2018 Farm Bill: The Good, the Bad and the Ugly

As we began reading details from the recently passed 2018 Farm Bill, it reminded us of the old 1960s Spaghetti Western starring Clint Eastwood, Lee Van Cleef, and Eli Wallach, “The Good, the Bad and the Ugly,” except in this case no one is likely to end up with the gold.

Let’s start with the good.

The farm bill eliminates the long-standing prohibition against the growing of industrial hemp on US farms. In addition, the recently passed legislation increases the maximum number of acres that can be enrolled in the Conservation Reserve Program from 24 million to 27 million acres. With 5 years of generally increasing year-ending stock levels that have resulted in low crop prices, the taking of 3 million acres out of production and adding a crop that will compete with existing crops for planted acreage has to be a good thing. These changes may not be enough to restore farm profitability, but in today’s dire financial straits every little bit helps.

Some farmers will benefit from the opportunity to update their Price Loss Coverage (PLC) program yields. Improvements to the Agricultural Risk Coverage County (ARC) include the use of trend adjusted yields and a higher yield plug percentage.

The new farm bill also addresses one of our critiques of the 2014 Farm Bill that required farmers to gamble on their choice of risk management program (PLC or ARC). The 2018 Farm Bill requires farmers to choose, crop by crop and farm by farm, to participate in either the PLC or the ARC. That first choice will be effective for the 2019 and 2020 crop years. After that, farmers will be able to make their choices on an annual basis for the 2021, 2022, and 2023 crop-marketing years.

The bad.

The 2018 Farm Bill kept the payment limitation threshold at $900,000 a year in adjusted gross income instead of lowering it to the $700,000 limit that was in the Senate version. Even more troubling is the expansion of those who are allowed to receive farm program payments to more distant relatives of farmers including first cousins, nieces, and nephews, even if they aren’t directly involved in agricultural production.

We were excited when we heard that the new farm bill would allow for an increase in the statutory reference price for all crops by 15 percent. And then we read the details. What they are talking about is called the “effective reference price.” The effective reference price is 85 percent of the 5-year olympic average of the season average price for a crop. That means that the season average price for a given crop would have to rise more than 15 percent above the statutory reference price for several years for there to be even a hint of a higher effective reference price. At first flush, it may sound good, but its most likely a nothingburger.

While the ARC program can be defended when it makes payments to farmers in years where the season average price for a crop is below the national average full cost of production, there is no justification whatsoever for making payments to farmers when the price is above the full cost of production.

If we had our druthers, we wouldn’t have either one because they both resulting in dumping—the selling of US crops on the world market at prices that are below the full cost of production.

That leads us to the ugly.

Price!

The 2018 Farm Bill does nothing about the major problem farmers face—the lack of a price that is even close to the full cost of production. Until members of Congress address the perennial problem of crop agriculture, overproduction—which from a humane perspective could be put under protective storage until needed—and low prices, we will continue to watch Congress make arcane rules that are both ineffective and difficult to understand.

Because this farm bill does little to address the issue of price, we expect that many farmers will face increasingly reluctant bankers when they sit down to review next year's operating loans. For those who don't qualify, the "enhancements" to the PLC and ARC programs offer little comfort.

Policy Pennings Column 955

Originally published in MidAmerica Farmer Grower, Vol. 37, No. 201, December 21, 2018

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