The Western United States accounts for just over half of the cropland acres and almost 90 percent of the pastureland acres in the United States. In terms of livestock, almost half of the dairy cows, 60 percent of beef cows, and more than 75 percent of cattle on feed in the United States are located in the West. In terms of the value of agricultural production, California and Texas alone produce almost 20 percent of the value of agricultural production in the United States. It stands to reason that the farm bill would be important to producers in the West.

The Agriculture Improvement Act of 2018 (2018 Farm Bill) was signed by President Trump on December 20, 2018. It passed the U.S. Senate on December 11, 2018, and the U.S. House of Representatives the following day with overwhelming majorities in both chambers. The farm bill covers a variety of public policy areas—from farm and conservation policy to nutrition and agricultural research funding. At passage, the 2018 Farm Bill was projected to cost $867 billion over 10 years—almost $90 billion less than the 2014 Farm Bill was estimated to cost at passage (Congressional Budget Office, 2014; Congressional Budget Office, 2018). As noted in Figure 1, of the estimated $867 billion in total mandatory outlays, 76.5 percent is for the Supplemental Nutrition Assistance Program (SNAP). The farm safety net accounts for just over 16 percent and the suite of conservation policies account for approximately 7 percent, leaving just 0.5 percent for everything else in the farm bill.

While most of the provisions in the farm bill are intentionally designed to work for all regions of the country, the focus of this article is on provisions that are particularly important to the Western United States. While the farm bill authorizes hundreds of discretionary programs—all subject to the annual appropriations process—this paper focuses on the non-nutrition programs with mandatory baseline funding.

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2 Professional Practice Assistant Professor, Department of Applied Economics, Utah State University, formerly Administrator of the Risk Management Agency during the Obama Administration.
3 For purposes of this paper, references to the Western United States include all 19 states acknowledged in the WAEA operating policies: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming. Further, most of the material in this article is drawn from the Agriculture Improvement Act of 2018 (2018 Farm Bill) and the Agricultural Act of 2014 (2014 Farm Bill).
Farm Safety Net

The farm safety net is comprised of commodity policy and federal crop insurance. The general structure of commodity policy from the 2014 Farm Bill—including the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs—was largely maintained. Therefore, the 2018 Farm Bill made several key improvements. Unlike the 2014 Farm Bill, which required producers to make a joint decision for all 5 years of the farm bill, the 2018 Farm Bill requires a joint decision for the 2019 and 2020 crop years only. Beginning in crop year 2021, the election between ARC and PLC will become an annual decision. The 2018 Farm Bill also increased several of the marketing loan rates, including for Extra Long Staple cotton, as discussed in more detail below.

Specific to PLC, the farm bill maintained existing reference prices but made allowances for reference prices to increase up to 15 percent, if certain market conditions are met—a feature known as the Effective Reference Price.4 With respect to ARC, the farm bill:

- mandates the use of RMA data as the primary data source;
- requires that ARC payments for a farm be based on the physical location of the farm rather than the administrative county;
- increases the yield plug from 70 percent to 80 percent of the transitional yield;
- requires the Secretary to calculate and use a trend-adjusted yield factor to adjust the yields (not to exceed the factor used by RMA);
- requires the Secretary to calculate separate actual crop revenue and ARC guarantees for irrigated and non-irrigated crops; and
- allows Effective Reference Prices to replace low prices in ARC calculations.

While traditional commodity policy remains a key part of the farm safety net, federal crop insurance is now the cornerstone, accounting for 56 percent of the farm safety net budget. Crop insurance was largely maintained in the 2018 Farm Bill with only slight modifications, one of which was the creation of the new Dual-Use Option that is available only to certain Western producers. Several improvements to the farm safety net that are most relevant to the Western United States—including the new Dual-Use Option—are highlighted below.

Extra Long Staple (ELS) Cotton While ELS is not a covered commodity (i.e. it is not eligible for ARC and PLC), it is eligible for marketing loans. Under the 2014 Farm Bill, the loan rate for ELS was $0.7977/lb. Under the 2018 Farm Bill, the loan rate was increased by 19 percent to $0.95/lb. Further, payments under the special competitive provisions for ELS cotton, designed to help domestic mills and exporters to be competitive in the world market, are to be made whenever two triggers are met. One of these triggers is when competing ELS cotton (adjusted to United States quality and location and for other factors affecting the competitiveness of such cotton) is less than 134 percent of the loan rate for ELS cotton. Under the 2018 Farm Bill, this threshold is reduced from 134 percent to 113 percent.

4 The Effective Reference Price is the higher of (1) the Statutory Reference Price or (2) 85 percent of the 5-year Olympic average of the marketing year average price of the commodity for the preceding 5 crop years, not to exceed 115 percent of the Statutory Reference Price.
**Dairy Improvements** Dairy production in the Western United States is increasingly concentrated in fewer, larger operations. Over the past 15 years, while the number of dairy operations has roughly been cut in half, the number of cows per dairy has more than doubled, now averaging more than 1,000 cows per dairy. In California, according to the latest Census of Agriculture, 83 percent of the cows are on dairies with 1,000 or more cows. While the 2018 Farm Bill included a host of improvements to the Margin Protection Program (MPP)—renamed Dairy Margin Coverage (DMC) in the 2018 Farm Bill—one of the biggest improvements for larger dairy producers was a decrease in premiums in tier 2 (production over 5,000,000 pounds). For the $5/cwt coverage level, premiums were reduced from $0.04/cwt to $0.005/cwt, a reduction of 87.5 percent. Producers interested in locking in their coverage levels for 5 years receive an additional 25 percent reduction in premiums paid. For a larger producer at the $5/cwt coverage level that avails themselves of the discount, premiums would drop from $0.04/cwt to $0.00375/cwt, a reduction of over 90 percent.

**Payment Acres** One common complaint about commodity policy is that payment (or base) acres are not reflective of the crops grown on a farm. In many cases, those acres have been in permanent pasture for years. The 2018 Farm Bill attempted to address this issue, rendering any farm on which all of the cropland was planted to grass or pasture (including cropland that was idle or fallow) from January 1, 2009, to December 31, 2017, ineligible for ARC or PLC. While USDA has not published estimates of the number and location of acres impacted, we suspect that many—if not most—of those impacted acres are in the Western United States. For producers with wheat base—with an expected $14 per acre in ARC and PLC payments over the next 5 years—this may actually prove to be welcome news. Any farm impacted by this provision will be eligible for $18 per acre per year in the new Conservation Stewardship Program (CSP) Grasslands Conservation Initiative.

**Temperate Japonica Rice** The 2014 Farm Bill first established a separate reference price for Temperate Japonica rice (grown predominantly in California) at 115 percent of the reference price for long-grain rice. The 2018 Farm Bill maintained the separate reference price for Temperate Japonica rice but changed the 115 percent factor to a ratio of (1) the simple average of the marketing year average price of medium-grain rice from the 2012 through 2016 crop years to (2) the simple average of the marketing year average price of all rice from the 2012 through 2016 crop years. This effectively establishes the factor at 124 percent (an increase of 9 percentage points over the factor in the 2014 Farm Bill). Notably, the Effective Reference Price feature applies to the long-grain rice reference price (with the 124 percent factor then being applied to arrive at the Effective Reference Price for Temperate Japonica).

**Crop Insurance Dual-Use Option** As noted above, crop insurance was largely unchanged in the farm bill. One notable exception was the creation of what USDA is calling the Annual Forage Insurance Program’s Dual-Use Option. A central tenet of crop insurance is that a producer is ineligible for more than one crop insurance policy on a particular crop. However, what about crops that are capable of different uses in different growing seasons? The 2018 Farm Bill authorized separate crop insurance policies for annual forage crops that can be grazed in the fall and mechanically harvested in the spring. Under this option, a producer is able to insure grazing under an Annual Forage policy and grain under a separate multi-peril crop insurance policy. The producer must pay premium for the additional coverage but is eligible to keep indemnities from both policies. The option is currently available only in certain counties in Colorado, Kansas, Nebraska, New Mexico, Oklahoma, and Texas (U.S. Department of Agriculture, Risk Management Agency, 2019).

**Conservation and Forestry Policy**

Perhaps, no issue in the farm bill is more important to the Western United States than conservation policy. In a release following passage of the 2018 Farm Bill in the U.S. House of Representatives, the Congressional Western Caucus (2019) noted that the conservation title “could be the strongest conservation title of any Farm Bill for Western Members.”

**Conservation Reserve Program (CRP)** Initially authorized at a maximum of 45 million acres in the 1985 Farm Bill, CRP acreage reached its peak of 36.8 million acres in fiscal year 2007. Against the backdrop of high commodity prices, the 2014 Farm Bill reduced allowable CRP acres to 24 million in fiscal year 2017 (with a maximum of 2 million acres in grassland). The 2018 Farm Bill increased the acreage cap to 27 million acres by 2023 and converted the grassland cap to a 2 million acre minimum. The 2018 Farm Bill also reduced rental rates and incentive payments in an effort to make cropland more affordable for beginning farmers and ranchers while also providing more flexibility for grazing. At the end of fiscal year 2018, 65 percent of the acres under contract in CRP were in Western states.

**Environmental Quality Incentives Program (EQIP)** The EQIP is particularly important to the Western United States. In fact, on average over the past 5 years, the 19 Western states accounted for almost half of the EQIP funding and over 75 percent of the acres treated in the United States. Under the 2018 Farm Bill, authorized spending for EQIP increased from $1.75 billion in fiscal year 2019 to $2.025 billion in fiscal year 2023. The fiscal year 2023 authorization is roughly twice the levels that EQIP spent as recently as fiscal year 2012. This was accomplished, in part, by reforming the Conservation Stewardship Program (CSP), capping the funding available at $1 billion per year while establishing incentive contracts and alternative funding arrangements for irrigation districts as part of EQIP.
Regional Conservation Partnership Program (RCP)  RCP was created in the 2014 Farm Bill to leverage partnerships to achieve purposes similar to those under several existing programs. These programs included the agricultural water enhancement program, the Chesapeake Bay watershed program, the conservation partnership initiative, and the Great Lakes basin program for soil erosion and sediment control, on a regional or watershed scale. California rice producers were involved in one of the first RCP contracts—entitled Sustaining the Future of Rice—in a partnership between USA Rice and Ducks Unlimited. While the 2018 Farm Bill focused on making RCP more efficient and flexible, it also increased the funding for RCP from $100 million per year to $300 million per year over the life of the bill.

Agricultural Conservation Easement Program (ACEP)  The 2014 Farm Bill created the ACEP by consolidating three former easement programs: the Farm and Ranch Lands Protection Program (FRPP), the Grassland Reserve Program (GRP), and the Wetlands Reserve Program (WRP). Under the 2014 Farm Bill, ACEP funding ramped up to $500 million in fiscal year 2017 before dropping to $250 million in fiscal year 2018, leaving ACEP only $250 million per year in baseline funding under which to write the 2018 Farm Bill. Despite that limitation, the 2018 Farm Bill increases funding for ACEP to $450 million for each of the 2019 through 2023 fiscal years.

Watershed Protection and Flood Prevention  Watershed protection and flood prevention activities have long been funded with discretionary appropriations. The 2014 Farm Bill provided $250 million in mandatory, one-time funding for fiscal year 2014. The 2018 Farm Bill drastically increased funding, providing $500 million over 10 years (or $50 million per year in baseline funding) for conservation infrastructure activities, including rehabilitation for small watershed structures like dams.

Feral Swine Eradication and Control Pilot  To address the growing problems caused by feral swine—including increased risks for the spread of catastrophic diseases like African Swine Fever (ASF)—the 2018 Farm Bill provided $75 million for the establishment of the Feral Swine Eradication and Control Pilot. While funded by the conservation title in the farm bill, the pilot is a joint effort between USDA’s Natural Resources Conservation Service (NRCS) and Animal and Plant Health Inspection Service (APHIS). On June 20, 2019, USDA announced $16.7 million in funding for 20 projects in 10 states, only two of which are in Western states (Texas and Oklahoma) (U.S. Department of Agriculture, 2019). USDA expects to expand into other areas over the life of the farm bill.

Categorical Exclusions for Forestry Operations  While there is very little mandatory funding in the farm bill baseline for forestry, there were several meaningful improvements included in the 2018 Farm Bill, primarily through the renewal and expansion of categorical exclusions (CEs). CEs are “a category of actions which do not individually or cumulatively have a significant effect on the human environment...for which, therefore, neither an environmental assessment nor an environmental impact statement is required” (Categorical Exclusion, 2010). The 2018 Farm Bill renewed and expanded the insect and disease CE, which allows the harvest and salvage of insect- and disease-infected timber (without the need for environmental assessments or environmental impact statements). The 2018 Farm Bill also authorized a CE for activities that protect, restore, or improve habitat for greater sage-grouse or mule deer. While the 2018 Farm Bill included several meaningful improvements for managing our forests to reduce hazardous fuel loads, there were several proposed CEs that ultimately were not included in the conference agreement.

Agricultural Trade Promotion and Facilitation

The United States has long provided mandatory farm bill funding for trade promotion and facilitation. Most recently, the 2014 Farm Bill reauthorized the following programs:

- Market Access Program (MAP): $200 million for overseas marketing and promotion of both branded and generic U.S. agricultural products. In fiscal year 2019, just under half of the 65 participants were region-specific groups with 75 percent of those focused on the Western United States.

- Foreign Market Development Cooperator Program (FMD): $34.5 million per year for promotion of generic agricultural commodities and reducing foreign import barriers.

- Technical Assistance for Specialty Crops (TASC): $9 million per year to address export barriers for U.S. specialty crop exports.

- E Kika De La Garza Emerging Markets Program (EMP): up to $10 million per year to facilitate development of developing, market-oriented economies.

This $253.5 million per year in mandatory funding was routinely included in the Congressional Budget Office’s (CBO) mandatory baseline updates, meaning that the framers of successive farm bills did not need to come up with “new” funding to pay for their reau-
Authorization. However, CBO’s June 2017 Baseline for Farm Programs removed the baseline for FMD and TASC, effectively leaving a $43.5 million annual hole for Congress to fill if those programs were to be reauthorized (Congressional Budget Office, 2017).

To address this shortfall, Congress consolidated all of the existing authorities under the Agricultural Trade Promotion and Facilitation umbrella—satisfying the $50 million rule—again establishing baseline for these programs, this time at $255 million. While funding is consolidated under a single umbrella, each program maintains its unique mission with dedicated funding levels largely consistent with spending levels in the 2014 Farm Bill. The only exception is EMP, which is capped and $8 million per year, and the Secretary is given authority to allocate an additional $3.5 million per year amongst the four programs out of a newly created Priority Trade Fund.

The Pima Cotton Trust Fund and the Wool Apparel Manufacturers Trust Fund, both of which compensate domestic manufacturers for inequities in their respective tariff schedules, were reauthorized in the miscellaneous title of the 2018 Farm Bill at an estimated cost of $200 million over the life of the farm bill.

Other Policies

Specialty Crops and Local Agriculture

While the policies above account for 99.98 percent of mandatory funding in the farm bill, a handful of mandatory research and market promotion provisions are important to the specialty crop industry in the Western United States. The 2018 Farm Bill maintained mandatory funding for the Specialty Crop Research Initiative (SCRI) at $80 million per year. The 2018 Farm Bill eliminated the $25 million per year reservation for citrus disease research in SCRI and funded citrus disease research separately. Funding for the Organic Agriculture Research and Extension Initiative (OREI) was increased from $20 million in each of fiscal years 2019 and 2020 to $50 million in fiscal year 2023 and each year thereafter (establishing baseline funding for OREI). The 2018 Farm Bill reauthorized the Specialty Crop Block Grants Program, which provides $85 million per year for state departments of agriculture to make promotion and marketing grants. Finally, the 2018 Farm Bill combined the Farmers Markets and Local Food Promotion Program and the Value-Added Producer Grant Program into the Local Agriculture Market Program (LAMP), with $500 million in baseline funding over 10 years.

Livestock

As noted by Hagerman and Marshall in this issue, the United States faces a growing number of disease threats. The 2018 Farm Bill provided $300 million over 10 years for animal disease prevention and management, including:

- reauthorizing the National Animal Health Laboratory Network;
- establishing an American vaccine bank to respond to the introduction of animal diseases like foot-and-mouth disease (FMD); and
- Establishing the National Animal Disease Preparedness and Response Program (NADPRP) to leverage local, state, and national resources to prevent and respond to animal disease threats.

Of the $300 million provided in the 2018 Farm Bill, a total of $120 million is available for fiscal years 2019 to 2022 (with $5 million per year set aside for NADPRP). Beginning with fiscal year 2023, $30 million per year is available (with $18 million per year set aside for NADPRP).

The 2018 Farm Bill also included several other provisions with mandatory funding that benefits the livestock industry. Most notably, the farm bill reauthorized and made marginal improvements to the suite of livestock disaster programs, including the Livestock Indemnity Program (LIP) and the Livestock Forage Program (LFP). The farm bill also reauthorized the Sheep Production and Marketing Grant Program with one-time funding of $2 million in fiscal year 2019 and the Wool Research and Promotion Program at $2.25 million per year.

Other

The 2018 Farm Bill combined the Beginning Farmer and Rancher Development Program (BFRDP) and the Outreach and Assistance for Socially Disadvantaged Farmers Program under the Farming Opportunities Training and Outreach (FOTO) program, with $435 million in baseline funding over 10 years.

Under Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO typically assumes that certain programs with an estimated $50 million in outlays in the final year of authorization will continue beyond their statutory expiration—establishing “baseline” for that program. Prior to June 2017, it appears CBO did not apply that rule to FMD and TASC.
Conclusion

At a House Agriculture Committee Subcommittee on Conservation and Forestry hearing to review USDA farm bill conservation programs, Ranking Member Doug LaMalfa from California said “[t]he funding and reforms made to these programs…make this the strongest farm bill ever for Western states...” (U.S. Congress, House of Representatives, Subcommittee on Conservation and Forestry, 2019). While the farm bill contains a number of provisions that are beneficial to the Western United States, USDA is still in the midst of implementation, and only time will tell if each program is achieving its intended outcome.

References


Congressional Budget Office. 2017. CBO’s June 2017 Baseline for Farm Programs. Congress of the United States, Congressional Budget Office, 29 June.


