MODERNIZING THE FARMER SAFETY NET: FARM POLICY FOR THE 21ST CENTURY

Senator Richard Lugar (R-IN) and Congressmen Ron Kind (D-WI), Jeff Flake (R-AZ), Joseph Crowley (D-NY), and Dave Reichert (R-WA) have developed farm and food policy legislation that will bring agricultural policy into the 21st Century - helping many more farmers, consumers, communities, and the environment. This legislation represents real change and a new direction for the farm bill, modernizing our farm policy and bringing it in line with the priorities of the majority of Americans.

Under this proposal, the current system of farm subsidies – counter-cyclical, loan deficiency, income loss, and direct payments – would gradually be transitioned to a more cost-effective and responsive system of farmer-held risk management accounts. The aim is to transition from the outdated, market and trade-distorting subsidies that have been plagued with implementation problems and into a new era where farmers manage their own assets and harvest what makes sense for them and their land.

This legislation will not only benefit more farmers but will also be cost-effective, freeing up precious resources in these budget-constrained times. The reforms included in the legislation would yield a farmer safety net that is estimated to cost nearly $20 billion less over five years and $55 billion less over ten years than the likely budget allocation and baseline estimates of the existing farm subsidies. This frees up funds for other critical fiscal and farm bill priorities. While improving our nation's fiscal situation by devoting billions of dollars to debt relief, funds made available from improving the farmer safety net would also be applied to conservation, nutrition, renewable energy, and rural development.

Simply put, this legislation will provide a more effective safety net and a more sound agriculture policy for farmers, rural communities, and low-income Americans while improving our environment and reducing the deficit.

TRANSITIONING TO FARMER-HELD RISK MANAGMENT ACCOUNTS

- *Continue Counter-Cyclical Programs*– Continue "counter-cyclical" payment linked to price targets in 2008 in the Senate proposal and 2008 and 2009 in the House proposal. These will be subject to tight payment caps. Under the House proposal they would also only go to farmers with adjusted gross income of less than $200,000.

- *Replace Loan Deficiency Payments with Recourse Loan Program* – The current program would be replaced with a recourse loan program so that farmers could obtain funds to cover planting costs.

- *Create Farmer-Held Risk Managment Accounts* – Withdrawals would be permitted when sales fall below 95% of a farmer's five-year rolling average, to make some rural investments, or maintain farm solvency.

- *Continue Direct Payments, Require Savings* – Direct payments would decline over time. Farmers would also be eligible for a bonus payment if meeting environmental stewardship criteria on their land. Recipients would be required to place an increasing proportion in the stabilization account.

- *Remove Planting Restriction* – The planting restriction that prevents recipients of farm subsidies from planting specialty crops would be lifted. However, future farm payments come with the requirement to place an increasing proportion into the stabilization accounts.

- *Transition MILC to Dairy Risk Management Accounts* – Dairy farmers would receive a transition payment equal to a portion of their historic MILC payments as their annual contributions to a dairy income stabilization account. The proposal also eliminates the $9.90 price support program.

- *Eliminate the Sugar Program* – This legislation would facilitate a domestic sugar price consistent with the world sugar price by ending the federal sugar loan program as well as lifting prohibitive barriers to international sugar imports.

REAPING THE BENEFITS OF MODERNIZING OUR AGRICULTURE POLICY

- *Benefits from Farmer-Held Risk Management Accounts* – Farmers could use the stabilization accounts to weather the ups and downs, make investments, purchase existing crops and revenue insurance, and plan for the future. The accounts would cover the "shallow" losses that are not covered by crop and revenue insurance policies, with withdrawals being permitted when sales fall below 95% of a farmer's five-year rolling average and to make some rural investments.

- *Benefits from Trade-Compliant Farm Programs* - A transition to farmer-held income stabilization accounts would help bring our subsidies into compliance with our current trade agreements and could jump start international negotiations that would open new markets to our farmers.

- *Benefits from a Fiscally Sound Agriculture Policy* – Our out-dated farm subsidy programs have long been criticized for their extreme cost. In transitioning our farm programs to a more fiscally sound footing, this legislation lightens the load on the taxpayer by billions of dollars.

- *Benefits from Funding Realistic Farm Bill Priorities* – This legislation makes significant resources available for debt relief, domestic and international anti-hunger programs, expanding rural development programs, sharing the cost of environmental improvements, producing energy on farms, boosting rural development, and promoting healthy food choices.

FUNDING FOR DEBT RELIEF AND REALISTIC FARM BILL PRIORITIES

- *Reduce the Deficit* – This legislation proposes to reduce the deficit by $5 billion between 2008 and 2012 and by more than $20 billion over ten years.

- *Expand Nutrition Programs* – Under this proposal, spending on anti-hunger programs, primarily the Food Stamp Program, would be increased by $5 billion over five years.

- *Expand Rural Development* – Farmers would be able to withdraw funds from their accounts to invest in rural enterprises that boost farm income. In addition, this legislation would increase rural development spending by $700 million over five years.

- *Expand Healthy Food Choices* – Funding for programs to link farmers with local schools, to establish farmers markets, to provide healthy snacks at thousands of schools, and to promote more consumption of fresh fruits and vegetables would be expanded by $400 million over five years.

- *Expand International School Feeding and Development program in Developing Countries* – The McGovern-Dole program would receive increased funding of $1.1 billion over five years, providing for donations of agricultural products for school feeding and nutrition projects in low-income countries.

- *Expand Conservation Programs* – Spending on conservation programs would be increased by $6.5 billion over five years, including the expansion of the EQIP program to more than $2 billion annually and programs to protect millions of wetland, farm, and ranch acres from sprawl.

- *Expand Renewable Energy Programs* – Renewable energy programs and renewable energy research would be increased by at least $1 billion over five years, including sufficient funds to provide at least $5 billion in loan guarantees for renewable energy development on farms, ranches, and forest lands.