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House and Senate Conference Committee Comes Closer to Negotiating A Farm Bill the President Will Sign

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Congress passed a two-week extension, extending Farm Bill 2002 through May 16, 2008, to allow the House and Senate conference committee more time to continue to negotiate a compromise between the House and Senate versions of the new farm bill which will meet the administration's approval. This will be the fifth short term extension to Farm Bill 2002 which expired on September 30, 2007. While good progress has been made to resolve the differences between the House and Senate versions of the new farm bill, it appears that a major stumbling block over further progress revolves around resolving differences in the conference committee version of some of the titles and what the administration may accept in the new farm bill. The conference committee wants to negotiate a bill which the president will sign, before presenting it to congress.

The completed negotiated legislation by the House and Senate conference committee will have to be approved by both the House and Senate before being sent to the White House for final signature.

The administration has indicated that the new farm law must include reforms, avoid tax increases and not resort to budget gimmicks to hide overspending. While the administration opposes several proposals in the House and Senate versions of the new farm bill, it appears that the major differences between the conference committee and the administration focus around spending over base line limits, individual farmer payment limits

and the Adjusted Gross Income (AGI) to be eligible to receive farm program payments.

While differences exist and must be worked out, it appears that a new farm bill is feasible by the new May 16, 2008 deadline.

The current funding estimate is roughly \$10 billion over baseline limits (projected spending above the average farm bill spending of the last five years). Sen. Harkin (D-IA), Chairman of the Senate Committee on Agriculture, Nutrition and Forestry and also chairman of the Senate-House conference committee said recently that the conference committee had agreed upon and approved all major elements of the new farm bill.

While the administration has indicated in the past that they want to exclude from eligibility for farm program payments, persons whose adjusted gross income exceeds \$200,000 annually (the current AGI limit is \$2.5 million), the compromise committee has proposed reducing direct payments to farmers with AGI's from farming of \$950,000 if single; \$1.9 million if married and eliminating payments if off-farm income exceeded \$750,000 in 2009 (\$500,000 in 2011). Counter-cyclical and loan deficiency payments would be exempt from the limits on farm or off-farm income and the cap on direct payments would be raised from \$40,000 per person, to \$50,000 per person.

Key Conference Committee Provisions

- The proposed bill retains the basic commodities provisions (direct, counter-cyclical and loan deficiency payments) but adds a new producer income protection option, beginning with the 2010 crop year, which is based on the average crop revenue proposal from the senate version. This option provides an alternative to manage risk from both yield and price declines.
- A Conservation Stewardship Program (CSP) provides additional funding for incentives

for adopting conservation practices on agricultural land in production (as opposed to the conservation reserve program) and shifts some funding to programs such as the Environmental Quality Incentives Program (EQIP).

- The proposed bill would provide new credit for ethanol made from cellulosic biomass of \$1.01 per gallon and cuts the grain-based ethanol blender credit to 45 cents per gallon from 51 cents.
- There is a new livestock title to help livestock and poultry producers negotiate arbitration clauses in livestock and poultry contracts and help settle disputes. It also provides a compromise for country of origin labeling (COOL) of meat, fruits and vegetables, peanuts, pecans and macadamia nuts and improves USDA's oversight enforcement of the Packers and Stockyards Act.
- There are numerous titles covering nutrition, research, rural development, fruits/vegetables, etc. with far too much detail to include in this short summary.

Keep in mind that spending on nutritional programs would account for about 70 percent of the total costs of the farm bill, but without such a coalition, there would probably not be a farm bill.