

Summary of Commodity Payment Subsidy Reform Amendment #93 Offered by Rep. Fortenberry

This cost saving amendment would restore common-sense rules and fiscal integrity to the commodity program by capping total commodity benefits at \$250,000 per year for any one farm. **The bill as reported places no effective limit on Title I farm program payments.**

Under this amendment, the annual per-farm cap on payments would be \$50,000 (\$100,000 for married couples) and the cap on marketing loan gain benefits would be \$75,000 (\$150,000 for married couples), for a combined total of \$250,000 per married couple. This amendment would also close existing loopholes to ensure that payments are targeted to the intended recipients, working farmers.

The provisions from this amendment were adopted by the Senate Agriculture Committee and retained on the Senate floor during debate of the Farm Bill both last year and this year, and are included in the final bill (S.954) that passed the Senate last week. The House Agriculture Committee, however, did not include these common-sense reform measures in their version of the farm bill voted out of committee either last year or the one currently under consideration by the full House, and instead, opted to increase, rather than decrease, the limits on farm program payments and leave wide open loopholes for receiving unlimited subsidies.

This amendment has two major provisions that, if enacted, would lower the per farm cap on farm commodity program payments, simplify eligibility, and ensure that federal farm payments flow to working farmers.

Part One: Reduce Farm Program Payment Limits

This amendment would reduce the cap on commodity payments that any one farm receives to **\$250,000 per year, compared to no effective limit in the House bill.** This would be achieved by reducing the following annual payment limits for a married couple:

- Total of all title I program payments (such as the Price Loss Coverage, or Adverse Market Payments), **from \$250,000 in the House Bill to \$100,000 as included in the Senate Bill.**
- Total of all marketing loan gains and loan deficiency payments from **no limit at all to \$150,000**

Commodity Payment	Current Law	House Bill	Fortenberry and Senate Bill	Current Law	House Bill	Fortenberry and Senate Bill
	<i>Limit per Individual</i>			<i>Limit per Married Couple</i>		
Direct Payments - <i>repealed in House and Senate bills</i>	\$40,000	Not applicable	Not applicable	\$80,000	Not applicable	Not applicable
Counter-cyclical and Acreage crop revenue election payments - <i>repealed in House and Senate bills</i>	\$65,000	Not applicable	Not applicable	\$130,000	Not applicable	Not applicable
Any new price or revenue triggered payment in next farm bill, including Price Loss Coverage, Agricultural Risk Coverage, Adverse Market Payments	Not applicable	\$125,000	\$50,000	Not applicable	\$250,000	\$100,000
Marketing loan gains and Loan deficiency payments	No limit	No Limit	\$75,000	No limit	No Limit	\$150,000
TOTAL PAYMENTS	No limit	No Limit	\$125,000	No limit	No Limit	\$250,000

Part Two: Close Loopholes in Farm Commodity Payments

This amendment would also close existing loopholes that allow mega farms to collect far higher payments than current law would otherwise seem to allow. Current law requires a contribution of 1,000 hours of labor on the farm *or* involvement in its management in order to receive farm payments. However, the vague and largely unenforceable regulatory standard for “actively managing” farm operations has foiled lawmakers’ attempts to target payments to working farmers as well as USDA’s attempts to enforce the limitation.

The provisions in this amendment, and adopted by the Senate, would create a clear standard. Individuals serving as the sole manager of a farming operation or the primary manager for their share of a multi-family operation would be considered to be actively engaged, in addition to the person or persons who qualify under the existing labor test. As under current law, landowners who share rent land to an actively-engaged producer would also be considered to be actively engaged. Closing the current management loophole is widely viewed by experts as the linchpin to any attempt to stop current abusive practices that allow mega farms to receive millions of dollars in taxpayer subsidies. That is what this amendment does.

Recent 2012 Examples from USDA of Why These Reforms are So Important

According to Farm Service Agency sources, despite the \$40,000 (\$80,000 married couple) limit on direct payments, a farm in Indiana was paid over \$375,000, none of which went to an active operator of the farm, but instead flowed to 7 corporations and 4 general partners. A farm in Mississippi received \$440,000, again none of it to someone actually working the farm, but to 6 general partners and 5 spouses, all of whom claim to be providing the management needed to run the farm. A farm in Louisiana received over \$650,000, none of it to the working farmers, via 16 persons organized as limited liability corporations plus 4 spouses. All of these abuses are made possible by the vague and unenforceable management test that would be continued without change by the bill as reported by the House Agriculture Committee, but would be rectified by the Fortenberry amendment.

The Facts about What These Reforms Mean to Farmers

***Myth:** This amendment will kill the chances of passing a Farm Bill out of the House*

Fact: These long-overdue reforms were proposed in the Senate mark developed last year by Senators Stabenow and Roberts and this year by Senators Stabenow and Cochran. They were adopted by the Senate with broad, bipartisan support. Very similar amendments have been approved by large bipartisan majorities on the Senate floor in previous farm bills. Contrary to derailing the House Farm Bill, the prospects for actually getting a new five-year bill enacted this year will be much improved if the dual principles reflected in Rep. Fortenberry’s amendment – directing benefits to working farmers with reasonable caps – guide all farm safety net program deliberations. These reforms are a reasonable and balanced compromise to the problem of eligibility loopholes that has plagued farm programs for far too long, and make a mockery of the statutory (but unenforceable) payment limits. This amendment restores integrity and fiscal responsibility in federal farm program, supports family farmers and rural communities, and contributes to deficit reduction – all issues that attract widespread support across the aisle.

***Myth:** These payment limits are an attack on southern commodities.*

Fact: Quite the contrary, the amendment establishes one set of rules and a level playing field for all commodities that will receive target price or shallow loss payments under the new farm bill. The vast majority of farmers in all regions are in compliance with the existing statutory limitation. Some mega

farms in each region of the country are not, and this amendment takes the long overdue step of not just enacting a feel good statutory payment limit, but actually creating one that works and is enforceable.

***Myth:** These reforms are “socially engineering” what farmers should look like by penalizing larger farms.*

Fact: On the contrary, the current commodity regime of providing unlimited subsidies no matter how large a farm gets and no matter what the negative impact on rural communities or the ability of new and aspiring farmers to successfully enter agriculture is far more akin to social engineering than anything proposed in this amendment. The current system of not having any effective payment limits on farm program payments is placing mid-scale family farms and new farmers at a terrible competitive disadvantage, one that is evident in their dwindling numbers over the past few decades and is driven by taxpayer dollars in the form of unlimited subsidies to the largest producers. The changes proposed in this amendment would provide a modest degree of protection for family farmers and rural communities.

***Myth:** These reforms will hurt young and beginning farmers and farmers growing a diversity of crops.*

Fact: What hurts young and beginning farmers is being shut out of the market to buy or rent land by mega farms using unlimited government subsidies to outbid everyone else, and especially cash-strapped beginners, from the competition. The reforms in this amendment would over time help moderate the unfair competitive disadvantage that current law places on beginning farmers, a disadvantage that is actually increased by the House bill as reported. There is no penalty at all in the proposed amendment to crop diversity. Farmers can grow as many covered commodities as they like, provided they do not exceed the overall, quite generous payment limitation.

***Myth:** Requiring active, on-farm labor is counter productive to encouraging farms to improve and become more efficient, and it is not the place of the government to dictate how many hours of labor a farmers should perform.*

Fact: The labor test, which is the relevant test for the vast majority of farmers, is unchanged. There will be no change for most farmers. Farmers will still receive farm payments. Most farmers never have to worry about these reforms because they clearly provide labor to the farming operation. And for those farmers who choose to only focus on managing their farming operation (rather than providing labor), this amendment would allow them to be eligible for the maximum amount of payments, but limits payments to one manger, not ten or twenty or thirty, as is common in the cases of documented abuse.

***Myth:** The changes made by this legislation will change the spouse rule.*

Fact: No, the changes have no impact on the spouse rule contained in current law. Spouses that otherwise qualify are exempt from the labor test, exactly as they are under current law.

***Myth:** The changes will cause massive reorganization of farm businesses.*

Fact: People can still participate in general partnership farming operations – these reforms don’t prevent people from operating as a general partnership. But the partners won’t be able to use the “management” component to qualify for farm payments and game the farm program system. In fact, the large general partnerships can continue operating just as they do today, they just won’t receive as much in federal farm payments.

All Members are encouraged to VOTE IN SUPPORT of the Fortenberry Payment Subsidy Reform Amendment. For more information, please contact Alan Feyerherm in Rep. Fortenberry’s office at (202) 225-4806