U.S. food aid quality.

TITLE IV: NUTRITION

The Agriculture Reform, Food and Jobs Act of 2012 strengthens the integrity and accountability of federal nutrition programs. The Bill cracks down on fraud and abuse, while strengthening efforts to gee food assistance to those most in need. It cracks down on trafficking of food assistance benefits; prevents lottery winners from receiving food assistance; limits SNAP eligibility for college students.

The Act requires participating retailers to stock more staple foods like fruits and vegetables. And close the gap in standards for utility allowances.
The SNAP Program (Supplemental Nutrition Assistance Program—Food Stamps) continues at the current level in 2013. Nutrition Education and Employment and Training Programs associated with SNAP are extended.

In addition the Act provides Seniors access to healthy fruits and vegetables through Commodity Supplemental Food Program (CSFP). Women and children will continue to be served by the WIC program.

Assistance to Food Banks increases.

The Senior Farmer's Market Nutrition Program maintains current funding levels. It provides low-income seniors with coupons that can be exchanged for eligible foods.

Title V: CREDIT

Credit is made available in the form of direct loans, loan guarantees, line of credit and emergency loans available. Some credit is tied to ownership and some is meant to help with production expenses or conservation projects. The Secretary of Agriculture has broad powers.

Hazard and crop (where applicable) insurance is required.

Priority is given to beginning farmers, socially disadvantaged farmers, and veterans. The definitions of a Socially disadvantaged Farmer or Rancher is: a farmer or rancher who has been subjected to racial or ethnic prejudices because of their identity as a member of a group without regard to their individual qualities. Those groups include African Americans, American Indians or Alaskan natives, Hispanics, and Asians or Pacific Islanders. There is some money earmarked for youth enterprises; a cosigner is not required but the youth is subject to personal liability regardless of his age. Amounts of these loans are small ($500-$5,000).

Emergency loans are available when there is a natural or major disaster or emergency so designated by the President, or when there is a quarantine imposed under the Plant Protection Act which substantially affects a farmer.

Rates are favorable, set by the going rate for federal obligations plus 1%, with a minimum of 4%. There are 20-year and 40-year loans available. Loans are reviewed after the first 3 years and then every two years to determine if the borrower could get his loan on the commercial market. If that is the case, the farmer must refinance and pay off the federal loan, freeing up that money for new credit.

Homesteads are protected from foreclosure. The homestead includes the principal residence and no more than 10 acres of adjoining land used to maintain the family of the borrower/owner. If the primary borrower dies or becomes incapacitated, his or her spouse is eligible to continue. The borrower can rent back the land if the government forecloses.

There are provisions for reduction or forgiveness of debt, but once debt has been forgiven, the borrower is forever hampered in getting credit again unless the default was beyond his or her control (such as natural disaster). He must show he acted in good faith. When there are foreclosures, land is considered “inventoried.” The original borrower is given preference to buy inventoried land at fair market value. If the borrower is a mobilized National Guard or Reservist, payments on loans can be suspended.

Indian reservations have their own section for credit availability from the Secretary of Agriculture.

Credit counseling is required if a borrower cannot repay on schedule. Third parties may apply to provide counseling.

TITLE VI: RURAL DEVELOPMENT

As outlined in the Rural Development Policy Act of 1980, USDA has a responsibility of coordinating Federal assistance to rural areas. Rural Development programs attempt to create or preserve rural jobs, build and update rural infrastructure, and create or improve the quality of rural housing. They work with state, local and tribal governments, as well as private and n and user-owned cooperatives and nonprofit organizations. As outlined in the 2012 Senate version of the Farm Bill there would be Rural Business Development Programs which would include business development planning, technical assistance or job training in rural areas. This assistance would be through guaranteed loans, grants and technical assistance authorized in the 2002 farm bill. It would also promote rural economic development through venture capital investment by for profit Rural Business Investment Companies (RBICs). There is also a USDA electric program that helps upgrade, expand, maintain, and replace rural electric infrastructure. They also offer financing assistance for renewable energy projects (solar, wind, hydropower, biomass or geothermal).

Another major section deals with Infrastructure Improvement Programs which includes access to broadband services in rural areas. This would allow the opportunity in rural America to open new markets, improve education and health care and provide jobs for rural youth who want to stay in rural America. The Rural Electrification Act of 1936 authorizes loans and loan guarantees to telecommunications providers to extend and improve this service in rural areas. Other infrastructure programs include water and wastewater disposal and facility loans. Funds are available to public entities, such as municipalities, counties and Indian tribes. Colorado has a State Revolving loan fund which grants loans to public entities for this purpose of upgrading or improving systems. There is also a Rural Water and Wastewater Circuit Rider program which helps small rural communities ensure their water systems are performing accurately and in drinking water systems meeting the Safe Drinking Water Act.

The third major area in Rural Development is Community Development Programs. This would include cooperative businesses and their expansion, enable producers of agricultural commodities to participate in the economic returns in the value-added market through the Value Added Agricultural Product Market Development (VAPG) to develop business plans and strategies for creating marketing opportunities and to provide capital to establish alliances or business ventures allowing producers to better compete in domestic and international markets. Grants are limited to emerging markets, with the exception of independent producer applicants. In FY 2005 the program funded projects totaling $14.5 million.

In the “fiscal cliff” bill passed at the end on 2012, the Biomass Crop Assistance Program was voted for continuation.

Title VII: RESEARCH

Secretary Vilsack has stated that the return to our investment in research is $20 to every $1 spent, but public funding has remained basically flat since the 1990s, not keeping pace with other federally-supported research.[8]

The Senate bill creates a new non-profit foundation, Foundation for Food and Agriculture Research to leverage private funding, matched with federal dollars, to support agricultural research. The goal is to foster innovation in agriculture. Mandatory funding is $100 million to establish this foundation which will have public/private partnerships.

AFRI (Agriculture and Food Research Initiative)–competitive grants for basic and applied research at universities–is continued.

8. Ibid.

There is mandatory funding for Specialty Crop Research Initiative ($416 over ten years) and the Organic Agricultural Research and Extension Initiative ($80 million over ten years). It also provides for one-time mandatory funding ($50 million) for the Beginning Farmer and Rancher Development Program.

In summary, it reauthorizes aspects of farm bills from 1977, 1990, 1998, 2008, including:
-- Reauthorizes Specialty Crop Research Initiative, including fruits and vegetables.
-- Reauthorizes funds for 1862, 1890, and 1994 land grant institutions to upgrade facilities.
-- Reauthorizes University Research and Extension Service funds.
-- Reauthorizes National Agricultural Research, Extension, Education, and Economics Advisory Board, which consults with industry groups on these subjects and makes recommendations to the Secretary, USDA, and Congress on agricultural research priorities.
--Continues the Beginning Farmer Program to ensure the success of future farmers and military veterans who wish to pursue agriculture careers.
-- Addresses shortage of veterinarians in rural areas.
-- Provides competitive grants for policy research centers to conduction research and education concerning the effects of policies on the farm and agricultural sectors.
-- Funding for Organic Research and Extension Initiative for five years.
-- Reauthorizes Supplemental and Alternative Crops.
-- Reauthorizes Aquaculture Assistance Programs
-- Reauthorizes Rangeland Research Programs
-- Reauthorizes Biosecurity Planning and Response, $20 million per year.
-- Requires USDA to provide more detail about expected research expenditures for its annual budget request; goal is to increase transparency and reduce duplication across agencies.
-- Reauthorizes Nutrition Education Program
-- Reauthorizes Grants and Fellowships for Food and Agricultural Sciences Education, $40 million per year.

Title VIII: FORESTRY

Much of this title has to do with forestry on private lands. (Most federal forestry programs are permanently authorized, not requiring authorization from a farm bill.) The Senate bill builds on existing programs under two authorities: the Cooperative Forestry Assistance Act, and the Healthy Forests Restoration Act of 2003. Provisions include reauthorizing stewardship contracting, requiring strategic plans for forest inventory and analysis, and designating treatment areas for insect infestations and disease.

Title VIII includes:
--<u>Healthy Forest Reserve Program</u>, reauthorized to enhance forest ecosystems to protect threatened and endangers species and enhance carbon sequestration. $9.75 million per year till 2017;
--The <u>Forest Legacy Program</u> which protects water quality and provides recreational opportunities and other public benefits of private forests. $200 million funding;

--The Forest Stewardship Program helps landowners with resources to manage private forests economically and environmentally effectively through 2017. New authorized level of $50 million per year.
--Also included are International Forestry, Urban and Community Forestry, Stewardship Contracting, and Community Forest and Open Space Conservation Program.

TITLE IX: ENERGY

The popular Rural Energy for America (REAP) Program has helped nearly 4,000 farmers, ranchers and rural business owners lower their energy bills by installing renewable and energy efficient systems. In the 2012 version passed, REAP was reauthorized at $20 million per year, with mandatory funding of $48.2 million for each of fiscal years 2013-2017. A cap of $500,000 has been put on grants and no money is available for feasibility studies. Leftover funds from the Repowering Assistance Program, which was repealed, were transferred to REAP.

Under the energy title, there are programs to promote advanced bioenergy production which includes the Biomass Crop Assistance Program (BCAP) helping farmers and ranchers who wish to plant energy crops to produce and use biomass crops for conversion to advanced biofuels or bioenergy. There is a Biorefinery Assistance Program for renewable energy projects and to eligible it must include biobased manufacturing, which uses agricultural products to make value-added products. In the 2012 version BCAP has been reauthorized at $20 million per year, with mandatory funding of $38.6 million for fiscal years 2013-2017. Of the mandatory money, no less than 10% may be used to make collection, harvest, transportation and storage payments. Also passed in 2012 was the Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance Program was reauthorized at $150 million per year, with mandatory funding of $100 million for fiscal 2013 and $58 million for fiscal years 2014-2015.

Other programs included for considerations are: Biodiesel Fuel Education program (benefits of biodiesel to government and private organizations); Biomass Research and Development Initiative (BRDI) (biomass feedstock development for bioenergy); Feedstock Flexibility Program (assures sugar imports do not result in increased forfeitures of US sugar); and Community Wood Energy Program (competitive, cost-share grant to supply public building with energy from sustainably-harvested wood from local area.)

TITLE X: SPECIALTY CROPS & HORTICULTURE

This title addresses the importance of specialty crops and organics, including fruit, vegetable, nuts, horticulture and nursery crops. Sales of specialty crops total nearly $65 billion per year, making them a critical part of the economy and important job creator. The divisions that are included are: the Farmer Market and Local Food Promotion Program to improve and expand farmers markets, roadside stands, community supported agriculture programs and other direct producer to consumer market opportunities. Another program is the Specialty Crop Research Initiative (SCRI) to continue research on key projects for fruits and vegetables. This section was not passed in the 2012 version.

There are several sections dealing with organics. These include reauthorizing the National Organic Program for mandatory funding for technology upgrades to improve program performance. There is also an Organic Research Initiative. There is continued assistance to organic producers seeking certification under the National Organic Program. This program will provide up to 75% of the cost of certification, but no more than $750. In Boulder County, this is a big obstacle for a number of small producers. It is time consuming and costly, so many cannot afford to pursue the designation.

Title XI: CROP INSURANCE

The Senate version of the 2012 Farm Bill proposes to change the farm program to a risk-based program increasingly centered on crop insurance. Federal crop insurance started in the 1930's and was expanded in the 1980's. In 1994 the USDA made crop insurance mandatory in order to participate in many of the agriculture programs. In 1988, about 60 million acres were insured. As a result of mandatory crop insurance, the acreage covered increased to180 million acres by 1998 and 265 million acres were in 2011. In Colorado 33% of eligible acres were insured in 1994, by 2011 the percentage had grown to 65%.

The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act. It is periodically modified, most recently in the 2008 farm bill. The crop insurance program continues for the 2013 year with funding approved in the "Fiscal Cliff" bill.

The government pays 15 private crop insurance companies over $7 billion annually to subsidize about 62 percent of the insurance premiums charged to the farmers (New York Times 1/16/13). In addition the government has reinsurance agreements with the insurance providers to help cover their losses (estimated at $7 billion for 2012). Marion Nestle in *The Atlantic*[9] reports that in 2011 the American Enterprise Institute stated that 58% of the money paid by the government on crop insurance ends up with the insurance companies; only 42% flows through to the farmers as approved claim payments. This program is labeled a "public-private partnership".

In Colorado for the years 1988 through 2011, a total of almost $1.6 billion was paid in crop insurance premiums by the government and farmers. A total of $1.433 billion was paid out by the crop insurance companies for claims.

Crop claim payments are not income-limited like other farm program payments.

Under the Commodities (Title I) section of the 2012 Senate bill, a new program called Ag Risk Coverage (ARC) is proposed. This program will complement crop insurance and protect against declines in farm revenues relative to a historical average. The

9. Nestle, a professor in the Department of Nutrition, Food Studies, and Public Health at New York University, is a regular contributor to *The Atlantic*; see http://www.theatlantic.com/marion-nestle/

program provides coverage against events not covered by crop insurance such as declining prices and yields over a multiyear period.

The Crop Insurance (Title XI) section of the 2012 Senate bill also proposes a new program. The Supplemental Coverage Option (SCO) allows producers to purchase additional insurance to cover all or part of the insurance deductible.

The 2012 Senate bill continues disaster assistance for livestock, grazing land, honey bees, farm fish, orchard trees and nursery trees. It expands insurance coverage for fruit and vegetable producers and creates revenue crop insurance for cotton and peanut producers. The funding for many disaster programs, including livestock and trees, expired at the end of 2011 and was not extended by the “Fiscal Cliff” bill.

The bill also gives a 10% discount on crop insurance premiums to beginning farmers and ranchers and helps them with production history for crop insurance purposes.

###