

The 2008 Farm Bill and What it Means for Wisconsin Potato and Vegetable Growers Common'Tater: The Badger Beat By Paul Mitchell, UW Agricultural and Applied Economics Department

Congress recently overrode the President's veto and the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) became law. The 2008 Farm Bill is larger than previous Farm Bills (673 pages vs. 408 pages for the 2002 Farm Bill) and contains many new programs and initiatives, as well as continuing and refining existing programs. Here, I summarize some of the Farm Bill's key features pertinent to Wisconsin potato and vegetable farmers and the industry.

Specialty Crops: Title X. Horticulture and Organic Agriculture

For the 2008 Farm Bill, specialty crop interest groups united to form the Specialty Crop Farm Bill Alliance and lobbied for federal support for various programs and initiatives for specialty crops. Technically, "specialty crops" is the term the USDA uses to describe "fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture)" and the Alliance successfully obtained numerous provisions in the 2008 Farm Bill. For example, for the first time, the Farm Bill has a specialty crop title (Title X: Horticulture and Organic Agriculture), but specialty crop provisions appeared in other titles as well. No price or income support programs were sought, but instead additional resources for research and education, market and demand enhancement, and other programs to improve the vitality and competitiveness of the industry. Here, I summarize some of the key features of the 2008 Farm Bill pertaining to specialty crops and how they affect Wisconsin.

Market and Demand Enhancement

The 2008 Farm Bill contains various provisions to enhance markets and demand for specialty crops. The new Farmers' Market Promotion Program allocates funds to improve or expand existing farmers' markets, roadside stands, community supported agriculture, and other direct-to-consumer marketing of specialty crops. Funding is \$3 million for 2008, \$5 million for 2009 and 2010, and \$10 million for 2011 and 2012. At least 10% of these funds must be used to support use of electronic benefits transfer (i.e., Food Stamps) at farmers' markets. Details have yet to be released, but these funds will be available to help community organizations and other groups expand and develop more direct marketing opportunities for farmers and to enhance access to locally produced food for everyone. It seems likely that many community organizations and non-profits should be able to successfully obtain these funds to enhance demand for locally produced vegetables, fruits, and similar products here in Wisconsin.

Funding increases substantially for USDA Section 32 purchases of specialty crops. Section 32 purchases are used for child nutrition and similar programs such as school lunches coordinated by the USDA. Section 32 purchases of specialty crop have been \$200 million annually for the last few years, but will increase to \$390 million in 2008, with an additional \$3-\$6 million increase each year, for a total of \$991 million over the next five years. These purchases are intended to increase demand for not only fresh produce, but also processed fruits and vegetables. These purchases should not "crowd out" individual consumer demand for these same products and will help build longer-term demand as more people develop experience with these foods. Furthermore, these purchases will increase access to healthier foods for everyone, which is important as food prices continue to rise. Also, because these purchases will include processed

vegetables and other Wisconsin products, they should help maintain demand and prices for both Wisconsin growers and processors.

The 2008 Farm Bill also contains provisions to enhance and develop export markets for specialty crops. Funding for the Market Access Program (MAP) continues at \$200 million per year. MAP helps producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products by encouraging the development, maintenance, and expansion of commercial export markets. Funded activities include consumer promotions, market research, technical assistance, and trade servicing. Funding for the Technical Assistance for Specialty Crops (TASC) program annually increases from its current base of \$4 million in 2008 to reach \$9 million by 2012. TASC helps organizations address sanitary, phytosanitary, and technical barriers that prohibit or threaten U.S. specialty crop exports. Examples of funded activities include seminars and workshops, study tours, field surveys, pest and disease research, and pre-clearance programs. Previously, Wisconsin industries such as ginseng and cranberries and the National Potato Council have successfully obtained MAP and TASC funds for specific projects. Potentially, these and other Wisconsin crops/industries can also use these programs to increase their global marketing at a time when the weak U.S. dollar enhances these opportunities.

Research and Education

Funding for Specialty Crop Block Grants starts at \$10 million for 2008, increases to \$49 million in 2009, and then rises to \$55 million for 2010-2012. States receive block grants to enhance the competitiveness of specialty crops by funding projects such as research, promotion, marketing, nutrition, trade enhancement, food safety, food security, plant health programs, education, buy-local programs, increased consumption, increased innovation, improved efficiency and reduced costs of distribution systems, environmental concerns and conservations, product development, and developing cooperatives. Traditionally, this has been flexible funding allocated as each state deems best. In Wisconsin, this money has been used to fund several successful projects and the number of these will expand with the availability of these additional funds. Interested grower organizations and industries should look into the potential use of these funds when they become available. They typically have been distributed through the Wisconsin DATCP.

The 2008 Farm Bill also establishes the Specialty Crop Research Initiative to competitively award grants addressing research needs for specialty crops. Funding is \$30 million for 2008, and \$50 million annually for 2009-2012. This amount of funding is substantial relative to other USDA research initiatives. Details are expected soon when the 2008 request for applications is announced, but given the leadership and prominence of the University of Wisconsin System in research and outreach in several specialty crops, state researchers should compete well for these funds at the national level. Grower and industry groups should stay in touch with researchers and extension staff, not only to provide input and feedback into useful research ideas, but also to provide evidence of stakeholder support for worthy proposed projects. In addition, some of these funds may have requirements for matching from non-federal sources (I have heard both yes and no on this matching requirement). As a result, industry and grower groups should be aware that they may be able to leverage their research funds by using them as matching for federal projects.

New funding for pest and disease programs is large (\$377 million over ten years), divided among several new programs. Among these is a new Plant Pest and Disease Program that funds various

surveillance and prevention activities for invasive pests and diseases, including joint federal and state programs for early detection and management of emerging problems. Proactive certification systems are also established with cooperation between USDA, state departments of agriculture, and growers. In addition, the new Farm Bill creates the National Clean Plant Network as a source of certified diseases and pest free plant stocks for propagation and planting. Details on these and other programs have not yet become available. However, members of grower and industry groups may be asked to serve on boards or panels for some of these new programs to help with the initial establishment or even to set priorities. All Wisconsin farmers and the industry should benefit from these programs, but especially the vegetable and fruit growers, since invasive pests and diseases often cause more damage to these crops than to commodity crops.

Base Acres Planting Flexibility Pilot

A new pilot program, the “Planting Transferability Pilot Project,” is the outcome of intensive work by the Midwestern vegetable processing industry. The program allows farmers in seven Midwestern states (including Wisconsin) to plant cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes on commodity program base acres without greatly reducing commodity program benefits. Previously, farmers lost commodity program benefits on base acres planted to specialty crops, plus had program payments for their remaining base acres further reduced. As a result, many Midwestern vegetable processors had difficulty finding new growers to grow processing vegetables, especially in recent years as grain prices have increased. This pilot allows farmers to plant these specific processing crops without endangering their commodity program bases acres. Participating farmers must have the vegetables under contract and their base acres for payments are reduced temporarily (one year) for each base acre planted to these processing crops. The seven states in the program are Wisconsin, plus Minnesota, Iowa, Illinois, Michigan, Indiana and Ohio. States have a cap of 9,000 acres in the pilot, except for Minnesota (which has 34,000 acres) and Ohio (4,000 acres) and Iowa (1,000 acres). This pilot will help keep the processing vegetable industry in the Midwest by maintaining its competitiveness with other parts of the U.S and the world. Interested farmers should contact their county FSA office to determine the details of how to participate in the pilot without losing their commodity program benefits.

Organic Agriculture

Organic agriculture also received attention in the 2008 Farm Bill. The Organic Certification Cost-Share Program received \$22 million in funding (it had been funded at \$5 million previously) and the annual maximum a grower can receive for certification cost-share increased from \$500 to \$750. Also, \$5 million is allocated to improve collection of organic production and marketing data to improve and enhance knowledge of the industry and the issues it faces. In addition, funding for the National Organic Program, which handles certification and overall regulation of the industry including labelling, is increased from \$5 million in 2008 to \$11 million by 2012. Overall, these expansions indicate the growing importance of organic agriculture as it becomes a larger part of “mainstream” agriculture. Wisconsin is well placed to take advantage of these expanding organic opportunities. The state has among the largest number of organic farms (many of them dairies), many of which can grow organic (processing or fresh) vegetables as part of their crop rotation system. Hence, Wisconsin may have a comparative advantage for some of these crops and so can take advantage of the current and growing organic opportunities.

In addition, given the new Farmers' Market Promotion Program, the potential to direct market fresh vegetables from these organic farms may also be profitable.

Commodity Crop Programs: A New Direction

Many Wisconsin potato and vegetable growers also grow program crops and participate in federal commodity support programs. In addition to the pilot program for base acres described above, the 2008 Farm Bill has other new provisions for commodity crops. The traditional commodity programs (direct payments, counter-cyclical payments and loan deficiency payments) continue with the new Farm Bill, with some updating of target prices. However, this Farm Bill also introduces a new direction in commodity price support programs. The Average Crop Revenue Election (ACRE) Program is a new option that Wisconsin farmers will be able to choose beginning in 2009. Here, I will briefly overview the main features of the program, but those interested should read the longer fact sheet I developed (see below).

Farmers choosing to participate in ACRE will give up 20% of their direct payments, all their counter-cyclical payments, and reduce their marketing loan rates by 30% for their loan deficiency payments, but (potentially) receive ACRE payments. ACRE payments are structured in a manner similar to the existing GRIP crop insurance policy. GRIP pays indemnities if the NASS county average yield multiplied by the appropriate Chicago Board of Trade (CBOT) price falls below the county revenue guarantee, with this guarantee based on the expected NASS county yield and CBOT futures prices at plant. ACRE is similar, except that it uses the NASS state average yield and the USDA's marketing-year average price for the crop and bases the guarantee on the expected state yield and the 2-year average price. In addition, ACRE requires that the farmer also have an individual loss (GRIP does not require this) by having the actual farm yield fall below the farm's benchmark yield. Analyses have not been conducted to estimate the actual magnitudes and probabilities, but in general, ACRE will be more likely to make payments in this current climate of high crop prices, but if market prices collapse, then the traditional commodity programs are likely a better option. The 2009 sign-up date has not been announced, but soon Wisconsin farmers will have the option to choose whether they want to switch to ACRE, or remain with the existing commodity programs.

This description does not provide all the details, just gives the gist of how ACRE works. Interested reader should see the 2-page Fact Sheet and associated diagram I developed for a more complete description of the ACRE details (see below). ACRE is a new opportunity that some potato and vegetable growers may find better than the current programs.

Summary

The full impact of the new programs and provisions in the 2008 Farm Bill on the Wisconsin potato and vegetable industry will take some time to determine. However, it is very clear that specialty crops have become a more important part of federal agricultural policy than in previous farm bills. Many of us will have an impact on how Wisconsin uses the opportunities created by the 2008 Farm Bill and we should take that responsibility seriously. Many people have worked hard for these opportunities to be made available and it behooves us to make good use of these new resources to improve our state and its agriculture for the good of everyone.

Where can I get more information?

The Agricultural and Applied Economics Department at UW-Madison has developed a web page with several two-page fact sheets explaining some of the 2008 Farm Bill's titles. Among these are one on the Specialty Crop title and one on the ACRE program. Each fact sheet has links for additional information, as well as the text of the 2008 Farm Bill. The web page is: http://future.aae.wisc.edu/farm_bill.html and interested readers are encouraged to see these fact sheets and their links, or to contact me directly: pdmitchell@wsic.edu, 608.265.6514.