



# Purdue News

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February 5, 2002

## **Ag economists: Don't bet on farm bill covering 2002 crops**

WEST LAFAYETTE, Ind. – Farmers awaiting a new federal farm bill to cover their 2002 crops may be disappointed. Time literally is not on their side, say two Purdue University agricultural economists.

With debate stalled in the U.S. Senate, it could be months before a final bill passed by both the Senate and House of Representatives makes it onto President Bush's desk for signing, said Allan Gray and Otto Doering, farm policy specialists.

"The latest word out of Washington, D.C., is that they're shooting for President's Day (Feb. 18) as the day they might complete the farm bill in the Senate," Gray said. "There are still a lot of questions about that, because there are a couple of very controversial amendments that will still be brought to the floor."

Once the Senate passes a bill, differences must be worked out with the House in conference committee. Then, both chambers must vote on the compromise legislation.

"If you think about timing, we might be talking late March, early April," Gray said. "But that's only part of it, because once the bill is passed there's supposed to be 60 days of public comment, which would put us into June. That's certainly way beyond 2002 crop planting dates."

The Senate is considering a five-year bill that would appropriate \$46 billion for farm price supports and other subsidy programs. Last October the House passed a bill that calls for \$36 billion over five years. The two bills would spend \$170 billion the next 10 years.

Both bills increase federal involvement in agriculture, a change in direction from the current 1996 farm bill that was to gradually move farmers off government support payments. The '96 bill came to be known as "Freedom to Farm."

"The House bill and the Senate bill are actually quite a bit alike in the way in which they use policy tools," Gray said.

"They both have the same policy payment programs that were in the 'Freedom to Farm' bill. They both include what they call 'counter-cyclical' payments – this idea of an increased safety net for agriculture.

"Both of them increase spending for the environment, although the Senate bill tends to spend a little bit more for environmental stewardship by farmers."

Counter-cyclical payments would make up the difference between the market price per bushel of crop and the government's established base price for farmers, if the market price were lower. Farmers currently receive Agricultural Market Transition Assistance, or AMTA, payments. The fixed subsidies were to be used to wean farmers off federal support.

While farmers are promised increased assistance under either legislative proposal, there are downsides. Gray said both the House and Senate bills encourage overproduction when prices are low, jeopardize critical trade negotiations, boost federal spending during a time of uncertainty and fail to help farmers most in need.

"One of the major differences is that the Senate bill relies more on paying supports based on current production, whereas the House bill tends to support based on historic production," Gray said.

"This has a significant impact for a farmer who might have a bad weather disaster this year and ends up with zero yield. If support this year is 15 cents a bushel, a farmer who doesn't produce anything doesn't get support. On the other hand, a farmer who may have had a great weather condition and produced 200 bushels is going to get 15 cents on every one of those bushels. Certainly a guy who wasn't able to produce a crop because of some weather event would probably have needed the support more and didn't get it."

If Washington fails to deliver a farm bill by planting season, lawmakers may have to pass additional spending measures to help farmers, Doering said.

"Covering the 2002 crops, I believe, is a non-issue," he said. "If the House and Senate do not get the bill done, politically what they would have to do is go back again and double the AMTA contract payments to support farm incomes. Farmers will not be in serious trouble if the Senate and House do not get this bill done this spring. They will only be in serious trouble if it doesn't get done by Oct. 1, when the current bill expires."

Doering said the next farm bill, regardless of when it

becomes law, will be a 180-degree turn from "Freedom to Farm."

"A farmer in Indiana can sit back and expect that there's a high probability something close to the House bill's version will pass and that they will get more government support than they have in recent memory," he said. "The government will be involved in agriculture in more ways than it ever has been before, and the level playing field which farmers wanted will be tipped heavily in the American farmers' favor.

"'Freedom to Farm,' as a notion that American agriculture would become much more responsive to market forces, is entirely different from what we see in the current bill proposals."

The House bill is H.R. 2646. The Senate proposal is S.1731.

Writer: Steve Leer, (765) 494-8415; [sleer@aes.purdue.edu](mailto:sleer@aes.purdue.edu)

Sources: Allan Gray, (765) 494-4323; [gray@purdue.edu](mailto:gray@purdue.edu)

Otto Doering, (765) 494-4226; [doering@purdue.edu](mailto:doering@purdue.edu)

Ag Communications: (765) 494-2722; Beth Forbes, [bforbes@aes.purdue.edu](mailto:bforbes@aes.purdue.edu);  
<http://www.agriculture.purdue.edu/AgComm/public/agnews/>

Purdue News Service: (765) 494-2096;  
[purduenews@purdue.edu](mailto:purduenews@purdue.edu)

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