



Update on U.S. Senate Version of Crop Safety Net

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This update reflects the debate by the entire U.S. Senate on the *Agriculture Reform, Food, and Jobs Act of 2012*, the Senate's 2012 Farm Bill. The article's focus is amendments related to the crop safety net. An overview of the crop safety net in the Senate farm bill is provided in "First Draft of New Senate Farm Bill" by Carl Zulauf, available [here](#). Observations on the Bill as passed by the Senate Committee on Agriculture, Nutrition, and Forestry are available in "Update on U.S. Senate Ag Committee Version of New Farm Bill" by Carl Zulauf, available [here](#).

The vote to adopt the Senate Farm Bill was 64 yes to 35 against. This is a solid majority and should carry weight in the Conference Committee between the House and Senate. Of the 35 no votes, 30 were cast by Republicans. Of note, 20 of 34 Senators from states that raise cotton, peanuts, and/or rice voted against the Bill. While a decision on a vote is rarely made for a single reason, the 59% opposition by Senators from these states is consistent with the concerns raised about the impact that moving away from direct payments may have on southern agriculture. For a further discussion of this issue, see "Differences across Crops in Spending Under the 2012 Senate Agriculture Committee Farm Bill" by Gary Schnitkey, available [here](#).

Overview on Amendments

This discussion focuses on amendments for which a vote by the entire Senate was recorded. A recorded vote provides an indicator of how strong the will of the entire Senate is with regard to an amendment. This perspective can be useful because the Senate Agriculture Committee chose not to address or to address in a different way many, but not all, of these amendments in its version of the Bill. Note, other amendments were adopted by voice vote or were accepted by the Bill's managers without a vote. For example, an amendment was adopted by voice vote to commission feasibility studies of insurance for poultry growers against catastrophic loss, such as disease outbreaks, and from bankruptcy of poultry integrators.

Crop Farm Safety Net Amendments

The recorded vote amendments on the crop safety net can be divided into 3 categories: (1) payment limits, (2) crop insurance, and (3) other.

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Payment Limit Amendments

? The Senate supported a 15 percentage reduction in the crop insurance premium subsidy for entities with an average adjusted gross income exceeding \$750,000, but delayed implementation for 1 year pending completion of a study on the impact this limit will have on the insurance program and on attempts to circumvent the limit. (66 yes : 33 no)

? The Senate supported a \$75,000 limit on marketing loan gains and loan deficiency payments. (75 yes : 24 no)

? The Senate opposed an average adjusted gross income limit of \$250,000 for receiving all payments and benefits under the Farm Bill. (15 yes : 84 no)

Crop Insurance Amendment

? The Senate supported limits on the crop insurance premium subsidy for large farms (see discussion on first payment limit amendment above).

? The Senate supported highly erodible land and wetland conservation compliance for individuals buying Federal crop insurance. (52 yes : 47 no)

? The Senate supported a feasibility study of insurance for food safety recalls. (76 yes : 23 no)

? The Senate supported crop insurance for organic crops being provided under terms and conditions similar to insurance offered to other crops (63 yes : 36 no) — amendment was primarily directed at the insurance price guarantee.

Other Crop Safety Net Amendment

? The Senate opposed a phase out of the U.S. sugar program. (46 for : 50 against) – close votes on the sugar program have occurred in the past, but the sugar program has not been voted down.

Summary Observations

? Before discussing the recorded vote amendments, it is important to note that no changes were made in either the crop insurance Supplemental Coverage Option (SCO) or the Average Risk Coverage (ARC) programs, suggesting that the majority of the Senate was comfortable with these new crop safety net programs.

? Given the Bill reported by the Senate Agriculture Committee, payment limits and insurance were issues of interest to the entire Senate.

? Historically, the entire Senate (and House) have expressed more interest in payment limits than the Agriculture Committees.

The Senate votes on payment limits indicate a willingness to continue the process of tightening payment limits that began in the 2008 Farm Bill, but not to tighten them to the extent that critics of farm programs would prefer, at least as of the summer of 2012.

? The focus on insurance by the entire Senate reflects the central role insurance now plays in the crop safety net, even for members of the Senate not on the Agriculture Committee.

It seems inconsistent to the author that insurance can be the central element in the crop safety net and avoid conservation compliance as well as some type of limit on insurance for large farms. These two issues have become generally accepted principles to obtain support for a farm safety net by the general U.S. public. For a more detailed discussion of the payment limit issue, see “Farm Payment Limits: History and Observations” by Carl Zulauf, available [here](#).

What the policy process can be asked to do is to carefully consider these two issues and create a policy that fits a risk management program, not just reuse policy adopted for farm payment

programs, such as the direct payment program and price floor programs. This observation is particularly relevant for limits on the insurance program.

To the knowledge of the author, the reduction, but not elimination, in subsidy premium is a new approach to payment limits. It bears watching and analysis.

– One could speculate that a progressive reduction in the insurance premium subsidy as farm size increases might be the evolutionary resolution of this issue. A progressive reduction tied to farm size would avoid the sharp break that occurs with a fixed number limit, such as \$750,000 in adjusted income.

– Sharp breaks create discontinuities, which lead people to aggressively look for options to avoid the limit. Economics generally finds that progressivity leads to less creative managing of a discontinuity. In addition, having a progressively declining subsidy means that large farms would be affected to some degree since subdividing a large farm most likely leaves a smaller, large farm.

– Thus, the most important part of this amendment could be the study authorized to examine the impacts that this limit may have on the insurance program and on attempts to circumvent the limit.

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