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# State Issues and the Farm Bill

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# State Issues

- Agricultural labor shortages
- Closure of railroad crossings
- Sweet potato farmers ineligible for 2005-06 FSA Crop Disaster Program
- 2008 Farm Bill
- US – Mexico NAFTA Sugar Agreement
- Cotton warehouse reconcentration
- Renewable Portfolio Standard – Geaux Green
- Boll Weevil Eradication – Funding
- 3<sup>rd</sup> axle tax exemption for sugarcane trailers

# State Issues

## Agricultural Labor

- **H-2A workers delays in 2007**
  - Clearance Orders, Consulate Visits, Reform
- **H-2A workers get reduced visa days for LA Driver's License eligibility**
  - HB766 – passed
  - Eligible: Farm Related CDL exemption
- **No H-2B visas available -Crawfish and sugar processors**
  - S. 988, HR. 1843 has not passed

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# State Issues

## **Closure of Railroad Crossings**

- Private railroad crossings in place for 30 years after January 1, 1978 are prohibited from being removed
  - Union Pacific engaged in removal of private railroad crossings
  - 2007 State Legislation (HB 511-St. Germain) to prohibit removal of railroad crossings after 20 years fails.
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# State Issues

## **Sweet potato farmers ineligible for Disaster Assistance due to crop insurance**

- Definition of “production” counts all ruined and unmarketable potatoes as “production”
  - Production is severely overstated for sweet potato producers 2006 yield
  - Overstated sweet potato yield downloaded to FSA, incorrect high yield make farmers ineligible for Disaster Assistance
  - Amendment in House and Senate Farm Bill prohibits use of sweet potato crop insurance production data to determine eligibility for FSA Crop Disaster Program
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# State Issues

## Renewable Portfolio Standard

- Public Service Commission votes against implementing RFS mandating usage of renewable produced energy
  - Implements “green pricing tariff” where customers voluntarily purchases green power at higher price
  - Entergy – Gulf States – Few purchasing green power (\$2.52 per 100 kWh block)
  - Electricity production from LA biomass needs a mandated market for investment
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# State Issues

## Boll Weevil Eradication

- Program cost estimated at \$6 million for 2008
  - \$1.8 million in expected assessment revenue at \$6 per acre
  - \$4.2 million shortfall
  - LAFA funding pledged to boll weevil is obligated to repay Lacassine sugar mill bonds through 2017
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# State Issues

## **Refundable State Tax Exemption for Retrofitting or Purchasing Sugarcane Trailers with 3 rear axles**

Tax credit declines every year until 2011

- 2008 \$8,500
  - 2011- \$6,500
  
  - **2012 – Federal Authority for 100,000 lb. harvest season weight expires**
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# National Issues

## Farm Bill

- Direct attribution of payments
  - Removal of 3<sup>rd</sup> entity for partnerships
  - Eliminates eligibility of high income partners
  - Senate- Eliminates eligibility of non-family partners
  - All production loan eligible –Payment Limits removed on LDP and MLG
  - Maintains spousal eligibility if actively involved
  - Countercyclical Revenue Option
  - Sugar loan rate increase, producer allocation transfers and surplus sugar to ethanol program
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# National Issues

## U.S. – Mexico NAFTA Sugar Agreement

- January 1, 2008 – No tariff between US and Mexico on sugar
  - Agreement reached between both nations sugar industry to establish limits on exports
  - No limits on HFCS to Mexico
  - High limit on Mexico sugar exports to USA
  - Opposed by users, corn refiners, Cargill, Imperial
  - Surplus sugar ethanol program could cost too much if Mexico exports to US are unlimited !!
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# National Issues

## **Loan Cotton Warehouse Reconciliation**

- When producer signs Form 605, power of attorney is transferred to market cotton equities
  - After power of attorney is transferred, merchants can move cotton to a warehouse they control and receive storage credits for 90 days
  - Takes storage credits away from local warehouses and reduces storage rebates back to producers
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# 2008 Farm Bill

- House Farm Bill - Passed 232-191.
  - Senate Farm Bill - Passed 79-14
  - House – Senate Farm Bill Conference Committee
    1. January – March – Conference Committee
    2. Vote on Conference Report – House/Senate – Mar- April
    3. President Bush Veto threat
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# Senate Conferees Announced

## Democrats

- Tom Harkin (D-IA)
- Patrick Leahy (D-VT)
- Kent Conrad (D-ND)
- Max Baucus (D-MT)
- Blanche Lincoln (D-AR)
- Debbie Stabenow (D-MI)

## Republicans

- Saxby Chambliss (R-GA)
  - Richard Lugar (R-IN)
  - Thad Cochran (R-MS)
  - Pat Roberts (R-KS)
  - Charles Grassley (R-IA)
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# Direct Payments

	Current	House	Senate
Cotton--cents/lb.	6.67	6.67	6.67
Corn--\$/bu.	0.28	0.28	0.28
Rice--\$/cwt.	2.35	2.35	2.35
Soybeans--\$/bu.	0.44	0.44	0.44
Sorghum--\$/bu.	0.35	0.35	0.35
Wheat--\$/bu.	0.52	0.52	0.52

# Loan Rates

	Current	House	Senate
Cotton--cents/lb.	52.00	52.00	52.00
Corn--\$/bu.	1.95	1.95	1.95
Rice--\$/cwt.	6.50	6.50	6.50
Soybeans--\$/bu.	5.00	5.00	5.00
Sorghum--\$/bu.	1.95	1.95	1.95
Wheat--\$/bu.	2.75	2.94	2.94

# Loan Rates

## Sugar

Sugar cents/lb	<u>Current</u>	<u>House</u>	<u>Senate</u>
Raw	18 cents	18.5 cents	18.25 – 2009 18.50 – 2010 18.75 – 2011 19.0 - 2012
Refined	22.9 cents	23.5 cents	128.5% of raw sugar loan rate



# Target Prices

	Current	House	Senate
Cotton--cents/lb.	72.40	70.00	72.25
Corn--\$/bu.	2.63	2.63	2.63
Rice--\$/cwt.	10.50	10.50	10.50
Soybeans--\$/bu.	5.80	6.10	6.00
Sorghum--\$/bu.	2.57	2.57	2.63
Wheat--\$/bu.	3.92	4.15	4.20

# Payment Limits

	Current	House	Senate
3-Entity	Yes	No	No
Direct Attribution	No	Yes	Yes
DP Limit	\$40,000	\$60,000	\$40,000
CCP Limit	\$65,000	\$65,000	\$60,000
Total DP & CCP	\$105,000	\$125,000	\$100,000
MLG and LDP	\$75,000	None	None

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# Biggest Change in Farm Bill - Eligibility

- High income partners will be unable to collect farm program payments
  - Will cause farm partnerships to restructure, if possible
  - Will severely impact non-married farmers without involved spouse for qualifying 2<sup>nd</sup> entity
  - Will create greater pressure on a producer's payments limits who may be forced to receive all program payments after land rent shifts to cash rent
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# Spouse Eligibility Rules

- Current—eligible if considered separate “person” prior to marriage and meet actively engaged criteria.
  - House—eligible if meet “actively engaged” rules; credited with labor and management if spouse “actively engaged”.
  - Senate—eligible if meet “actively engaged” rules; credited with labor and management if spouse “actively engaged”; defined as family member.
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# AGI Eligibility Test

- Current—ineligible if 3-yr. avg. AGI exceeds \$2.5 mil. unless 75% of income farm related
  - House—ineligible if 3-yr. avg. AGI exceeds \$500,000 unless 2/3 of income farm related; totally ineligible if 3-yr avg. AGI exceeds \$1 mil.
  - Senate—2008—same as current law;  
2009--ineligible if 3-yr. avg. AGI exceeds \$1 mil. unless 2/3 of income farm related;  
2010-- ineligible if 3-yr. avg. AGI exceeds \$750,000 unless 2/3 of income farm related
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# Revenue Based Option

## House Bill

	Target Revenue/Acre
Upland Cotton	\$496.93
Corn	\$344.12
Rice	\$548.06
Soybeans	\$231.87
Sorghum	\$131.28
Wheat	\$149.92

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# Revenue Based Protection

## Senate Bill

- Optional beginning 2010 for whole farm.
  - State-level program where target revenue based on 90% of crop insurance price election.
  - If participate, receive \$15/acre fixed payment but forego direct payment and marketing loan program.
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# Administration Farm Bill Issues

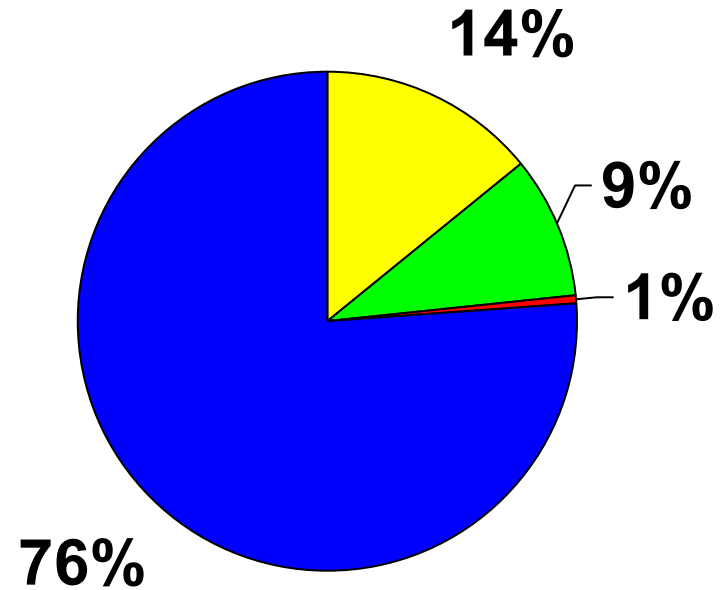
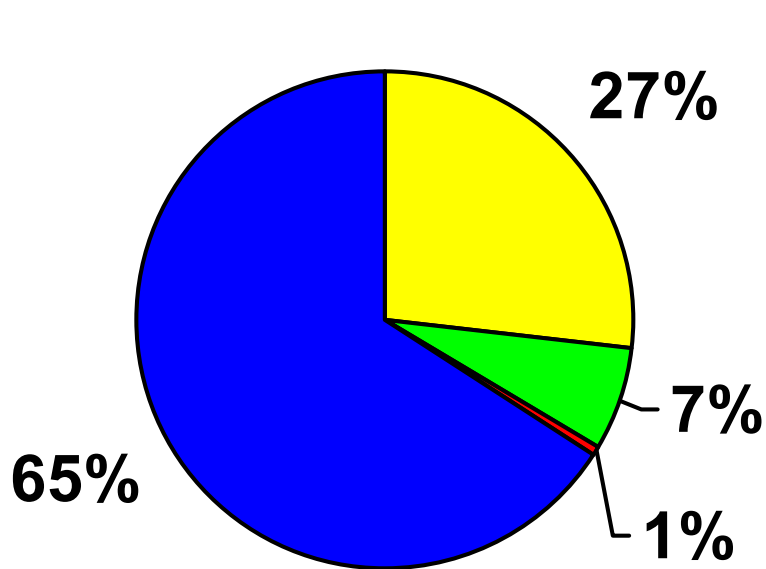
- Bush has threatened to veto any Farm Bill that contains a tax increase, budget gimmick or budget increase
- Marketing Loan Gains—force commodity valuation at time lose “beneficial interest”.
- AGI Test—lose program eligibility if 3-yr. avg. AGI exceeds \$200,000
- Executive Order – Agencies to Ignore Earmarks



# Farm Bill Spending

2002 Bill-\$271 Bil.

2007 Baseline-\$297 Bil.



■ Farm Program

■ Conservation

■ Export

■ Nutrition

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# 2008 Farm Bill

- Support Completion of Conference Report – House/Senate Modifications are Needed
  - Louisiana Coalition Letter in December
  - Why support? A 2 year extension would provide lower baseline and less funding for new Farm Bill after extension
  - Fall back position is 2-year extension  
Would likely still entail some program changes to support higher nutrition and conservation program spending.
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# Sugar -House and Senate Farm Bills

## Term of Program

- 2008 to 2012 crop years for program crops

## Non-Recourse Loans

- Loans remain non-recourse
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# Sugar - House & Senate Farm Bills

## OAQ Allotment Split between Sugarcane and Sugar beet

- **Sugar beet 54.35%** of Overall Allotment Quantity only filled by sugar produced from domestically grown sugar beets
  - **Sugarcane 45.65%** of Overall Allotment Quantity only filled by sugar produced from domestically grown sugarcane
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# Farm Bill Loan Rates - Sugarcane

## House

- 2008 - 18.5 cents
- 2009 – 18.5 cents
- 2010 – 18.5 cents
- 2011 – 18.5 cents
- 2012 – 18.5 cents

## Senate

- 2008 – 18 cents
  - 2009 – 18.25 cents
  - 2010 – 18.50 cents
  - 2011 – 18.75 cents
  - 2012 – 19 cents
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# Farm Bill Loan Rates – Sugar Beets

## House

- 2008 – 23.5 cents
- 2009 – 23.5 cents
- 2010 – 23.5 cents
- 2011- 23.5 cents
- 2012 – 23.5 cents

## Senate

- 2008 – 23.13 cents
- 2009 – 23.45 cents
- 2010 – 23.77 cents
- 2011- 24.09 cents
- 2012 – 24.41 cents

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# Farm Bill - Sugar Marketing Allotments

## House

- Requires that allotments be established at a level no lower than 85% of the quantity of sugar estimated for domestic human consumption for the crop year.

## Senate

- Requires that allotments be established at a level no lower than 85% of the quantity of sugar estimated for domestic human consumption for the crop year.
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# Farm Bill: Sugar : Collection of Information from Mexico

## House

- Secretary will collect production, consumption, trade of sugar in Mexico including U.S. exports of sugar and high fructose corn sweetener exported to Mexico

## Senate

- Secretary will collect production, consumption, trade of sugar in Mexico including U.S. exports of sugar to Mexico **but does not include exports of high fructose corn sweetener to Mexico**
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# Sugar: House & Senate Farm Bills

## Definition of Seed

- High energy cane exempted from definition of seed for determining production of sugarcane
    - Significant to Louisiana – Proportionate share language restrictions regarding harvesting of sugarcane and seed above proportionate shares when Louisiana is anticipated to exceed its marketing allotment and proportionate shares are imposed
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# Farm Bill: Sugar “No Cost” Program

## House

To maximum extent possible, operate program at no cost to Federal Government  
**“excluding”  
Feedstock  
Flexibility  
Program**

## Senate

To maximum extent possible, operate program at no cost to Federal Government  
**“including”  
Feedstock  
Flexibility  
Program**

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# Sugar - House and Senate Farm Bills

## Surplus Inventory Disposition

- Payment in Kind or PIK - CCC purchases of raw cane sugar or refined beet sugar in CCC inventory in exchange for reductions in production (**Authority Remains**)
  - Bioenergy Feedstock – CCC purchases of raw sugar or refined beet sugar for bioenergy production
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# Farm Bill: Sugar - Bioenergy Feedstock Program

## House

Purchases of sugar necessary to avoid forfeitures are authorized for sale into Feedstock Flexibility Program

## Senate

Purchases of sugar necessary to avoid forfeitures are authorized for sale into Feedstock Flexibility Program. ***Sugar program including Feedstock Program must be operated at “no cost” to the maximum extent possible. (Pricing an issue)***

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# Farm Bill Sugar: Bioenergy Feedstock Program

## House

- No language that sugar used in Feedstock Flexibility Program is to be included in allotments.  
*(However, appears to be implied)*

## Senate

- Language clearly indicates that sugar used in Feedstock Flexibility Program is included in allotments.
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# Sugar: House and Senate Farm Bills

## **Transfer of Mill Marketing Allocations**

- A producer in a proportionate share State, upon written consent for all affected crop-share owners ( or the representatives for the crop share owners) of a farm may deliver sugarcane to another processing company if the additional delivery, when combined with such other processing company's existing deliveries, does not exceed the processing capacity of the company.
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# Sugar: House and Senate Farm Bills

## **Transfer of Mill Marketing Allocations**

- Mill allocation transferred based on number of sugarcane base acres
  - Pro-rata amount of allocation at the processing company that equals the grower's contribution to the processing companies allocation for the sugarcane base acres being transferred
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# Sugar: House & Senate Farm Bills

## **Tariff Rate Quota Administration**

- Prior to April 1; On or after April 1
  - In event of emergency, with sugar shortage in US , raw sugar TRQ imports can be increased and an additional allocation of refined beet sugar can be allocated once all marketings of domestic sugar have been maximized
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# Sugar: Shipping Patterns- House Farm Bill (only)

## Orderly Shipping Periods

- Over 100,000 tons, 25% of the country's quota must be shipped for each calendar quarter
  - More than 45,000 tons but less than 100,000 tons, not more than 50% of the country's quota may be shipped in the first six months of the year
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# Sugar: House and Senate Farm Bills

## Loans for In-process sugars

- 80% of loan rate

## International Sugar Organization (*House and Senate located in different sections*)

- Requires Secretary of State to restore membership in International Sugar Organization within one year after date of enactment
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# Sugar: Senate Farm Bill (only)

## **Storage Payments for Sugar Forfeited to CCC for 2008-2011 Crop Years**

- White Refined Sugar – 15 cents per month
  - Raw Cane Sugar - 10 cents per month
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