



The Food, Conservation and Energy Act of 2008:

A New Direction for Farm and Food Policy

The Food, Conservation and Energy Act of 2008 marks a historic moment in American agricultural policy. New players and new partnerships shifted the farm bill debate in unprecedented ways, resulting in better programs and an increased focus on supporting the needs of producers and consumers. We are proud of the role that American Farmland Trust played in the debate and in producing the resulting outcomes.

While the final compromise bill does not include all of the reforms we would like to see, it is a significant improvement in U.S. farm and food policy. We will build off these new programs, better policies and increased funding now and in the future.

The new farm bill provides funding to improve our environment, protect farm and ranch land, make local foods more widely available and dramatically increase food assistance for families struggling with rising food costs. Equally as important, it makes real gains in subsidy reform with the new Average Crop Revenue Election (ACRE) program that fundamentally changes how government support operates.

American Farmland Trust began this farm bill journey in 2005 by listening—really listening—to farmers and ranchers about what was working and which policies were failing. They told us of the need for a better safety net and more effective programs to strengthen conservation and land protection. We launched a national farm bill campaign working with Congress, the administration and new partners to create a better, more cost-effective safety net while expanding environmental stewardship, advancing rural prosperity and creating greater access to local and healthy food for consumers.

In short, we set out to create a new direction in farm and food policy in the United States, one that better meets the needs of all Americans.

Changing course among entrenched farm policy interests is never an easy task, but the 2008 Farm Bill—and the process leading up to its passage—has truly shifted the political landscape and laid the groundwork for continued reform.

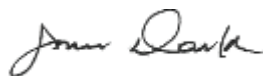
Some of our farm and food policy victories are incremental but fundamental—seemingly small now, these serve as changes to the underlying structure of programs and policies that will become increasingly important in years to come. Other victories are specific and programmatic, giving immediate support to those who need it now.

Change continues, but none of these victories are permanent. The wins must be secured in rulemaking and appropriations and then built upon to keep the momentum moving forward for long-term success. American Farmland Trust is committed to being there every step of the way to keep the United States on course for an equitable, strong and vibrant farm and food future.



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2002 Farm Bill: Setting the Stage for Change

The 2002 Farm Bill was an enormous bill, passed during a moment of budget surpluses; it provided more money for everything. There were important new conservation programs such as the Conservation Security Program and overall more funding for important programs to clean our air and water and protect our farmland and wildlife habitat. However, the bill also continued out-dated government support programs for commodity producers that distorted the market by being paid-out, very often when not needed, to only a small percentage of farmers. This led to heated disputes with U.S. trading partners and resulted in commodity programs being ruled illegal in a World Trade Organization case against U.S. cotton subsidies. It also led to increasing calls for reform of U.S. farm policies.

In many ways, the 2008 Farm Bill debate began as soon as the ink dried on the 2002 bill. A growing consensus on the need for change emerged among farmers, ranchers, conservationists, public interest groups and taxpayers as *the diverse groups rallied around the idea of farm and food policies designed to benefit the greater public.* Outside factors drove and broadened the discussion beyond traditional agricultural interests:

- **Unmet needs of agriculture** for conservation program assistance, market development, fruit and vegetable growers and local food system infrastructure among others.
- Intensifying **public concern about the environment** and an interest in conservation.
- Growing awareness of—and **discontent with—subsidy programs** that distort production decisions and benefit only a handful of farmers.
- **Increased public interest in healthy food and nutrition** coinciding with increased national concern over obesity, diabetes and other public health issues.
- **Mounting federal budget deficits that limited the resources available.**
- Conflicts with international trading partners over World Trade Organization (WTO) negotiations due to agriculture subsidies and market distortions.

New Forces for Change

More important in the long run than the final policies and programs was the formation of new forward-looking alliances that have permanently changed the political landscape for farm and food policy.

New players created new dynamics, and there was an unprecedented split in the traditional farm lobby as new agriculture groups looked to change the political landscape. The collaboration between nutrition, public health, conservation and local food groups matured as the individual interests gained a better understanding of common leverage points and aligned agendas.

Subsidies in Previous Farm Bills

In the 1996 Farm Bill, a new approach to subsidies was taken. Subsidies were to be phased out and replaced temporarily with direct payments over a transition period. However, the bill did not include an effective safety net, and when the severe market downturn of the late 1990's hit many farmers were hurt and billions were spent in hastily pulled together ad-hoc disaster payments. Facing record budget surpluses when the 2002 Farm Bill was written, Congress decided to keep direct payments, counter-cyclical payments and crop insurance that resulted in a redundant and overlapping support package for commodity producers. The dramatic reform attempted in 1996 was rolled back in the 2002 Farm Bill.

New Advocates

New players brought a fresh perspective to the farm bill debate and shifted attention to broader priorities.

- **Specialty crop producers**, historically ignored in past farm bills, gained a foothold in advocating for fruit, vegetable and nut growers.
- The burgeoning **local foods movement** sought support to improve access to local foods and support local producers.
- **Public health interests** promoted access to healthy food to help address America's diet and obesity crisis.
- **International development organizations and religious groups** worked to discourage the trade-distorting effect of U.S. agriculture policy on developing countries.

New Partnerships

During the course of the development of the 2008 Farm Bill, many stakeholders, once fragmented, formulated common goals and often worked together to move farm and food policy forward in a new direction. Coordination of outreach, education and direct advocacy gave them a louder and stronger voice.

These previously unaligned groups also championed several policies and marker bills or legislative "placeholders." Used to introduce specific issues at the committee and subcommittee level, over a dozen marker bills addressing issues as diverse as expanding access to healthy food, providing incentives for biofuels, and supporting beginning farmers were introduced in the House and Senate in the spring of 2007.

- **Regional agricultural alliances**, particularly in the Northeast and Mid-Atlantic, recognized the window of opportunity to advocate for all farmers and ranchers regardless of size, location or product by bringing together local food, conservation, environment and public health interests.
- **The nation's largest commodity organization**, the National Corn Growers Association, joined forces with American Farmland Trust to reform subsidies with a new revenue based safety net.
- **Conservation and specialty crop interests**, as well as previously divergent producer groups from across the agricultural spectrum, formed an alliance to advocate proposals toward common goals.

Renewed Public Interest and Engagement

While the farm bill has typically been characterized as directly affecting less than two percent of the U.S. population, this time **a groundswell of mainstream media and public awareness grew from the recognition of the bill's wide effect on the general public.** Major news outlets, op-eds, best-selling books and movies, and significant citizen advocacy efforts contributed to greater public awareness of, and involvement in, the farm bill legislative process.

Political Landscape

The level **of the administration's involvement** in the farm bill would have been unheard of in the past, especially in an election year. But this time the White House issued detailed proposals and veto threats. Congress initially ignored White House involvement until it became clear the veto threats were real. Budget constraints and new pay-go statutes restricting new funding were the primary cause for continued delays and multiple extensions, with traditional agriculture politics and politicians not wanting to yield to the new priorities, new players and public outcries for reform.

When the Dust Settled, Were Farmers and Consumers Better Served?

The 2008 Farm Bill travelled a long and winding path, but when the final bill emerged after numerous setbacks, extensions and glitches, many important advances survived the process.

The Road to Subsidy Reform with a Real Safety Net for Farmers

Farms and ranches—operating at the mercy of disastrous weather events or market prices that they can do little to control—are inherently prone to variations in prices and yields. Government programs help protect our food supply, but the programs in the 2002 Farm Bill didn't provide a true safety net. They only protected price, not loss in crop yield, and were unwieldy, inefficient and supportive of only a few producers.

Many heated discussions about farm subsidies played out in the media and on Capitol Hill. Proposals generally focused on three elements:

1. Payment limits to cap the total amount of subsidies a person can receive;
2. Cuts in direct payments; and,
3. Reducing production distortions, eliminating unnecessary payments and fixing the “hole in the safety net” attributed to traditional counter-cyclical programs.

All three types of reform are important but much of the debate focused solely on the first two areas. Perhaps more importantly, changing how subsidy programs operate is critical to achieving real reform that has a long-term impact. This is especially true for having an effect on international development.

The Average Crop Revenue Election (ACRE) program included in the 2008 Farm Bill incorporates all three of these elements of reform. No other program or policy change does that. ACRE is an innovative, forward-looking program that takes the important step to fundamentally change the way government support operates by providing:

- Better protection for farmers by protecting revenue (price multiplied by yield) rather than merely price as the current system does.
- Lower cost for taxpayers, generating savings that can be spent on other priorities.

ACRE helps restore the underlying notion of what a safety net program should be: to provide help only when producers are in need and suffer a loss. It sets up a framework that we can build upon and improve in the future to secure even more change.

The fundamental reforms brought about with ACRE include:

- Market-orientation. Producers will move away from planting in response to government-set target prices and instead toward market prices. **Under this system, producers will need to account for market conditions before planting crops.** This will result in less distortion in planting decisions.
- Farmers will be paid only when they face a real loss in revenue and there is a statewide average loss. Under traditional subsidy programs, producers can receive government payments regardless of financial loss. In the last several years there were many cases of producers achieving record profits, although through program quirks they were also receiving large commodity payments. **Under ACRE, producers must show a loss before they receive a payment.**

World Trade and U.S. Subsidy Programs

The current World Trade Organization (WTO) Doha round of talks is aimed at lowering global trade barriers and opening new markets. While the talks cover all global trade, agriculture is among the most hotly contested sections of the round. Developing nations want wealthy countries to cut off subsidies that can negatively affect the ability of local farmers to compete. In exchange, developing nations would open their markets to industrial goods from other countries.

U.S. agriculture policy has already been ruled in violation of existing WTO agreements; without changes to U.S. commodity programs, the United States faces continued international pressure, WTO lawsuits and potential retaliation.

The 2008 Farm Bill debates began with an eye toward understanding the ramifications of Doha discussions, but as negotiations stalled, farm bill attention shifted almost completely away from international trade implications. Doha delays continue, but if, and when, the talks resume we expect international trade pressures to mount again.

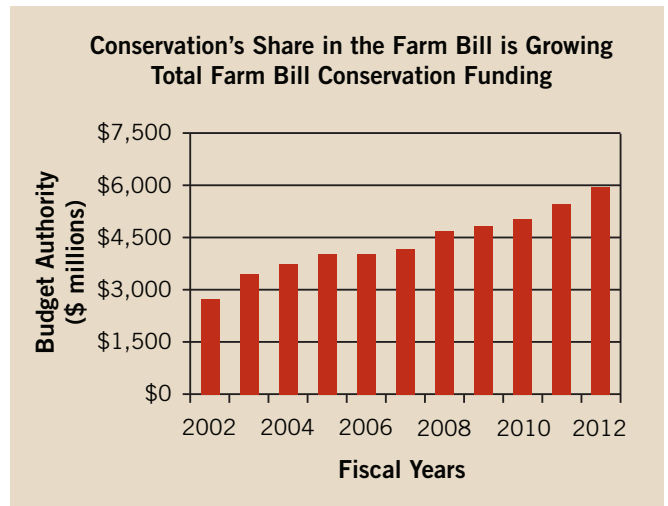
- ACRE requires farmers to be responsible for the first portion of any revenue loss. As designed, the producer **absorbs the first 10 percent of any loss.**
- *Reduction in Marketing Loan Program rates by 30 percent.* This reduction begins to address one of our most troublesome international trade concerns, which has triggered WTO trade disputes. **While it doesn't solve the United States' international trade problems it is an historic change moving in the right direction.**
- *Cuts in direct payments by 20 percent to pay for the new ACRE program.* When coupled with savings from the marketing loan program, **ACRE generates savings used to help fund conservation, nutrition and other parts of the farm bill.**
- *Enrollment is optional. Producers are not forced to participate;* in fact, if they don't like ACRE, they can just stay in the current system.
- *Locks farmers into the program.* Although it is a voluntary program, **farmers who decide to participate, beginning in 2009, will be enrolled in the program for the life of the farm bill.** They cannot switch between programs depending on what would be most beneficial for that year.

Strengthened Stewardship Policies — Success for Conservation and the Environment

Over half the land in America is in farms and ranches, and the use of this land to produce food, fiber and energy has an enormous impact on our environment. Farm bill conservation programs are critical to helping farmers and ranchers improve their land and protect our natural resources.

Some of the most significant gains in the 2008 Farm Bill were made in the area of conservation. **New funding increased by \$4 billion, which translates into more stewardship practices and a healthier environment:** cleaner water, reduced erosion and enhanced wildlife habitat. Program gains include:

- Improvement of the **Farm and Ranch Lands Protection Program (FRPP)** to allow for greater flexibility at the local level. *Funding rises from \$97 million to \$200 million a year in 2012.*
- Enhancement of the Conservation Security Program (CSP)—now the **Conservation Stewardship Program**—to green farm support on working lands and reward farmers for stewardship. *Over \$1.2 billion added.*
- Expansion of the **Environmental Quality Incentives Program (EQIP)** to allow for innovative approaches that generate public benefits such as water and soil quality improvements, renewable energy production, and wildlife and open space protection. *Funding rises from \$1.2 billion to \$1.75 billion in 2012.*
- Establishment of a **conservation loan guarantee program** to help producers secure low interest loans in order to implement often-costly conservation and environmental practices.
- Creation of a **cooperative conservation initiative** as a way for producers and community groups to work together on common natural resource concerns.
- Greater flexibility with **third party technical assistance providers** to identify and implement the most effective conservation practices appropriate for the land.
- Provisions for the Chesapeake Bay, Grassroots Source Water Protection, and Great Lakes programs.
- Continuation of the **Wetlands Reserve Program (WRP)** and the **Grassland Reserve Program (GRP)** to protect our water and expand wildlife habitat.
- Extension of the **tax deduction for donated easements** to protect more land in the future.



A Rightful Place at the Table for Local and Healthy Foods

The new policies and provisions in the Food, Conservation and Energy Act of 2008 reflect the increasing public interest in supporting programs around local and healthy food. For the first time, the farm bill includes \$1.3 billion of new funding over

10 years for specialty crops—fruits, vegetables and nuts—and also increases programs aimed at supporting local agriculture and healthy foods.

- **Farmers Market Promotion program**—renamed the Farmer Marketing Assistance Program—to help establish and promote farmers' markets and implement market development projects: *\$33 million over five years.*
- **Community Food Projects program** helps organizations address local hunger, nutrition and food access issues by connecting low-income people with fresh foods direct from the local community: *mandatory \$5 million over 10 years.*
- **Fresh Fruit and Vegetable Snack Program** allows schools to purchase fresh fruit and vegetable snacks: *\$500 million over five years.*
- **Senior Farmers Market Nutrition program** provides vouchers for low-income seniors to purchase fresh fruits and vegetables from participating local farmers: *increased to \$20.6 million annually.*
- **Value-added Agricultural Market Development Program Grants** to assist farmers and ranchers in increasing overall sales through differentiation and distribution initiatives: *\$15 million over five years.*
- **Geographic preference language** will allow schools greater flexibility for purchasing products from local farmers.
- **The Healthy Urban Food Enterprise Development Center** is a new initiative to provide support and technical assistance for the development of programs that distribute local and healthy food to underserved communities: *\$3 million over three years.*
- **Prioritized financing for locally produced agriculture** through the Rural Business and Industries Loan and Loan Guarantee program.
- **Interstate shipment of state-inspected meat** to allow select state meat or poultry facilities to receive federal certification, granting producers permission to ship across state lines and broaden their market reach.

Growing Support for Responsible Renewable Energy

The new energy future being grown and generated on America's farms and ranches has enormous potential to help sustain our working lands, improve our environment and address some of the most important economic and political challenges of our time.

The energy title of the 2008 Farm Bill builds upon clean energy achievements from the 2002 Farm Bill, creating new programs and making a greater commitment to renewable energy from farms and ranches. The new farm bill mandates over \$1 billion in federal funding over five years for research and development into biofuels, renewable energy projects on farms and ranches, grants and loans for cellulosic biofuel refineries, and other important clean energy programs. Here are highlights of a few noteworthy programs:

- **Rural Energy for America Program (REAP)** funding more than doubled to help reduce fossil fuel use and support farmers and small rural businesses in developing clean energy technologies including wind, solar, biofuels, biomass electricity and biogas: *mandatory funding of \$255 million.*

The Numbers on Local and Healthy Food

86 percent of fruits and vegetables and 63 percent of dairy are produced adjacent to urban areas.

There are currently 4,385 farmers' markets in the United States, up from just 340 in 1970.

From 1997 to 2002, the amount of farm products sold directly to consumers rose 40 percent.

- **Biomass Research and Development** funding for a joint program between the Department of Agriculture and the Department of Energy to conduct research and development on biomass-derived fuel and energy: funding of *\$91 million*.
- **Biorefinery Loans and Grants** to provide cost-share grants, loans and loan guarantees for large cellulosic biofuel refineries: funding of *\$320 million*.
- **CCC Bioenergy Program for Advanced Biofuels** to provide direct incentives for the production of advanced biofuels like biodiesel and cellulosic ethanol (the program was reformed to disqualify cornstarch ethanol from receiving support): funding of *\$300 million*.
- **Increased Tax Credit for Cellulosic Fuel** is a new tax credit, funded in part through a reduction in the volumetric ethanol excise tax credit (VEETC), which will encourage production of more cellulosic biofuels.

Realizing the Promise of the 2008 Farm Bill

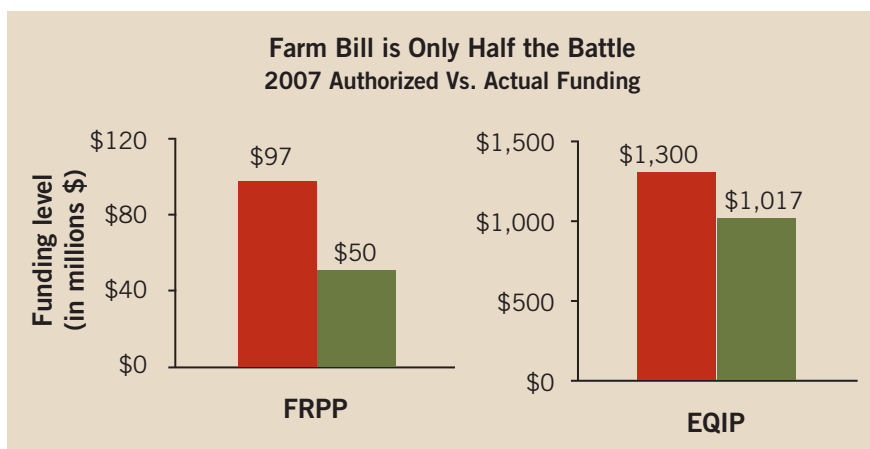
Passing the bill is really just half the battle. The legislation lays out what ought to happen, but turning the promises into reality still lies ahead. Without leadership and action during this next critical phase of the farm bill, we risk losing the gains we've made. The focus now shifts to:

Developing the Rules to Implement the Bill

In spite of hundreds of pages of text, the bill leaves out most of the critical details on how to implement the programs and policies. Most of the programs are voluntary, so the Administration must write the rules in a manner in which farmers and ranchers will find them accessible and easy to use. *Otherwise, the hard-fought gains in reform, conservation and other areas will not be realized.* Poorly written rules can actually thwart the will of Congress and undermine the legislation. Stakeholders need to track the rulemaking process, submit recommendations and advocate for effective rules.

Securing the Funding for the Programs

There is an enormous difference between authorizing funds for a program and actually getting the funds to spend. While the 2008 Farm Bill provides some mandatory funding, many of the programs require annual appropriations from Congress. As we saw with the conservation programs in the 2002 Farm Bill, often Congress cuts critically important programs during the appropriation process. Without strong advocacy, again, we face the prospect of not realizing all the benefits from the new farm bill legislation.



Utilizing Additional Opportunities for Change

Even as advocates engage in farm bill implementation, we need to get engaged in related legislation and rule-makings. A whole new set of stakeholders advocated for new policies, sharing a belief that U.S. farm and food policy was not working for farmers, consumers or the environment. There are numerous opportunities ahead to continue joining forces for change, including:

- Climate change legislation that recognizes U.S. agriculture can help reduce overall greenhouse gas emissions by adopting new practices and technologies and producing low-carbon renewable energy;
- Clean water legislation that takes advantage of improving agricultural practices and water quality trading systems as one of the most cost-effective measures to reduce water pollution;
- Child nutrition legislation that expands access to healthy and local foods for children while increasing opportunities for farmers and ranchers; and,
- Transportation and land use legislation that manages growth and protects working farms and ranches in rural and suburban edge areas.

Ongoing Coordination

Few believe this farm bill will remain untouched for its five-year life. Many of the pressures that drove the early debate on the 2008 Farm Bill, including international trade negotiations and budget reconciliation, will come back again. These pressures, and new demands resulting from skyrocketing food and fuel prices, likely will force Congress to revisit the farm bill well before 2012.

The progress and success of the 2008 Farm Bill can be measured in two ways:

1. Additional funding, improved effectiveness and the creation of new programs to address important priorities; and,
2. The unprecedented involvement and cooperation among previously disengaged stakeholder groups. The political landscape and the public debate have been changed forever.

To translate the successes of changing legislation into changes on-the-ground, we must build off of our gains. The new partnerships that came together to pass this farm bill must continue working together to strengthen alliances with key policy makers, and we must keep the farm bill on the national agenda by highlighting its importance to the health and vitality of America's farmers, ranchers, environment and food system.

American Farmland Trust is committed to this goal and will continue to work with a broad set of stakeholders towards further change in U.S. farm and food policy that supports America's farmers and ranchers, expands environmental stewardship and improves the health of consumers.