The Agricultural Act of 2014

On February 7, President Obama signed the Agricultural Act of 2014 (2014 Farm Bill) into law. The signing marks an end to the multi-year and multi-bill process for reauthorizing the 2008 Farm Bill, which initially expired September 2012, and was then extended until September 2013. The bill passed the House 251-166 on January 29, while the Senate approved it 68-32 on February 4. Overall, the 2014 Farm Bill extends most of the major federal farm and nutrition assistance programs through FY 2018, at a cost of $956 billion over 10 years according to the Congressional Budget Office. In particular, $756 billion, or 79 percent, would be for the Supplemental Nutrition Assistance Program (SNAP). The legislation is expected to reduce the deficit by $23 billion dollars. These savings are the result of $33 billion in reductions to certain programs combined with $10 billion in funding increases in other areas. Of the $33 billion in savings, $19 billion comes from reductions in farm programs, including ending direct payments to farmers, $6 billion from conservation programs and $8 billion from the Supplemental Nutrition Assistance Program (SNAP). The $10 billion in increased funding is targeted towards crop insurance, research, export promotion, specialty crop support, rural development, and other areas. The $956 billion is classified as mandatory spending, and will not require annual appropriation by Congress.

While the bill totals over 950 pages, below is a short analysis of many of the major, and a few of the minor issues and changes. Please contact Ben Husch (202-624-7779) if you need additional information on any of the topics covered below. Additionally, for those questions pertaining to SNAP or other nutrition issues, please contact Joy Wilson (202-624-8689) or Rachel Morgan (202-624-3569).

Preserving State Authority

The 2014 Farm Bill does not include the "King Amendment," provision. This provision, which was sponsored by Representative Steve King (R-Iowa) and was included in the House version, would have significantly pre-empted states' ability to protect the safety and well being of their farmland, waterways, forests and most importantly, the health and welfare of their constituents. See NCSL's King Amendment letter for additional information on NCSL's position.

Ending Direct Payments

One the largest changes made in the 2014 Farm Bill is the repeal of the Direct Payments, Countercyclical Payments and Average Crop Revenue Election (ACRE). The bill replaces those programs with two new risk management programs aimed at protecting farmers against volatility in either commodity prices (Price Loss Coverage (PLC) program) or their revenues (Agriculture Risk Coverage (ARC) program). The bill sets new caps of $125,000 per person or $250,000 per couple for total payments from the two programs. These levels are above the $50,000 per person and $100,000 per couple levels that were included in both the House and Senate versions.

Expanding Crop Insurance

Within the Crop Insurance Program, which is a permanent program and does not require reauthorization, the Farm Bill makes three notable changes. The first is the establishment of a new Supplemental Coverage Option (SCO) which allows the purchase by farmers of additional insurance to cover losses not covered by individual crop insurance policies. Second, the bill establishes the Stacked Income Protection Plan (STAX) for cotton producers because cotton is not eligible for the ARC or PLC programs. Additionally, the bill includes provisions that require the implementation of specific conservation measures by farmers and ranchers in order to qualify for federal crop insurance subsidies.

Updating Dairy Support Programs

The bill repeals the Dairy Product Price Support Program (DPPSP), Milk Income Loss Contract (MILC), and the Dairy Export Incentive Program (DEIP). It establishes two new programs, the Margin Protection Program for Dairy Producers (MPP) and the Dairy Product Donation Program (DPDP). The MPP is a voluntary program which aims to provide relief when milk income, as compared to feed costs, falls below an insured level. The DPDP is a program that requires the Secretary of Agriculture to immediately "procure and distribute," certain dairy products, and thus provide support to the Dairy industry, when milk income compared to feed costs falls significantly. For additional details regarding these new programs, please see a report from Cornell University's Program on Dairy Markets and Policy as well as a report from the National Milk Producers Federation.

Maintaining Payment Limits for Commodity Programs

For certain commodities and conservation programs, the 2014 Farm Bill reduces the level at which farmers become ineligible to receive benefits. Specifically, payments would be prohibited if adjusted gross income exceeds $900,000, compared to $1 million in the 2008 Farm Bill. The bill also removes previous restrictions on benefits for incomes above $500,000. Separate payment limits apply to agriculture disaster assistance programs.

Reauthorizing Disaster Assistance

The 2014 Farm Bill reauthorizes and modifies certain disaster assistance programs, including the Livestock Indemnity Payments, Livestock Forage Disaster Program, the Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish, and the Tree Assistance Program. CBO estimates that these modifications would total $3.7 billion through FY 2023, including $897 million in FY 2014. The bill also increases the maximum payment to one individual from $100,000 to $125,000 per crop year while also removing income restrictions.

Consolidating Conservation Programs

Overall the 2014 Farm Bill makes a number of changes to the conservation title. It consolidates 23 existing programs into 13, which are authorized through FY 2018, while also reducing the total amount of acreage that may be enrolled in conservation programs. Additionally, receiving payments through conservation programs does not impact eligibility for other payments, such as the disaster assistance programs highlighted above.

Within specific conservation programs, the bill gradually reduces the number of acres that can be enrolled in the Conservation Reserve Program (CRP) from 27.5 million in FY 2014 to 24 million in FY 2018. The Conservation Stewardship Program also received a decrease in enrolled acres to 10 million each fiscal year through FY 2022 from the current level of 13.8 million. The Farmable Wetland Program was decreased from 1 million to 750,000 acres. The Environmental Quality Incentives Program was reauthorized though FY 2018 with some expansions that will increase spending by nearly $500 million.

The bill establishes a new Agricultural Conservation Easement Program (ACEP) which consolidates the Wetland Reserve Program, the Grassland Reserve Program and the Farmland Protection Program. The program is designed to allow the Department of Agriculture to facilitate and provide funds for the purchase of conservation easements, which would generally be permanent, or for the maximum period allowed by state law with the federal share of the cost between 50 and 100 percent. The bill also establishes a Regional Conservation Partnership Program by combining the Agricultural Water Enhancement Program, the Chesapeake Bay Watershed Program, the Cooperative Conservation Partnership Initiatives Program and the Great Lakes Basin Program. The new program would function through the ACEP and CSP.

Expanding Forestry Programs

The 2014 Farm Bill makes a number of changes to the Forestry Program beginning with the authorization of a new program allowing the Forest Service to work with state officials to designate critical areas within the national forest system in order to address deteriorating forest health conditions due to insect infestation, such as the pine bark beetle, drought, disease or storm damage. The program is authorized at $200 million for each year through FY 2024. The bill also permanently authorizes the Forest Service and the Bureau of Land Management to enter into stewardship contracting projects, which would allow the revenue gained from timber sales to fund forest restoration. Additionally, the bill reauthorizes, through FY 2018, the Forest Legacy Program, the Community Open Space Program, the Office of International Forestry and the Healthy Forest Reserve Program. However, the bill repeals five forestry programs including the Forest Land Enhancement Program, Watershed Forestry Assistance Program, Cooperative National Forest Products Marketing Program, Hispanic-Serving Institution Agricultural Land National Resources Leadership Program and the Tribal Watershed Forestry Assistance Program. One other important forestry provision would modify the Clean Water Act (CWA) to codify Environmental Protection Agency rules that certain forest activities do not require a permit under the CWA.

Increasing Specialty Crop Block Grant Program Funding

The bill increases funds for the Specialty Crop Block Grant (SCBG) program from $55 million in FY 2013 to $72.5 million for FY 2014 through 2017 and $85 million for FY 2018. Specialty crops include fruits, vegetables, tree nuts, nursery plants and honey. The SCBG is meant to enhance the competitiveness of specialty crops by awarding grants to states, which support research, product quality enhancement, increased consumption and food safety. The bill adjusts the formula for how the grants are allocated among states by recognizing both the value of specialty crops produced as well as the percentage of acres used by specialty crops. The bill also limits state administrative funding to 8 percent.

Funding Rural Development and Energy Programs

Rural development programs in the 2014 Farm Bill are aimed at providing assistance to small, rural communities through the use of loans, grants and access to credit. Overall, the 2014 Farm Bill reauthorizes numerous rural development programs through FY 2018, including $150 million for the Water and Waste Water Program, $100 million for the Beginning Farmer and Rancher Development Program, $63 million for the Value-Added Producer Grant Program and $15 million for the Rural Microenterprise Assistance Program (RMAP).

The 2014 Farm Bill also provides $881 million to a number of rural energy programs designed to promote the development of advanced biofuels and renewable energy. Specifically, the bill creates the Rural Energy Savings Program (RESP) within the Department of Agriculture, which is funded at $75 million per year over five years. RESP will provide zero percent loans to rural electric cooperatives for the purpose of relending the funds to co-op members to make energy efficiency improvements. Additionally, the bill includes $100 million in funding for FY 2014 and $50 million a year in 2015 and 2016 for the Biorefinery Assistance Program. The Rural Energy for America Program is reauthorized at $50 each year through FY 2018 while the Biomass Crop Assistance Program, is reauthorized at $25 million per year through FY 2018.

Initiating Industrial Hemp Research
The bill allows institutions of higher education and state agriculture departments of agriculture to cultivate hemp for research purposes in states where industrial hemp farming is legal.

Maintaining Agricultural Trade Programs
The bill reauthorizes, through FY 2018 a number of agricultural trade programs including the Export Credit Guarantee Program, the Market Access Program and the Technical Assistance for Special Crops Program.

Continuing Payments in Lieu of Taxes
The bill includes full mandatory FY 2014 funding for the Payments in Lieu of Taxes (PILT) program at $425 million. This represents an increase compared to FY 2013, when funding was $401 million post sequestration. PILT provides federal payments to local governments to help offset losses in property taxes due to non-taxable Federal lands within their boundaries.

Items not included
Certain issues that received significant coverage during the conference negotiations were not included the final version of the 2014 Farm Bill. This includes taking action on Country of Origin Labeling regulations. The bill also did not include provisions that would have set limits for who qualifies as a farmer, and thus who is entitled to subsidy payments. Though these provisions were included in both the House and Senate versions, the final bill only includes a provision mandating that USDA settle the issue within six months.

Important Links:
- Agricultural Act of 2014 — Conference Report
- Detailed Summary on Title I through Title XII
- Congressional Budget Office Analysis
- 2013 NCSL Letter to Congressional Leaders Outlining Our Farm Bill Concerns