Once again Congress failed to pass a new farm bill before the old one expired

September 2018 has come and gone and the farm bill we were told would be finished before the 2014 Farm Bill expired is nowhere in sight. Members of the ag committee leadership team are tied up in a serious disagreement over the Supplemental Nutrition Assistance Program (SNAP) with little evidence of progress in recent weeks.

To make things worse, this is an election year and members are eager to return to their respective states and districts, so they can actively campaign for re-election. With a break for the fall election and the Thanksgiving, Christmas, and New Year's holiday breaks, there are not many legislative days left before 2019 and some new members in each chamber.

This leaves farmers with an extended period of uncertainty over the policy instruments that will be in effect for the coming planting season—winter wheat is already in the ground with planting in the deep south beginning shortly after the new year begins. What will prices and profitability look like early next summer if we have an average planting season and some timely early summer rains?

Looking at the last several farm bills we could say, "Been there; Done that," except then we weren't in the middle of a trade war with our biggest soybean customer.

As we write this column, Harwood is in Geneva, Switzerland participating in the World Trade Organization (WTO) Public Forum 2018. Our presentation on farm policy was greeted positively. In the presentation that Harwood delivered, we suggested modifications to the Agreement on Agriculture (AoA) that would make it absolutely clear that a supply management program that sets a loan rate at near the full cost of production would be consistent with our commitment under WTO trade rules as enshrined in the AoA.

Like their counterparts in the US, farmers around the world are suffering from the same extended period of low prices. With a higher loan rate in the US, farmers everywhere in the world would be able to cover costs, feed their families, and have a little left over at the end of the year because the US price is the world price adjusted for transportation differentials.

A well-designed supply management program along these lines would also avoid the accusation that the US is exporting crops at prices that are well below the full cost of production (dumping). When we talked about this kind of program, we were told that the problem is not with farmers in developing and least developed countries, but rather the problem is the implacable opposition of people in the US to supply management programs.

At that point we had to agree. The chairs and ranking members of the agriculture committees of both chambers of Congress have made their opposition to supply management well known. Despite the spectacular failure of their vaunted "farm bill to end all farm bills"—Freedom to Farm—and the mishmash of programs that have been put in place since them, they are unwilling to even give a look at what the Agricultural Policy Analysis Center/Texas Farmers Union (APAC/TFU) supply management program would do for farmers in the US, let alone the rest of the world. They are content to listen to Libertarian and Libertarian-influenced agricultural economists and allow farmers to face the fifth straight year of low and continually declining prices.

But, let's put that aside and suppose that Congress had met the September 30th deadline by adopting the APAC/TFU supply management proposal. What would things look like this fall if that were true?

To start with no one would have to worry about what level of trade-damage payments they would be receiving. That issue would be moot because, with a properly-set loan rate, US farmers could take out a low-interest 9-month loan on their crop and the market price would be above the full cost of production. No "make-up payment on half the affected crop" is going to do that. We would have corn prices above $4.00 a bushel and soybeans would be above $10, depending a little on whether the market is signaling the need for fewer soybean acres.

Farmers would not have to give a second thought to the repercussions of the current trade dispute. In addition, they would not have to make the decision whether to go with the Agricultural Risk Coverage program (ARC) or the Price Loss Coverage program (PLC)—Murphy's Law says that people will make the wrong decision every time.

With the APAC/TFU program in place, as they are making their plans for the coming crop year, farmers will be able to walk into their banker's office with confidence because they know that at a minimum they will receive the loan rate for their crop. They will also be able to cover the risk of a crop failure by purchasing yield insurance that will pay out at the loan rate times proven yields, depending on the coverage level selected.

Animal feeders will be protected with an upper limit for grain and oilseed meal prices when they fill their barns and pens with animals. And, with the ability of the US to accrue reserve stocks, the US will once again be known as a reliable supplier by their import customers.

And what will this cost? Over the ten-year budget period used by the Congressional Budget Office to identify the costs of various legislative proposals, the costs will be lower under the APAC/TFU program than with an extension of the current program. Enhancements to the current program will undoubtedly be more costly; thus the excuse to take money out of nutrition programs.

As things now stand, farmers don't know, from one day to the next, what to expect. They deserve better from their legislators.

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