The long-awaited Conference Committee on the 2013 Farm Bill held its formal opening session on October 30. The meeting was pro forma, providing the 41 Conferees an opportunity to stake out their priorities while calling for flexibility and compromise to finish a bill before the end of the year.

How frequently Conferees will meet over the coming weeks and months remains to be seen. House Agriculture Committee Chairman Frank Lucas (R-OK), who will also chair the Conference, thinks differences between the House and Senate bills would best be settled by the principals and their staffs, behind closed doors. His counterpart, Senate Committee Chairwoman Debbie Stabenow (D-MI), supports more frequent formal meetings of Conferees in order to involve more than just the Chairs and Ranking Members in the deliberations.

Now let’s look at the major outstanding differences between the two bills, and how they might be resolved.

**Nutrition Title**

The nearly ten-fold difference between the $4.5 billion cut in the Supplemental Nutrition Assistance Program (SNAP) in the Senate bill and the $39 billion cut in the House bill over the years is considered the hardest issue to bridge in getting to a final bill. Whatever resolution can be reached is likely to be couched in terms of policy changes but, in reality, it will be the optics of the size of the SNAP cut that both sides will look at in deciding whether it is acceptable.

Opponents of reductions in SNAP funding have significant leverage in that the status quo – doing nothing – is preferable to agreeing to any reduction above the $4.5 billion Senate number. In addition, an increase in SNAP benefits dating back to 2009 will expire at the end of October, which will make it harder for Conferees to reach agreement on additional reductions. Some House Republicans have indicated that the SNAP cut could be less than $10 billion, since passage on the House floor will require a significant number of Democrats.

It is broadly expected that resolution of this issue will require the involvement of the House and Senate leadership as well as the White House. The sooner that President Obama makes good on his offer to meet with Conference principals after the opening session, and which needs to include how to address SNAP, the sooner progress can be made in finding compromises on other differences between the two bills.

**Title 1 - Commodity Support Programs**

The differences between the House and Senate bills on commodity programs might appear as complicated to resolve as a Rubik’s Cube. The House puts most of its resources in the Price Loss Coverage (PLC) program which ties high fixed target/reference prices to current-year plantings, requires a one-time choice between the PLC and a barebones Revenue Loss Coverage program, and offers
the Supplemental Coverage Option (SCO) option only to PLC participants. The Senate emphasizes
the Agricultural Risk Coverage (ARC) program to cover a percentage of current-year revenue loss
but also includes a decoupled Adverse Market Program (AMP) with market-based target/reference
prices tied to a moving average of recent prices for all crops except rice and peanuts, which have
higher fixed target prices. The Senate provides ARC, AMP, and SCO coverage to all producers as
part of a comprehensive program.

How can Conferees resolve these significant differences? Chairwoman Stabenow has made clear
that payments under any price-based program must be decoupled from current-year planting deci-
sions to avoid production distortions and potential WTO challenges. The House Committee leader-
ship has replied that the PLC program is no more likely to distort production than the ARC program,
which is also tied to current plantings.

So the first question is whether both sides will be willing to decouple their respective programs.
A second issue is whether producers should be forced to choose between a price-based and a reve-
nue-based program. A similar option under the 2008 Farm Bill resulted in very low participation in
the ACRE program, and confusion among growers about which safety net provided the best protec-
tion. If a single program is affordable, it would be preferable to producers in making a five-year deci-
sion between price versus revenue risk.

A third question is what to do about the potential for revenue program benefits to overlap with crop
insurance coverage and SCO. Conferees will need to work through how these programs fit together
to avoid any suggestion that producers can “double dip.”

**Crop Insurance**
The sharp increase in the cost of the crop insurance program in recent years has generated calls for
policy reform, if not an outright cut in benefits. The Senate bill requires conservation compliance for
crop insurance participants and reduces the premium subsidy by 15 percent for participants who
have more than $750,000 in adjusted gross income (AGI). The House instructed its Conferees to
accept the AGI cap. In addition, the President’s Budget proposed to reduce farmer premium subsi-
dies as well as further cut reimbursements to crop insurance companies and agents. There is
strong pressure for the final farm bill to include at least one of these provisions for “crop insurance
reform” in order for the final conference report to attract enough votes to pass in both the Senate
and House.

So which of these alternatives is the least objectionable? Chairwoman Stabenow supports linking
crop insurance to conservation compliance. As the benefits available through Title 1 continue to de-
cline, this would seem far preferable to establishing means-testing thresholds that are likely to be
reduced over time or a direct cut in subsidy. Some farm organizations endorsed tying conservation
compliance to crop insurance as part of larger agreement in which conservation groups agreed to
work with farm organizations to oppose means testing or cuts in subsidies for crop insurance, and in
which farmers are given extended opportunities to correct violations before there is any loss in future
-year premium subsidies.

**Permanent Law and Expiration of Program Authorities**
The House bill replaces permanent law dating back to 1938 and 1949 with the new Title 1 and al-
lows SNAP program authority to expire in 2016 – two years ahead of the agriculture titles. The Sen-
ate maintains current law and renews all program authorities through 2018.

Even farm program critics recognize that making the new Title 1 permanent would make it very diffi-
cult to open it up for changes after five years. Farm program advocates are concerned that any mis-calculations in how program support is provided would be equally difficult to remedy. Additionally, farm groups are concerned that without the need to pass a periodic farm bill, other important programs authorized and funded under other titles of the farm bill such as trade, conservation, research, and bioenergy that don’t have underlying permanent law would simply expire since there would be diminished incentive for a divided Congress to pass a new farm bill. Agricultural export and market development programs that greatly benefit the soybean industry are examples of programs that could expire and not be renewed. So it is expected that current permanent law will remain in place as an incentive to reach agreement on new legislation.

Placing the expiration of nutrition program authorities on a different timetable than agriculture programs is a direct threat to being able to pass either in future years. While House Conferees representing leadership may try to insist on keeping this provision, others who recognize the longstanding symbiotic relationship between rural and urban constituencies in the farm bill will insist on maintaining co-terminus program authorities. So there’s hope for the masochists who may already be looking forward to working on another farm bill in five years.

**Timing and Enactment of the 2013 Farm Bill**

With only 16 legislative days remaining when the House and the Senate are both in session, there’s little time for Congress to pass a free-standing farm bill in the next two months. At the same time, the Conference on an FY-2014 Budget Agreement also held its opening session on October 30, with the goal of coming up with an agreement by December 13. There is general consensus that this plan will be a small down payment on deficit reduction rather than a “grand bargain” involving entitlement cuts and increased revenues through tax reform. Also, Congress will be looking at how to deal with sequestration under the 2011 Budget Control Act that has already cut billions from federal agencies and programs and will continue to reduce spending by $110 billion per year unless amended.

One suggestion under consideration is to reduce the cuts required by sequestration by one-half in FY-2014 and FY-2015 in order to defer the issue until after the 2014 elections. If so, cuts of about $100 billion would be required. If the farm bill contributes something on the order of $20 billion in savings, it might be included in the budget agreement in December. This appears to be the best chance for completing what is now a three-year farm bill process by the end of 2013.

It is important to remember that enactment of any farm bill requires the support of many constituencies beyond those interested in just the farm safety net. In addition to urban groups which support nutrition programs, these include conservation advocates, environmentalists, and dairy and specialty crop producers. As Congress works to assemble a bill that can attract enough support to pass both the House and the Senate and be signed into law, its members need to resurrect the rural-urban coalition that has been successful in passing this omnibus legislation every five years or so since 1974. In the process, they will also need to return to a way of doing business that has been out of fashion in Washington for the last 20 years – agreeing to compromise in order to get what they need, but not everything they want.