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THE 1996 FARM BILL: IMPACTS FOR RURAL AMERICA

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1996 Farm Bill:

Continued Support for Concentration, But Environmental Progress

The recently passed farm bill supports the continued concentration of agricultural assets into fewer hands and the corresponding decline of agriculturally dependent communities. On a more positive note, it also strengthens the commitment to funding agricultural conservation programs and lays a stronger foundation for stewardship of the natural resource base of agricultural communities.

Commodity Programs:

The More Things Change, the More They Stay the Same

The most critical commodity program feature in determining rural community impacts remains largely unchanged from the versions of it found in previous bills. The farm program will continue to shower big benefits on large farmers and landowners. Thus, it will continue to subsidize concentration in agriculture by subsidizing already large and well-established farms to use their payments to bid land away from moderate-scale and beginning farmers.

The most significant change is the adoption of a fixed, but declining payment schedule; this replaces the previous counter-cyclical payments, which were calculated to offset low market prices. Farmers will receive much larger payments during the current period of high market prices than they would have received under the old law. Support payments will be significantly reduced in a few years, however, at the same time commodity prices are likely to fall from current peaks. Thus, while generous in the short term, the new law may exacerbate farm economic stress and farm failures several years down the road, if prices fall significantly—as now appears likely.

Conservation Comments

On a more positive note, the new farm bill helps to retain a strong funding baseline for agricultural conservation programs. It makes several statutory improvements, including:

- Full extension of the Conservation Reserve Program at up to 36.4 million acres, targeting the program to the most critical acres. (The CRP had been scheduled to expire.) In the current climate of low grains stocks, USDA has

chosen to shrink the CRP well below that acreage limit. Nonetheless, the farm bill provides a strong statutory basis for long-term continuation of the CRP at a significant size.

- Consolidation of existing conservation programs into a new Environmental Quality Incentives Program (EQIP) with a mandatory spending authority of \$200 million annually—more than double current funding levels. Mandatory spending authority is not dependent upon annual appropriations. EQIP will be available for watershed- and ecosystem-based projects.
- A new Conservation Farm Option to allow innovative use of conservation programs to support whole-farm approaches—such as the use of the CRP to reduce chemical use. Unfortunately, the appropriations committee has cut mandatory funding for this program from \$7.5 million to \$2 million.
- Elimination of commodity program penalties on low-chemical input, sustainable crop rotations. Farmers finally have the flexibility to plant the crops that make sense for their land, without sacrificing farm program payments.
- A voice for nonprofit organizations and farmers on State Conservation Technical Committees, which guide state-level implementation of conservation programs.

Fund for Rural America

The farm bill creates a \$300 million Fund for Rural America. That presents a big opportunity to maintain support for rural development, research and other initiatives that strengthen rural communities.

Much of the fund will go to offset cuts in appropriations for existing rural development programs. But, it also could support some creative new initiatives in such areas as research targeted to moderate-size and beginning family farms and to new value-added initiatives that support sustainable agriculture.

The ball is in USDA's court.