2018 Farm Bill Conference Report Summary

December 11, 2018

On Monday, December 10, 2018, the leaders of the House and Senate Agriculture Committee announced that a sufficient number of House and Senate conferees had signed the Farm Bill conference report and that it had been formally filed in the House of Representatives. The bill, H.R. 2, the Agriculture Improvement Act of 2018, was approved in the Senate today, and is expected to be up for a vote by the full House later this week.

A summary of provisions important to wheat farmers is offered here through a title by title breakdown. Each section includes an overarching summary of highlights followed by a bullet-point breakdown of each relevant provision.

<u>Title 1 – Commodities</u>

The Commodity title includes several important provisions beneficial for wheat growers. Specifically, farmers will have a re-election opportunity for the 2019 crop year, which will apply for 2 years, and then they will have an annual option to choose a new program beginning with the 2021 crop year. PLC is improved through a reference price escalator provision to enable reference prices to increase if market conditions improve, and all farmers will have an opportunity/option to update their payment yields. In ARC, the same reference price escalator will apply to the floor price, improvements are made to the yield component of the formula, RMA data will be used as the first data source where sufficient data is available, irrigated and non-irrigated yields will be published, the physical location of a farm will determine which county payment rate applies, and large counties would have the option to split into smaller administrative units. Additionally, ARC-Individual will continue to be an option for growers. A provision is included to remove farm program eligibility from farms that were only in grass between 2009-2017; however, after pushback from NAWG and others, this provision is much narrower than the original House provision, is limited to just the five years of the Farm Bill, and owners of those farms will have an opportunity to enroll those farms in a new Grassland Conservation Initiative. The wheat loan rate for purposes of Marketing Assistance Loans is increased 15 percent to $3.38 per bushel.

- ARC-County, ARC-Individual, and PLC are reauthorized
- Re-election opportunity
    - On a farm by farm and crop by crop basis, farmers can re-elect program participation for the 2019 crop year, as well as a yearly election beginning in 2021
    - Failure to make a unanimous election for 2019 results in no program payments for that year; for 2020-23 each crop will be assigned the same election was applicable for the previous farm bill.
- Base acres
    - Any farm that was planted entirely to grass or pasture between January 1, 2009 and December 31, 2017, will be ineligible for farm program payments during the five-year period of the farm bill. This ineligibility applies to cropland that was idle or fallow during that period. B ase acres and payment yields will be maintained on those farms, they will just be ineligible for ARC/PLC payments for the 2019-2023 crop years.
    - A rough estimate we've heard is that this provision will impact roughly 2/3rds fewer base acres as compared to the original House provision
    - For those farms that have base acres that have become ineligible for farm program payments, farmers can enroll those farms into a Grassland Conservation Initiative within CSP by undertaking a priority resource concern; payments would be $18 per acre.

- PLC
  - Yield update
    - Beginning with the 2020 crop year, producers may update their program yield for each covered commodity to 90 percent of the average yield per planted acre on the farm from 2013-2017—ignoring years where the covered commodity was not planted on the farm—multiplied by the yield update factor for the covered commodity as shown below; yield plug is 75% of county average. For example, if 2013-2017 average wheat yield on farm was 35 bu/acre, producer can update his PLC yield to 30.8 bu/ac (90% x 35 bu/ac x 0.9767).

Yield Update Factor by Commodity

Commodity	Yield Update Factor*
Barley	0.9714
Canola	0.9595
Chickpeas (Large)	1.0000
Chickpeas (Small)	0.9767
Corn	0.9000
Cotton (Upland)	0.9000
Dry Peas	0.9988
Flaxseed	1.0000
Grain Sorghum	0.9000
Lentils	1.0000
Mustard	0.9423
Oats	0.9677
Peanuts	0.9273
Rapeseed	1.0000
Rice (LG)	0.9324
Rice (MG/SG)	0.9866
Rice (TJ)	0.9591
Safflower	1.0000
Soybeans	0.9000
Sunflower	0.9378
Wheat	0.9767

*The yield update factor is the ratio of the national average yield for the commodity from 2008-2012 and 2013-2017 (limited to not less than 90 percent or more than 100 percent).

  - Reference price escalator
    - Enables the PLC reference price to increase up to 15% if market prices improve sufficiently (parameters are defined in the bill)
  - Requires that USDA publish payment rates within 30 days of the end of the marketing year for each commodity
- ARC
  - If an RMA crop insurance product is available, the RMA yield must be used for determining county yields; if not available, then USDA has flexibility in determining other sources of data or can use the yield history of representative farms in the state, region, or crop reporting district
  - Physical location of a farm will be used for county yields
  - Plug yield is increased from 70 percent to 80 percent of the transitional yield
  - Requires USDA to calculate and use a trend-adjusted yield factor to adjust yields, similar to the crop insurance trend-adjusted yield endorsement
  - Requires the use of an effective reference price like in PLC, such that if market prices improve the floor price can increase
  - Requires USDA to publish separate irrigated and nonirrigated yields in each county
  - Requires USDA to publish payment rate information within 30 days of the end of the marketing year for each commodity
  - Publishing of data sources (
    - Requires USDA to publish for each crop year and each commodity, information describing the ARC guarantee, the average historical county yield, the national average market price, and the actual average county yield. It also requires this

        information to be published for the 2018 crop year within 60 days of enactment. It also requires USDA to publish the data source used for each covered commodity by county and nationally, beginning with the 2018 crop year.
    - Administrative units
        - Counties that meet certain size requirements may be split into no more than 2 administrative units. The FSA state committee, in consultation with the county or area committee, has the option to make this one-time election to divide the county. Eligible counties must be larger than 1,400 square miles and contain more than 190,000 base acres; this provision is limited to 25 counties nationwide. Preference will be given to counties that have greater variation in climate, soils, and expected productivity.
- Marketing loans
    - Increases Marketing Assistance loan rates (see chart).

Loan Rate Comparison Table

Commodity	2014 Farm Bill	2018 Farm Bill
Barley	$1.95/bu	$2.50/bu
Chickpeas (Large)	$11.28/cwt	$14.00/cwt
Chickpeas (Small)	$7.43/cwt	$10.00/cwt
Corn	$1.95/bu	$2.20/bu
Cotton (ELS)	$0.7977/lb	$0.95/lb
Cotton (Upland)	$0.45 - $0.52/lb	$0.45 - $0.52/lb
Dry Peas	$5.40/cwt	$6.15/cwt
Grain Sorghum	$1.95/bu	$2.20/bu
Lentils	$11.28/cwt	$13.00/cwt
Minor Oilseeds	$10.09/cwt	$10.09/cwt
Oats	$1.39/bu	$2.00/bu
Peanuts	$0.1775/lb	$0.1775/lb
Rice	$6.50/cwt	$7.00/cwt
Soybeans	$5.00/bu	$6.20/bu
Sugar (Raw Cane)	$0.1875/lb	$0.1975/lb
Wheat	$2.94/bu	$3.38/bu

- Payment limitations
    - Hard cap of $125,000 per individual but marketing loan gains and loan deficiency payments would no longer be subject to the cap.
    - Expands the definition of family members to include first cousins, nieces, and nephews
    - Applies sequestration reductions to PLC or ARC payments before applying payment limitations
- AGI threshold for eligibility
    - Maintains $900,000 Adjusted Gross Income (AGI) for commodity and conservation program eligibility

<u>Title 2 – Conservation</u>

The Conservation Title includes several provisions of interest to wheat growers. EQIP and CSP are modified to join the programs within the law and will continue to provide cost-share assistance to growers. Incentive payments are added to EQIP and CSP is modified to be based on overall funding, instead of acres. These changes to CSP will alter enrollment and re-enrollment, making those applications compete against each other. Funding for EQIP increases, but funding for CSP decreases which will result in a move toward consolidation of the programs. Additionally, a new Grasslands Initiative in CSP is available to those growers impacted by base acre suspension in Title 1. CRP is expanded to allow more acres but includes limitation on payments for general and continuous sign-up will limit rental payments. Signing Incentive Payments and Practice Incentive Payments will continue but will be decreased. CRP cost-share on seed cost will also be limited. These changes were required to be able to pay for the increased number of acres allowed into the

CRP program. The bill does not contain CRP easements and does not include provisions on minimal effects determinations for wetlands conservation.

- Conservation Reserve Program - CRP
  - Gradual increase in acreage cap to 27 million acres
  - At least 2 million acres of grasslands by 2023
  - Continuous sign-up & CREP limited to 8 million acres in FY19 increasing to 8.6 million acres in FY22
  - 85% of county rental rate for general sign-up
  - 90% of county rental rates for continuous sign-up
  - Signing Incentive Payments (SIPs) and Practice Incentive Payments (PIPs) continued, but lower
  - Seed cost limitation set at 50% of actual cost of seed mixture
  - Revised haying and grazing provisions
  - CLEAR 30 (Clean Lakes, Estuaries, and Rivers) included as pilot program with 30 year contracts
  - SHIPP (Soil Health Income Protection Program) included as a pilot program
  - CRP TIP funding increased from $33 to $50 million and allows participation without requiring landowner/contract holder to retire
  - Re-enrollments in CRP are subject to additional reductions in rental payments
  - Does not include easements
- Environmental Quality Incentives Program - EQIP
  - Incentive payments added
  - EQIP – 50% livestock set aside retained
  - EQIP – 10% wildlife set aside
  - Increased payment for high priority practices (determined by states)
  - Funding increasing from $1.75 billion in FY19 to $2.025 billion in FY23
- Conservation Stewardship Program - CSP
  - Current contract holders that would be eligible to renew in FY2019, will be allowed to renew under old program (only for these contract, not future expirations)
  - CSP changed to be a dollar based, future re-enrollments would be competitive with new enrollments
  - Funding increased from $700 million in FY19 to $1 billion in FY23
  - New Grassland Conservation Initiative specifically for those whose base was suspended in Title 1
    - Must undertake conservation practice on the acres tied to suspended base
    - $18 per acre payment rate
    - Separate from any other CSP contract or EQIP contract
- Wetland Conservation
  - Does not include minimal effects determination provisions
  - Includes funding for mitigation banking, and policy direction for on-site wetland determinations

<u>Title 3- Trade</u>

The trade title of the Farm Bill contains some changes that will be beneficial to wheat farmers. Specifically, the title created the Agricultural Trade Promotion and Facilitation program that will house the Market Access Program (MAP) and Foreign Market Development Program (FMD). FMD had lost baseline moving forward as a standalone program, so the creation of this umbrella program will allow it to have baseline moving forward. Additionally, there were some changes to the Food for Progress act that will not impact the current "commodity bucket" of funding.

- Agricultural Trade Promotion and Facilitation (MAP/FMD)

- Establishes the Agricultural Trade and Facilitation Program, an umbrella program for FMD, MAP, emerging markets, and TASC. FMD is funded each year at $34.5 million, MAP at $200 million with a trust fund of $3.5 million per year for greatest need; funds can also be used in Cuba
- Food for Progress Act of 1985
    - The conference language adopts the House version for Food for Progress, which reauthorizes the program to FY 2023.
    - The conference language requires that the Secretary will provide an annual report on "rate of return" for monetization programs.
    - The conference language requires that a pilot program be authorized for FY 2019 which would allow financial assistance to be eligible to implementing partners, right now it is only commodities that are available. This will not come out of the current commodity bucket funding, but rather a pilot in addition to the commodity program.

Title 5- Credit

The credit title notably included large increases in overall authorization levels of loans for the years 2019 through 2023. It reduces or waives the 3-year experience requirement for farm ownership loans to beginning farmers.

- Loan Authorization Levels
    - Overall loan authorization level is increased from $4.226 billion to $10 billion/yr
    - Increases the indebtedness limit for FY 2019-23 for:
        (1) direct ownership loans from $300,000 to $600,000.
        (2) guaranteed ownership loans from $700,000 to $1,750,000.
    - Increases the indebtedness limit for FY 2019-23 for:
        (1) direct operating loans from $300,000 to $400,000.
        (2) guaranteed operating loans from $700,000 to $1,750,000.

Title 7- Research

The research title of the Farm Bill saw some big wins for wheat, particularly with regard to the U.S. Wheat and Barley Scab Initiation which received an overall increase in authorization from $10 million to
$15 million and places a program specific limitation on Indirect Costs to be capped at 10%.

- Support for Research Regarding Disease of Wheat, Triticale, and Barley caused by Fusarium Graninerum or Tilletia Indica
    - NAWG supports continued funding for research of Fusarium head blight.
    - US Wheat and Barley Scab Initiative received an increase in the authorization from $10 M to
      $15M. (Current appropriated funding of the SCAB Initiative is at $9.45 M.)
    - In addition, the Bill specifies a limitation on Indirect Costs by any recipient of a program grant from USWBSI to be capped at 10%.
- Simplified Plan of Work
    - McIntire-Stennis, Hatch and Smith Lever funding has been maintained
        - Call for States to match Federal Funding levels at local State Land Grant Colleges for Hatch.
    - Work requirements have been streamlined by deleting audits in favor of peer review oversight.
    - McIntire-Stennis Cooperative Forestry Research Act to include 1994 Institutions that offer an associate's degree or a baccalaureate degree in forestry to be eligible for assistance for forestry research
- Report on Funding for the National Institute of Food and Agriculture and other extension programs.

- Instructs that no later than 2 years after the 2017 Census of Agriculture is released under the Census of Agriculture Act of 1997, the Secretary submit to Congress a report describing the funding necessary to adequately address NIFA's needs, activities, and ability to provide adequate services for the growth and development of the economies of rural communities based on the changing demographic in the rural and farming communities in the various States, paying particular attention to carrying out activities relating to small and diverse farms and ranches, veteran farmers and ranchers, value-added agriculture, direct-to- consumer sales, and specialty crops.

Title 11 – Crop Insurance

There are several positive provisions included in the crop insurance title. The top of the list is that it maintains the current strong structure of the crop insurance program by not imposing any means testing, cuts to the federal cost-share, or cuts to the delivery system. Additionally, it includes a requirement that RMA undertake research and development of alternative methods for adjusting for
quality loss, reform to the 508(h) reimbursement process, enables growers to purchases separate policies for grazing and harvesting of crops, and language regarding how cover crops impact the insurability of summer fallow.

- Cover Crops
    - Voluntary practice of cover cropping shall be considered a good farming practice under paragraph (3)(A)(iii) if the cover crop is terminated in accordance with subparagraph (B).
    - Cover Crop termination shall not affect the insurability of a subsequently planted insurable crop if the cover crop is terminated in accordance with subparagraph (B).
    - In a county in which summer fallow is an insurable practice, a cover crop in that county is terminated in accordance with subparagraph (B) shall be considered as summer fallow for the purpose of insurance
- Treatment of Forage and Grazing
    - Catastrophic risk protection for crops and grasses used for grazing- crops that can be both grazed and mechanically harvested on the same acres during the same growing season, producers shall be allowed to purchase separate policies for each intended use, as determined by the Corporation, and any indemnity paid under those policies for each intended use shall not be considered to be for the same loss for the purposes of section 508(n)
- Administrative Basic Fee
    - Up to $655
- Enterprise Units
    - Allow single-enterprise unit across county lines
- Research and Development Authority
    - Instructs RMA to carry out research and development of optional, alternative and actuarially sound methods of adjusting for quality losses:
        - that does not impact actual production history of a producer
        - that provides that, in circumstances in which a producer has suffered a quality loss to the insured crop of the producer that is insufficient to trigger an indemnity payment, the producer may elect to exclude that quality loss from the actual production history of the producer.