HOUSE COMMITTEE ON AGRICULTURE
ENHANCEMENTS TO THE FARM SAFETY NET

The Future of the Farm Economy

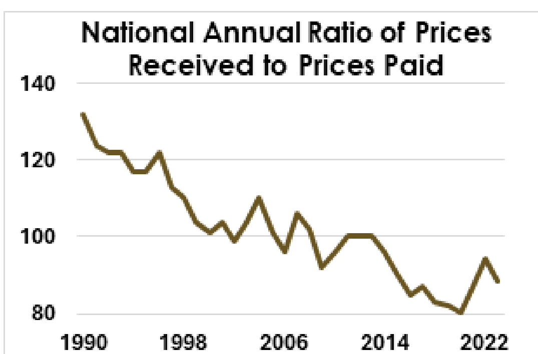
The importance of a five-year farm bill reauthorization cannot be overstated. Meaningful investments in the farm safety net are necessary to provide stability and certainty for the farmers and ranchers that feed, fuel, and clothe our country. *Ad hoc* spending is neither reliable nor effective and often falls short of delivering much needed assistance for many producers.

With these principles in mind and based on feedback from hundreds of stakeholders at dozens of listening sessions and hearings over the past 17 months, the Farm, Food, and National Security Act of 2024 was drafted to meet the needs of farm country.

Over the last two years producers have experienced a precipitous decline in commodity prices that is expected to continue throughout the life of this farm bill. Additionally, due to rising inflation, production expenses have ballooned over 30% since the 2018 Farm Bill was enacted into law and are expected to continue to climb.

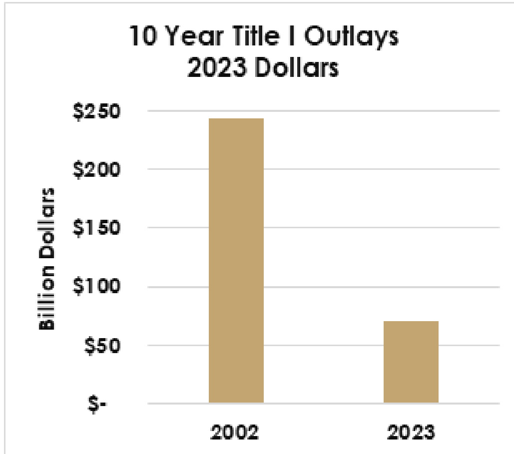
Net farm income (NFI) is forecast to fall roughly $80 billion from its peak in 2022 to $118 billion in 2024. This will be the largest two-year loss in NFI in history and will place net farm income below its 20-year average. Without adequate support, the impact of this collapse in NFI will be further exacerbated.

Increases in commodity prices over the last three decades have been outstripped by increases in the cost of production. In fact, the ratio of prices received to prices paid fell 55% from 1990 to 2020 and despite a slight rebound into 2023, the ratio is still 50% lower than in 1990.



Historic and Projected Safety Net Spending

The last time significant resources were added to the farm safety net was in the 2002 Farm Bill. At the time of enactment, the Congressional Budget Office (CBO) projected $142 billion in outlays through Title I policies over the following decade. In comparison, the May 2023 CBO scoring baseline projects outlays under the current safety net at roughly $69 billion. When accounting for inflation, this amounts to a 71% cut in producer support.



Even when viewing the safety net wholistically by including projected spending through crop insurance, the overall support provided by the safety net (Title I and crop insurance combined) has declined 32%.

It is imperative that farm policy be proactive rather than reactive. Prices for the top seven commodities covered by Title I are expected to fall by an average of 25% from 2023 to 2033, while production expenses are forecast to remain the highest in history. An effective farm safety net will provide producers with the tools necessary to manage this risk and will ultimately save taxpayer dollars by avoiding costly and inefficient *ad hoc* disaster spending.

Enhancements to the Farm Safety Net

The Farm, Food, and National Security Act of 2024 makes targeted improvements to meet the needs of each commodity and provide enhanced support moving forward by bolstering the flagship Title I programs, Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) through increases to Statutory Reference Prices (SRP) and improving ARC for all commodities.

Additionally, for the first time in decades, producers will have an opportunity to add base acres to their farm, granting access to Title I programs for many farmers who have been previously excluded. Marketing Assistance Loans are strengthened through increases in the loan rate for all commodities. Crop insurance coverage for producers is expanded though the enhancement of area-wide coverage options, making insurance more affordable. Payment limits are also modernized to help keep pace with inflation.

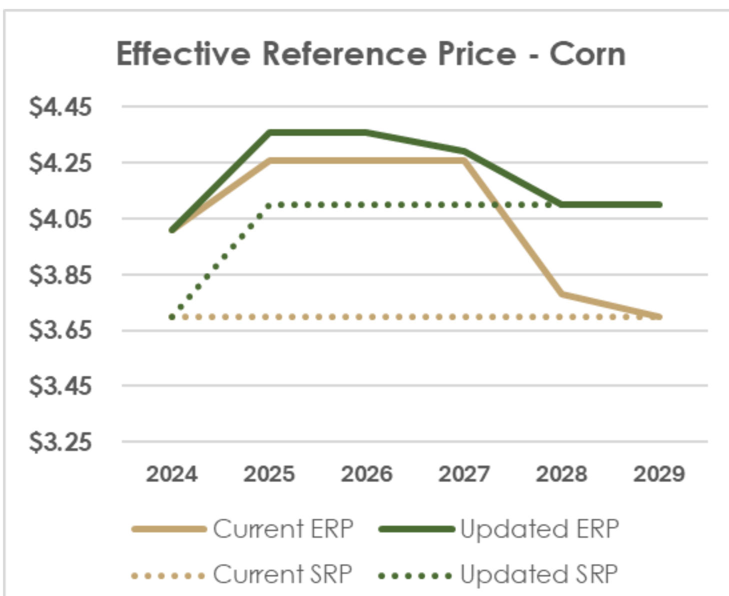
Price Loss Coverage

To calculate an updated SRP for each commodity that would provide meaningful support while meeting budget constraints, several steps were taken. No commodity receives an increase of less than 10% and the difference between the lowest and highest increases in SRP is no larger than 10%. The last increase in SRP occurred with the enactment of the 2014 Farm Bill. To modernize SRPs, commodities were ranked by the increase in the Olympic-average annual cost of production per unit between 2014 and 2024. The commodities with the smallest change received a 10% increase in SRP, while commodities with greater changes over time received a higher change in

SRP, with all increases capped at 20%. The final percent change was rounded to the next highest $0.05 per unit to establish the final updated SRP.

Farm, Food, and National Security Act of 2024 Statutory Reference Price Increases		
Commodity	Current SRP	New SRP
Corn	$3.70	$4.10
Sorghum	$3.95	$4.40
Barley	$4.95	$5.45
Oats	$2.40	$2.65
Soybeans	$8.40	$10.00
Wheat	$5.50	$6.35
Seed Cotton	$0.37	$0.42
Rice	$14.00	$16.90
Peanuts	$535.00	$630.00
Other Oilseeds	$20.15	$23.75
Dry Peas	$11.00	$13.10
Lentils	$19.97	$23.75
Small Chickpeas	$19.04	$22.65
Large Chickpeas	$21.54	$25.65

The increase in the SRP also raises the effective reference price (ERP), providing even more coverage in the event of a price decline. For example, although corn receives an 11% increase in the SRP, the average ERP over the next 5 years is anticipated to result in a 15% increase in support over the SRP in current law.



Agriculture Risk Coverage

To further enhance the safety net, the Farm, Food, and National Security Act of 2024 makes critical enhancements to ARC. By increasing the ARC guarantee from 86% to 90% and increasing the maximum payment band from 10% to 12.5%, assuming constant yields, the Farm, Food, and National Security Act of 2024 more than doubles the expected assistance over the next 5 years in many example counties.

Dakota County, MN *Corn*	Current Law	FFNS-24
Max. ARC Payment	$ 64.23	**$ 106.50**
Avg. ARC Payment	$ 33.64	**$ 58.87**

Knox County, IL *Soybeans*	Current Law	FFNS-24
Max ARC Payment	$ 32.10	**$ 65.28**
Avg. ARC Payment	$ 9.50	**$ 28.90**

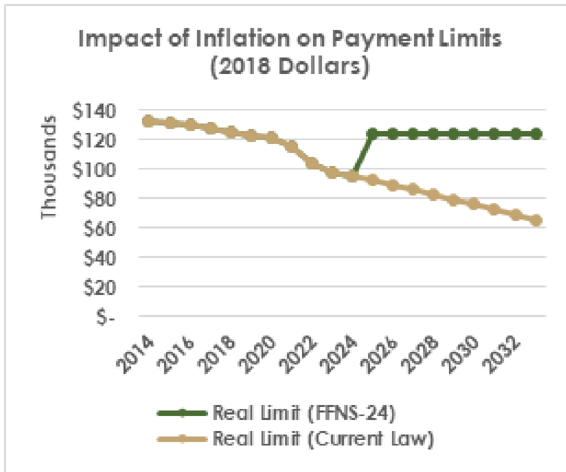
Marketing Assistance Loans

The Marketing Assistance Loan Program is critical in helping aid producers with cash flow needs at time of harvest. Provisions within the 2018 Farm Bill increased the statutory loan rate for certain commodities, but due to budget constraints was unable to increase them across the board. The Farm, Food, and National Security Act of 2024 is not only able to bring the loan rate for those left out in 2018 to current cost of production, but also provides a modest increase for all other commodities.

Farm, Food, and National Security Act of 2024 Marketing Assistance Loan Increases		
Commodity	**Current LR**	**New LR**
Seed/Upland Cotton	$0.45-$0.52	$0.55
Dry Peas	$6.15	$6.87
ELS Cotton	$0.95	$1.00
Graded Wool	$1.15	$1.60
Non-Graded Wool	$0.40	$0.55
Mohair	$4.20	$5.00
Honey	$0.69	$1.50
Corn	$2.20	$2.42
Sorghum	$2.20	$2.42
Barley	$2.50	$2.75
Oats	$2.00	$2.20
Soybeans	$6.20	$6.82
Wheat	$3.38	$3.72
Rice	$7.00	$7.70
Peanuts	$0.1775	$0.1950
Other Oilseeds	$10.09	$11.10
Lentils	$13.00	$14.30

Supplemental Coverage Option (SCO)

In addition to enhancements for ARC and PLC, the Farm, Food, and National Security of 2024 also makes key improvements to SCO, an area based supplemental insurance policy designed to work in concert with PLC and help close the insurance deductible for producers unable to afford higher levels of coverage on their underlying multi-peril crop insurance policy. By increasing the coverage level from 86% to 90% and increasing premium assistance to 80%, producers are offered one more tool in the risk management toolbox.



Base Acres

The Farm, Food, and National Security Act of 2024 provides a historic opportunity to add new base acres to farms that have no base, or that have been planting in excess of existing base acres. This provision does not modify or impact existing base acres and will be purely additive for those farms that qualify. Additionally, there are no qualifications relative to the demographics or beginning farmer status of the landowner to be eligible for an assignment of new base acres under this provision.

Means Testing and Payment Limits

The Farm, Food, and National Security Act of 2024 modernizes administrative provisions by providing a waiver for the AGI means test for operations that derive 75% or more of their income from farming, ranching, or forestry activities. This exemption only applies to a producer's eligibility for assistance under the Livestock Indemnity Program (LIP), the Livestock Forage Program (LFP), Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP), Tree Assistance Program (TAP), Noninsured Crop Disaster Assistance Program (NAP), and all Title II conservation programs. The strict limit of $900,000 will continue to apply for eligibility under the ARC and PLC programs in Subtitle A of Title I.

Additionally, since the current payment limit for ARC and PLC assistance was enacted in the 2014 Farm Bill, the value of that limitation has fallen by over $40,000 in real dollars. The Farm, Food, and National Security Act of 2024 re-establishes the payment limitation at the amount that Congress overwhelmingly approved in the 2018 Farm Bill and indexes the limit to CPI-U going forward, ensuring that the effectiveness of the safety net does not continue to erode due to inflation.

Finally, the bill also ensures that payment limitation regulations treat all pass-through entities the same and does not give preferential treatment to joint ventures and general partnerships. The Farm, Food, and National Security Act of 2024 does NOT change any of the laws related to the attribution of payments or exempt any individual person from being subject to the limitation. This provision merely cuts red tape and ends the discriminatory treatment of entities such as LLCs and S-Corps.