Farm Bill Does Away with Direct Payments

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In this photo taken Thursday, Jan. 30, 2014, a farmer takes advantage of dry weather to till a field in preparation for spring planting near England, Ark. A new farm bill that could become law as soon as next week would require a choice between different subsidy approaches that require producers to suffer losses before they can get payouts. **(AP Photo/Danny Johnston)**

MINNEAPOLIS (AP) — Farm subsidies that have guided agriculture through record profits in recent years are going away in the five-year farm bill that could become law in the coming week. But new subsidies in the legislation could be just as generous, and farmers aren't complaining.

Gone are direct payments, a politically untenable system in which landowners got fixed amounts per acre, whether crop prices were high or low — or even if they didn't plant at all. Those will be replaced by a choice of one of two different subsidy approaches that require producers to suffer losses before they can get payouts. The bill also contains a new insurance-based program for cotton farmers.

"We loved the old farm bill," said Woody Anderson, who grows 3,500 acres of cotton in west-central Texas near Colorado City. But farmers knew political support for direct payments was fading, he said.

"We felt like this insurance type program was innovative. It was reform, if you will, and it was the best we could get in the time that we're trying to operate in and get a new farm bill," he said.

The farm bill's authors tout the changes as reform, particularly the elimination of direct payments, which cost $4.5 billion annually. The legislation also caps how much money an individual farmer can receive — $125,000 annually for all payments and loans. But that maximum is more generous than versions that passed the House and Senate earlier.

"We don't pay people unless there's actually a reason, because we've got a price loss or a crop loss," said U.S. Rep. Collin Peterson, a Minnesota Democrat who was instrumental in crafting the final package. "Under the direct payments you got payments whether you needed them or not."

But most of the savings are redirected into the new insurance-based subsides — one for losses not covered by crop insurance, another that kicks in if crop prices fall below certain thresholds. There's also more money for expanding traditional crop insurance.

Critics say the bill misses a chance for real reform. Rep. Ron Kind, a Wisconsin Democrat, said it "maintains huge taxpayer subsidies that go to a few ... very large agribusinesses at the expense of our family farmers around the country."

The changes come as farm country has enjoyed record profits recently. Projected net farm income for 2013 is $131 billion, a 15 percent jump over the previous year, the USDA said in November. Prices have come down from their highs, however.

One of the new programs, called Agriculture Risk Coverage, will cover farmers' "shallow losses" — what they lose before their regular crop insurance kicks in. For example, if a producer's crop insurance carries a 25 percent deductible, but the farm suffers only a 15 percent loss, ARC could help cover the gap. The program might kick in sooner than previously thought because some crop prices have dropped in recent months.

The other program, Price Loss Coverage, looks more like the soon-to-end traditional price support programs. Farmers will get payments if crop prices fall below certain targets, such as $3.70 per bushel for corn, $8.40 for soybeans and $5.50 for wheat. The bill would raise the floor price for all 14 crops it covers, almost doubling some, so the subsidies would kick in much sooner than current law if prices drop enough.

One reason the final bill included both ARC and PLC was the need to find solutions that worked for all crops and all parts of the country.

Losing direct payments will be hard for Southern rice farmers, said Dow Brantley, who helps run a family farm that grows rice, corn, cotton and soybeans on about 8,500 acres in central Arkansas near England. He said the price-loss coverage won't offer nearly as much profit protection.

"It's not going to be the same but we do have something in place to back us up if the world came apart," Brantley said. "It's just not the safety net that we all would hope to have."

It won't be easy for farmers to decide which program is right for them, Ohio State University agricultural economist Carl Zulauf said. They'll need to think five years out about how much risk they can assume, what they think will happen with prices and whether they expect their debt loads — and thus their risks — to increase.

Many farmers are just glad Congress finally broke an impasse that lasted more than two years.

"There's a lot of relief that they finally have passed a farm bill and it gives some stability." said Jerry Main, who plants corn and soybeans on about 500 acres in southeast Iowa near Fairfield. "It helps farmers know where they're at for the next four to five years as far as insurance possibilities and a safety net in case we get into real bad weather again."

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Jalonick reported from Washington. Associated Press reporter David Pitt in Des Moines, Iowa, also contributed.