Policy Issues for Agriculture and Natural Resources: 2020

Bradley D. Lubben, Ph.D.
Extension Associate Professor, Policy Specialist,
Faculty Fellow, Rural Futures Institute, and
Director, North Central Extension Risk Management Education Center

Department of Agricultural Economics
University of Nebraska-Lincoln

E-mail: blubben2@unl.edu
Web information: agecon.unl.edu/lubben
The Ag Policy Outlook

- Policy Drivers
  - Economics
  - Budget
  - Trade
  - Politics
The Economic Setting
U.S. Net Farm Income and Government Payments

Source: USDA Economic Research Service, August 2018
Federal Budget Challenges

Total Federal Spending and Revenue, FY 2019

Federal Spending
- Net Interest, $372
- Defense, $847
- Social Security, $1,020
- Medicare, $635
- Medicaid, $404
- Other Mandatory, $396
- Other Discretionary, $662

Federal Revenue
- Individual Income Taxes, $1,698
- Corporate Income Taxes, $228
- Social Insurance Taxes, $1,247
- Other Taxes and Receipts, $278
- Borrowing, $960

Source: Congressional Budget Office, August 2019
Federal Budget Challenges

Total Federal Revenues and Outlays

- Outlays
- Revenues

Average Revenues, 1970 to 2009
Average Outlays, 1970 to 2009

Source: Congressional Budget Office, August 2019
Farm Bill Budget Outlook

- Big 4 account for 99% of spending
  - Commodities
  - Crop Insurance
  - Conservation
  - Nutrition (Supplemental Nutrition Assistance Program)

- Everything else fits in the 1%
  - Trade
  - Credit
  - Rural Development
  - Research, Extension, and Related Matters
  - Forestry
  - Energy
  - Horticulture
  - Miscellaneous
The Trade Setting

WTO or not WTO?

- WTO negotiations
  - Uruguay Round Commitments
  - Doha Round/Post-Doha negotiations
    - 2001 – present
    - Limited progress
  - Focus
    - Domestic supports
    - Export competition
    - Market access
- WTO Dispute Settlement
  - Brazil-U.S. cotton case
  - Canada and Mexico-U.S. COOL
  - U.S.-EU beef hormones

- Regional and bilateral trade agreements
  - TPP – withdrawn
  - TTIP – Brexit complications
    - EU and UK negotiations
  - NAFTA – renegotiated to USMCA
  - KORUS – renegotiated
  - Japan – negotiations announced
- Trade conflicts and uncertainty
  - Tariffs and retaliatory tariffs over key issues
    - Solar panels and washing machine parts
    - Steel and aluminum
    - Technology and intellectual property
  - Autos and auto parts?
  - General uncertainty and volatility for the trade policy outlook
The Political Setting

The Policy Development Process

Source: Schweikhardt, 2007
The Political Setting
The Policy Development Process

Source: Schweikhardt, 2007
The Ag Policy Outlook

- Policy Arenas
  - Legislative
  - Executive
  - Judicial
  - Social
Competing Policy Arenas

• Legislative Issues
  • Farm bill
  • Budget and appropriations
  • Tax policy
  • Immigration
  • Trade negotiations/ agreements
  • Regulatory oversight
Competing Policy Arenas

- New Politics of Food (Schweikhardt and Browne, 2001)

- Transaction costs driving alternatives to legislative process

- New arenas
  - Executive
  - Judicial
  - Social
Competing Policy Arenas

- Executive Branch Issues
  - USDA
    - Farm programs/emergency assistance
    - GIPSA
    - Nutrition guidelines
    - GM labeling
    - Lab/cultured meat
  - EPA
    - WOTUS
    - Energy – RFS and E15
    - Pesticides
  - FDA
    - Antibiotics
    - Food safety
    - Lab/cultured meat
Competing Policy Arenas

- Judicial Issues
  - GM crop production and labeling
  - Pesticides
  - WOTUS implementation
  - Immigration
Competing Policy Arenas

- Social
  - Local food systems
  - Biotechnology
  - Antibiotics
  - Animal welfare
  - Nutrition
The Policy Development Path for Selected Issues

**Clean Water Rule/WOTUS**
- **Legislative**
  - Clean Water Act
- **Executive**
  - Waters of the U.S. definition
- **Judicial**
  - Federal court/Supreme Court rulings
  - District court injunction delaying the rule
- **Social/Market**
  - Corporate stewardship/sustainability
  - Interest groups/shareholders/customers

**GM Food Labeling**
- **Legislative**
  - Federal GM labeling and disclosure requirements
- **Executive**
  - Labeling rules under the federal mandate
- **Judicial**
  - Lawsuit over the Vermont mandatory GM labeling rule (dismissed)
  - Lawsuit over new rules likely
- **Social/Market**
  - Interest groups/ballot issues
  - Corporate strategies
Fundamental Challenges for Agriculture

- Commercial agriculture to serve global food demand
- Local food systems to serve consumer tastes and preferences
- Biomass production systems to serve bioenergy demand
- Agro-ecosystems to provide environmental benefits
Global Food Demand

• Policy framework
  • Farm income safety net
  • Trade agreements and development
  • Regulatory framework and certainty
    • Environment
    • Food safety
    • Technology
    • Labor
• Macroeconomic stability
• Research investment
Farm Bill Outlook

• Commodity program safety net has evolved over time
  • Price support and supply control
  • Income support tied to price and revenue
  • Risk management

• Future program directions
  • Crop insurance as the foundation
  • Revenue safety net to complement crop insurance
  • Price safety net as an alternative
  • Underlying marketing loan
  • Supplemental crop insurance
  • Disaster assistance
Farm Bill Outlook

- Commodity programs
  - ARC yields – data and history
  - Reference prices
  - ARC v. PLC decision
  - Dairy and cotton

- Crop insurance programs
  - Program features
  - Eligibility limits
  - Premium subsidy

- Conservation
  - CRP enrollment cap
  - CRP rental rates

- Nutrition (Supplemental Nutrition Assistance Program)
  - Supports and eligibility levels
  - Not a source of funds for farm program spending
Local Food Systems
New Demands and New Opportunities

• Consumer preferences
• Branded products
• Process standards and verification
• Integrated/coordinated marketing channels
Importance of Food Attributes
Opinions of Rural Nebraskans in the 2010 Rural Poll

Source: Vogt, et al., 2010
Food Policy

- Food policy and societal demands
  - Food security
  - Nutrition
  - Biotechnology
  - Antibiotics
  - Animal welfare
  - Labeling
  - Legislation and regulations vs. market standards

Highest income households spend more on food than lowest income households have income.
Local Food Systems

- Policy framework
  - Food security
  - Regulatory framework
    - Food safety
    - Production, processing, and marketing standards
    - Labeling
  - Business and market development
Earning and maintaining Social License, the privilege of operating with minimal formalized restrictions, depends largely on building trust based on shared values. Of the three primary elements that drive trust—Confidence (shared values and ethics), Competence (skills and ability) and Influential Others (family, friends and credentialed individuals), our peer-reviewed research shows that Confidence, or shared values, is three-to-five times more important than Competence in building trust.

Source: Center for Food Integrity (www.foodintegrity.org)
**U.S. Renewable Fuel Production and Policy Timeline**

Corn Ethanol Math: 15 bil gal ÷ 4 gal/bus = 3.75 bil bus ÷ 150 bus/ac = 25 mil ac

Cellulosic Ethanol Math: 16 bil gal ÷ 70 gal/ton = 229 mil ton ÷ 2-6 ton/ac = 38-114 mil ac

Bioenergy Demand

• Policy framework
  • Regulatory framework and certainty
    • Renewable fuels standard
    • Air quality
  • Tax policy
  • Research investment
Renewable Energy
Potential Impact of Policy Intervention

Figure E.2 Factors influencing RE competitiveness and the role of policies

Conservation and the Environment
New Outputs for Agriculture

• Conservation programs
  • Increased investments and benefits

• Environmental regulations
  • Increased requirements and costs

• Climate change mitigation and carbon sequestration
  • Role for agro-forestry and other practices
Agro-ecosystems

- Policy framework
  - Voluntary conservation programs
  - Environmental regulations
  - Ecosystem services
  - Defining sustainability
    - Economically viable
    - Environmentally sustainable
    - Social acceptable
Conservation Program Payments

Source: USDA-ERS
Conservation Spending
Changing Priorities

Share of conservation spending by major programs and predecessors in the 2018 and previous farm acts

Percent

- Regional Conservation Partnership Program*
- Agricultural Conservation Easements Program*
- Conservation Reserve Program*
- Working land programs (EQIP and CSP)**

*Includes predecessor programs.
**Includes the Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), and predecessor programs (these are combined in the Congressional Budget Office estimates of spending under the 2018 Farm Act).


Source: USDA-ERS
Looking Back...Looking Ahead

Fundamental Policy Challenges for Agriculture

• 1862
  • Creation of USDA
  • Homestead Act
  • Authorization of the Transcontinental Railroad
  • Land Grant College Act

• 2020 and Beyond
  • Commercial agriculture to serve global food demand
  • Local food systems to serve consumer tastes and preferences
  • Biomass production systems to serve bioenergy demand
  • Agro-ecosystems to provide environmental benefits