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2018 Farm Bill

Next Steps

It has become clear that passage of a new farm bill by the September 30 date of expiration of the current farm bill is highly unlikely. This essentially leaves Congress with two options:

- Pass a short-term extension of current law. Note that a straight extension would still leave unfunded the 39 programs without baseline.
- Do nothing in the short term and continue work on a 5-year farm bill.

Note that Congress could choose to do nothing in the short-term while they continue to work on a 5-year bill, but if resolution is not achieved, they could pass an extension later in the year.[1]

History of Expiration and Extension

Short-term extensions have been relatively common in recent farm bill debates. Extensions were enacted for the 1996, 2002 and 2008 farm bills. In fact, the 2002 farm bill was extended seven times before the 2008 farm bill was enacted into law. Passing farm bills after the end of the fiscal year in which the bill originally expired is the norm. In the past 48 years, only the 1973 and 1977 farm bills were enacted before September 30 of the year of expiration.

Farm Bill Expiration

Farm bill expiration does not affect all programs equally. Because of funding mechanisms, contract obligations, and implementation issues surrounding permanent law, the impacts of farm bill expiration can vary. For example, an appropriation act or a continuing resolution can continue some farm bill programs even though a program's authority has expired.

Here is the impact of expiration on some key farm bill programs:

- ***SNAP*** will not be impacted by farm bill expiration as long as appropriators have passed a funding package that covers USDA. The program will be continued via appropriations action even if its authorization for appropriations is expired.
- ***Crop insurance*** is permanently authorized and funded through mandatory dollars, so farm bill expiration will have no impact on the program.
- ***Conservation programs*** are not all impacted identically under a farm bill expiration. Some of these programs are funded through mandatory dollars are others use appropriated funds. Some conservation programs are permanently authorized, and some have an expiration date. And many of the programs are implemented via contracts with farmers, which will continue to be honored. Additionally, the appropriations process can play an enormous role in how

[1] This is what happened in 2012. The farm bill expired on October 1, 2012, but an extension was not signed into law until January 2, 2013.

conservation programs are treated when a farm bill expires, and the state of ag appropriations is not determined through the end of the year.[2]

- ***Trade and food aid*** programs would expire without an extension or a new farm bill. Some of these programs operate under a slightly different schedule than the rest of the farm bill with expiration on December 31 instead of September 30, but once expiration occurs, authority for USDA to finance or provide emergency or non-emergency food aid would end. Funding for the Foreign Market Development (FMD) would also end, putting the staff and offices of numerous commodity promotion programs in jeopardy. Some commodities believe they have reserves available to keep offices open for a few months, but eventually offices would be closed, and staff would no longer be paid.
- ***Title 1 farm programs*** such as Ag Risk Coverage (ARC) and Price Loss Coverage (PLC) expire and revert to permanent law.

Permanent Law

What we refer to as “permanent law” is a set of farm policies enacted in the Agriculture Adjustment Act of 1938 and the Agricultural Act of 1949. The policies are suspended for the life of a farm bill, but once a farm bill expires, they come back into force. A couple of important facts about permanent law:

- The cornerstone of permanent law is parity pricing, which means that the price guarantee today should be set so that the difference between price and input costs are at the same ratio today that they would have been during a 1910-1914 benchmark. Permanent law sets a nonrecourse loan rate at a percentage of the parity price. This would set the price support for covered commodities well above market prices.
- Additionally, permanent law requires production controls through acreage allotments and marketing quotas for wheat and cotton.
- Not all commodities that receive federal support today are covered by permanent law. The commodities that would lose mandatory support include soybeans and other oilseeds, peanuts, wool, mohair, sugar beets and sugar cane, dry peas, lentils, and small and large chickpeas.
- Because of the delay in payments for current Title 1 farm bill programs, the impact of permanent law would not be felt immediately.
- Dairy is an exception and creates a special set of issues. Dairy permanent law would not take effect until January 1, unlike other covered commodities. Dairy is supported in permanent law by requiring USDA to purchase manufactured dairy products (nonfat dry milk, cheddar cheese, and butter) to raise demand and increase the farm price of milk to the desired support level (the Dairy Product Price Support Program). This means that the retail price of milk could go up. In December 2012, the possibility that milk prices eventually might double became known as the “dairy cliff”. The “dairy cliff” goes into effect on Jan 1, 2019 if farm bill is not reauthorized. Another major program of dairy policy, the Federal Milk Marketing Order system is permanent law and would not be affected.

Please feel free to contact your Michael Torrey Associates team at 202-544-5084 with any questions on the farm bill process.

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[2] The Senate has passed an appropriations package that includes a continuing resolution (CR) for agriculture through December 7. The House is expected to pass this package the week of September 24, 2018. That said, appropriators are continuing to work on a year-long appropriations package, which could be negotiated and passed before the December 7 expiration of the CR.