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What is a Farm Bill, and What Does it Do?

AGRI-VIEWS
by Chuck Otte, Geary County Extension Agent

I was talking with someone earlier this week who had questions on "the Farm Bill" and government farm programs; how do they work and what they do. Farm Bills are passed about once every five years and are part of the US Department of Agriculture budget. Before I get too far into this discussion let me state that farm and commodity programs are a very small portion of the US Budget. The total USDA budget is about 4% of the federal budget. Farm bill programs are 16% of the USDA budget or less than 1% of the federal budget.

Farm bills, which is a somewhat loose phrase that encompasses quite a bit, are designed to be a safety net for production agriculture. You may not realize it, but it is to us, the consumer's, best interest to keep as many farmers involved in food production as possible. It provides resiliency to American food production and if you think about it I, for one, would be really concerned if 95% of the production of my food was controlled by four or five very large companies.

Part of the farm bill is designated for conservation programs. These are designed to help landowners do conservation practices on their farm to keep soil in place and protect the quality of the water that runs off the farms. Over the years agriculture has occasionally been cast as "the bad guy" causing all sorts of pollution. In reality, farmers have a very vested interest in protecting the land and water that they depend on for their livelihood. What would they gain by polluting or fouling the land where they live and the water that they are often using for their own homes? Trust me, smaller family farms are much more concerned about this than ultra large multinational corporations!

When the 2014 Farm Bill was created it was designed to give farmers a choice on whether they wanted protection from production losses due to adverse weather or protection from extreme price swings. If prices are high, like they were five or six years ago, these programs don't pay a thing. But if prices drop very low, as they have in recent years, they are designed to soften the blow a bit. Farmers had to make a decision that they are now locked in to for the remainder of the five year program. Most farmers chose protection from production variation as opposed to price variation. Farm programs are not designed to replace a producers crop insurance and most producers do have crop insurance to protect against extreme weather conditions.

Determining when participants in the program receive payments is a very complicated process that involves national average prices as well as state and county average yields. Payments take months after the crop is harvested to be calculated and paid. Let's keep in mind that it is expensive to raise a crop. For 2016, it cost north central Kansas farmers $264/acre, total costs, to raise a wheat crop. Corn was $442, soybeans $360 and grain sorghum $352. Last year net return to management for those four crops, before farm program payments, were (per acre) wheat, -$107, corn -$112, grain sorghum -$145 and soybeans $68. One crop made a profit. Payments for producers in the agricultural risk coverage program for last year have just been announced. Those payments, again per acre, are (and every county in the state is different - this is Geary County) were: wheat $30.15, corn $3.77, grain sorghum $48.64 and soybeans $0.00. Those three crops still lost money. So if you think farmers are getting rich off the farm programs, you'd better re-examine your facts! If you have questions about these farm programs, feel free to call me!