

## *Farm Bill Conference Report- Teleconference*

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House Ag Committee Ranking Member Collin Peterson (D., Minn.)

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Keith Good  
FarmPolicy.com, Inc.  
Champaign, IL  
[www.FarmPolicy.com](http://www.FarmPolicy.com)

**Rep. Peterson:** Good afternoon, everybody. We just thought we'd give folks in Minnesota a chance to ask me questions. I know some of you probably have watched the floor debate and followed what's going on, but we finally, after all this time, have been able to get a farm bill through the House. And we got, I think, 257 votes, did we get? Two fifty-one, with 89 Democrats, as opposed to 24 Democrats back in June, when it failed.

So we made significant progress within our caucus. We came almost close to getting half the caucus, which I was pleased with. I think all the Democratic members except for two on the committee voted for it, and...[talking to Sam Farr], and more Democrats in California voted for the bill than Republicans, and more Republicans voted against it than Democrats in California.

It's not perfect, but I think it's the best bill that we could produce in this climate. And it's a compromise, and so nobody got everything they wanted. And there's people unhappy about different things being left out, and things being put in and so forth, but...[I'm here] to say that I didn't get everything I wanted, Lucas didn't get everything he wanted, Stabenow didn't get everything she wanted, and Cochran didn't get everything he wanted, and so that's...we're probably all equally unhappy, and so that's about the best you can do.

So now just...Senator Stabenow was on the floor when this was going on. She just called me a little bit ago and I had to cut it short because I was doing something else, and I'll get back to her, but I think there should be plenty of votes in the Senate [to] move this, and we can be finally done with the farm bill.

Pertaining to Minnesota, one of important things is the conservation title that creates the new regional partnerships, which is going to be able to be utilized for us to do retention and work on flooding in the Red River Valley of the north, which has been a big issue up there. It's been in the bill for the last couple years, work that I did to change the way we deal with some of these things to be able to utilize

money to do WRP projects and EQIP projects that will help us manage water up in the Valley. That's a big deal. A lot of that money will go to Minnesota. Anyway, I can go on and on, but I'll probably just answer questions, that may be the best way to do it.

**Operator:** And at this time if there's questions on the phone line, please press star one from your touchtone phone. Steve Karnowski, your line is open.

**Mr. Steve Karnowski:** Yeah, hi, Congressman. Good to talk to you. In this bill, as expected, it's been expected for maybe at least a couple [years], you've gotten rid of direct payments. You're going over more heavily towards crop insurance. Tell me a little bit more about what individual farmers should expect from this, how it might change their operations.

**Rep. Peterson:** Well, we are going to eliminate direct payments, so those will no longer be out there. They were set up based on whatever your base acres were and history and so forth. We're going to move to a system where you have a choice of either taking this new average crop revenue coverage or taking a target—what I guess is called price loss contract that is an upgraded target price countercyclical program. You will have a one-time election that you have to make at the beginning of the process. You'll have to decide if you want to be in the average cost revenue or in the PLC.

And the way that both of those work is that you will not get a payment unless you actually have a price loss or a crop loss. The average cost revenue program or whatever it's called, basically what that does is it picks up part of your crop insurance deductible, kind of what they call shallow losses, where people that have 25% or, you know, they've got 65 or 75% crop insurance coverage and their losses are generally like 10, 15%, and so they never get to collect because it never hits the deductible threshold. What this average ARC program does, it has like a 10% band that it picks up out of your crop insurance deductible if you have a loss that I believe has to exceed 11% of your revenue, or something like that.

So it's a new system. It's going to take some education. Or you can opt for the target price, which sets target prices like at 3.70 for corn, 5.50 for wheat 8.40 for soybeans, and then what happens there is if those prices go below those levels, you get a payment. So if corn went to 3.50 you'd get a 20 cent payment based on your production history. So it's a system that we don't pay people unless there's actually a reason, because we've got a price loss or a crop loss. Under the direct payments you got payments whether you needed them or not, and that had come under a lot of criticism and is the reason we got rid of them.

**Mr. Karnowski:** And of these two options you've got here, I know that when we talked earlier in the process that you had concerns about coming up with something that worked for Midwestern farmers as well as Southern farmers with their own crops. Does this do that? Does this address that?

**Rep. Peterson:** Yes. I mean, the Iowa producers I think generally felt that the ARC program was what they wanted. The National Corn Growers and National Soybean were pushing that. But in Minnesota, most of my farmers were saying that they wanted the target price PLC program. So, you know, I think it's not perfect, but it gives people an option of another safety net that they can choose.

One of the things, because the prices have been so good the last few years, crop insurance has worked really well, because with the higher prices you can lock in a good situation. When these prices come down, which they have for corn now, for example, crop insurance doesn't work near as well as it has, and so I think these new programs are going to be more important than ever because of that.

**Mr. Karnowski:** As long as I'm not hearing other questions here, have you made any decisions yet at this point on whether you're going to run again?

**Rep. Peterson:** I'm running. I filed my paperwork. I'm running. But what I am going to do is take two, three weeks here to decompress, do what I normally do in February, think about the campaign and how it needs to be organized, and what we're going to do and so forth, and announce a final decision at the end of that process. *[Inaudible]* any difference, but...

It's just, you know, when I went through this in '08, I remember how I felt right after the bill passed, and I felt different two, three weeks later, so I want some time to decompress and do a gut check and make sure this is what I want to do.

**Mr. Karnowski:** Can I just be clear on this? So you say that you are running and you have filed your paperwork, but have you not fully committed yourself?

**Rep. Peterson:** Well, I mean, I always wait 'til February to kick off the campaign, so that's what I'm going to do.

**Mr. Karnowski:** I take that as a definite yes, then, that you are running.

**Rep. Peterson:** Well, you know, I'm running 'til I'm not. *[Laughs.]*

**Mr. Karnowski:** Okay. When did you file your paperwork?

**Rep. Peterson:** Last fall sometime. I don't know, whatever you have to do.

**Mr. Karnowski:** To keep it legal, okay.

**Rep. Peterson:** Pardon?

**Mr. Karnowski:** Just to keep it legal then, all right.

**Rep. Peterson:** Yeah.

**Mr. Karnowski:** Okay.

**Operator:** Would you like to move on to the next question at this time? [Mark Dials], your line's open.

**Question:** Yeah, that's me. I'll jump right in here. But Congressman, I'm just wondering if you can compare this process to get the farm bill done this time compared to other farm bills that you've worked on—more difficult, less difficult, the worst ever?

**Rep. Peterson:** [*Laughs.*]

**Question:** I'm just wondering if you can categorize it in that fashion.

**Rep. Peterson:** Well, it certainly has been more difficult than any farm bill I've worked on, the most difficult of any I've worked on. But the '08 bill was not a cake walk, and it took a while, and it was a year late, and Bush vetoed it twice. So it's not easy. It's a huge bill that affects all kinds of different things, competing interests. It seems like every time we do a farm bill, it gets significantly harder, and so what it's going to look like five years from now, I have no idea, but my guess is it'll probably be even harder than it is now.

**Question:** You've kind of already addressed this, but I'm just wondering if you could compare how Minnesota farmers came out with other parts of the country. And Minnesota may be the Upper Midwest, but for Minnesota farmers, how did they fare in this farm bill compared to farmers in other parts of the country?

**Rep. Peterson:** I think everybody was treated pretty fairly. I mean, I think there's an option that works, you know, these two options I think give people the flexibility they need to put together the safety net that works for them, so I think Minnesota farmers came out fine.

The dairy compromise that we ended up with, we actually ended up reducing the insurance premiums on production under four million pounds, which is 200 and some cows and below, so dairy guys, I would argue, probably came out, Minnesota probably came out better than where we were before in terms of the premiums—well, they did in terms of the premium. The question is whether the market incentives that are built into the system are going to be effective enough to blunt any oversupply situation. We won't know that 'til we actually get into that kind of a situation, if we ever do. But I think Minnesota farmers fared very well.

The conservation stuff, I know that our folks in Minnesota that have been following this, whether they be the hunting groups or the NRCS and environmental groups, are very pleased with the conservation stuff. Beginning farmer things, which came out of Minnesota, are very positive, very good for us in Minnesota, so I think it's a good bill all around for Minnesota.

**Operator:** Thank you. Before we take the next question, if you could please limit yourself to one question. Our next question is from Mark [Sommerhauser]. Your line is open.

**Question:** Yes, Congressman. If you could just talk a little more about the dairy title in this bill. I know this didn't work out the way that you had hoped, that you were pushing for this market stabilization program that didn't come to fruition, but can you talk a little bit about the compromise that was arrived upon and your feelings about it?

**Rep. Peterson:** Well, the margin insurance that was in the Dairy Security Act was maintained. That was the most important part of the dairy provision. So I think this fight that I had with Boehner over the stabilization act was overblown in terms of the importance of the whole thing. We kept the margin insurance schedule that we had put together in the Dairy Security Act with the exception of for \$7.00 and 7.50 coverage for under four million pounds we actually reduced the premiums, and for \$7.00 and 7.50 coverage above four million pounds we increased the premiums.

And that is consistent with what we were trying to accomplish in the first place because the small guys are not the ones that cause trouble with overproduction, so to give them more protection is probably not a problem. What we were trying to do for the larger scale producers was to focus in on \$6.50, and that was maintained the way it was in the Dairy Security Act. We already had significantly higher premiums on 7.00 and 7.50. By increasing them even more, I think it has almost no effect because nobody was going to buy that anyway.

So the premium schedule I think is pretty much what we had, and is the guts of the bill. The difference is the stabilization fund. If we get into an oversupply situation, what would have happened is, unless you were willing to cut back production, you would have gotten penalized on your milk check, and they would do that for a month or two until we got it back in balance. So that went away, but now what happens is that everybody establishes a base that is an average of your 2011, '12 and '13 production, so that base is established.

And that base cannot be increased over the life of the bill by adding cows, so if you add cows, you're kind of on your own. You can update that base based on productivity, so if you have the same amount of cows and your productivity goes up 2%, you can increase that base 2%. But then what happens, if we get into an oversupply situation, when we're in that oversupply situation, your insurance will only pay based on what your base is. So if you had increased your production, say, 30%, and we get in an oversupply situation, you're only going to get insurance coverage on the original base.

And this kicks in when the margin is below \$4.00. If the margin is \$5.00 and you have 6.50 coverage and you have a 30% increase in production, as long as we're not in an oversupply situation, you'll get paid on the 6.50. But if we get into a situation where the margin falls below \$4.00, even though you have 6.50 coverage, you'll only get that 6.50 coverage on the original base, and not on the increase that you have accumulated since the bill passed. So that's the trigger, if you will, to send the signal to farmers that when they're producing too much they're going to pay somewhat of a price.

Now the other thing that happens, it gives the Secretary the authority to raise the premiums when we get in an oversupply situation in the next year. And so there's some incentives there to...you send a signal to farmers when we have too much milk. The other thing is we set up a purchase program. It gives the Secretary authority to go in and make commercial purchases, which he can't do now. And those commercial purchases would be given away to food shelves and so forth to get it out of the marketplace. And that is probably the biggest part of the way to deal with the oversupply, and it's something that we haven't had before. So we're going at it in a different direction.

I'm not sure...you know, I would have been more comfortable with the stabilization fund. But this may work very well. And we aren't going to really know until we...when and if we ever get into an oversupply situation. So bottom line, it sends the right market signals, it gives people the ability to buy insurance, and all of that is very positive for dairy producers, not only in Minnesota, but around the country.

**Operator:** And thank you. Our next question is from [Alan Bjerga]. Your line is open.

**Question:** Yes, Congressman Peterson. There's been a lot of attention to your disagreements with Speaker Boehner. But getting past that, when you take a look at the vote on this bill versus last June, last time you had 62 Republicans opposing, this time you had 63 Republicans opposing, so not a lot of difference there. The difference seemed to be among the Democrats. Is business being done differently in the House of Representatives these days? Is there a change you can detect in Speaker Boehner now compared to last June?

**Rep. Peterson:** Well, I don't know that the Speaker was the influencing factor back in June. There were other things in play at that time. And there was not as good of an understanding of what was in the bill at that time. So we worked hard to increase the Democratic vote. There are provisions in this bill that appeal to Democrats that weren't in the bill last June that are in the final bill, and those are in the areas of fruits and vegetables support, organic farming, things of that nature that brought people to the bill.

And because the House eliminated the stabilization fund on the dairy program in the bill in June, we lost ten Democratic votes because of that, and because [now] the dairy provisions that we were able to put in now as a compromise brought those ten votes back. So there were things like that.

And Leader Pelosi took a very active interest in this, and she whipped members, along with our Minority whip, Steny Hoyer. So our leadership got involved and helped me. And Marcia Fudge, who is on the committee, and is chairwoman of the Congressional Black Caucus, she stepped up to the plate and lobbied hard within her group. So with all of those efforts, we went from 24 Democrats supporting the bill to 89, and I'm very proud of that. And most of my committee supported it. Without us this bill would not have passed.

**Operator:** Thank you. Our next question is from [Philip Brasher]. Your line is open.

**Question:** Yeah, Congressman. And thanks for the explanation on dairy. I wanted to follow up on that with a couple of questions. One, looking at the score, if I'm reading it right, taking out the stabilization fund—

**Rep. Peterson:** It cost a billion dollars.

**Question:** —increased the cost of this by...tripled the cost, \$600 million, from \$300 million to \$900 million.

**Rep. Peterson:** Yeah.

**Question:** How much of that is because of this dairy purchasing program? It looks a little like you bought off the support of the processors. It's still supply management by another name.

**Rep. Peterson:** Well, I guess it's okay for you to say that now, but—I refuse to say that. My explanation of what this was, was market oriented insurance signals. But yeah, you know, I...I think your observation is probably...has some merit.

**Question:** Where did the idea come from for the purchasing program?

**Rep. Peterson:** Well, that came from me. Trying to smooth over the rough edges within National Milk, when I had to explain to them that in my opinion, if we didn't figure out some other way to do this, there would never be a bill. Because what happened was—and Lucas was with me. Lucas supported me on dairy. And he told National Milk and BFA and Land O'Lakes that he was with them. But then when Boehner started making a lot of noise, he got not so much with us. And that got Stabenow nervous.

We had other things that were hanging up the bill at that point—payment limitations, a few other things. It became obvious to me that with Boehner out there making all this noise that Lucas was never going to finalize this bill. And I just happened to run into John about that time in the back of the chamber, and I said to him, well, we've got to figure out some way to work this out. And he goes no...I can't say it on the air. But anyway...

So I said, well, you know, let's look at some ideas here. I said I cannot support the Goodlatte-Scott language because it's an open-ended government bailout of the processors. And he says, okay, I can get that. So I said, well, we got some other ideas that we want to look at. And so he and I kind of came to that agreement that day that we were going to look at another way to deal with this. And so we had talked about adjusting these premiums, you know, during the time that we were working on this, before we came up with the stabilization fund. So this is something that had been in the works on that part of it.

When we got down to the end, though, because of my concern about how well the signals with the insurance penalties would work, I told him I needed this purchase program as a kind of a backstop to make me feel more comfortable, and they agreed to it. And so it gives the Secretary a lot more flexibility. It allows him to go in and buy commercial products and it gives us baseline for the purchase program going forward. And so that made me more comfortable, it make, I think, the National Milk folks more comfortable, and it helped us come to an end result that everybody could live with.

**Operator:** Thank you. Our next question is from Kim Morgan.

**Question:** Congressman, Peterson, I've got a quick question on crop insurance and conservation compliance that was talked about earlier in the process of the farm bill. How did that turn out, and how is that going to impact producers, especially here in the northwest part of Minnesota and into North Dakota?

**Rep. Peterson:** Well, this has been more controversial in North Dakota and South Dakota than it has in Minnesota because in Minnesota the state wetland law is more strict than the federal swamp buster, so I would argue it makes no difference in Minnesota, because the problem we're having is not with the federal swamp buster law, it's with the Minnesota whatever it's called, [WACA] or whatever it's called. In North Dakota and South Dakota they don't have state laws, and so it's been more of a concern over there.

But what it says is that if you are going to have crop insurance, which is subsidized by the federal government, that you are going to have to comply with swamp buster and sod buster. And I would argue that most people are already doing that, because in order to get direct payments you had to comply with that. So most people have already been doing it, and it's really not going to be much of a change.

Some people probably thought they were going to get out of it, and then all of a sudden they could plow everything up and drain all the wetlands. Maybe that's what their opposition was, I don't know. But if they were getting direct payments before, they had to already comply with this, so I don't think it's that big of a deal. But there are some people that didn't like it or don't like it.

**Question:** Thank you.

**Operator:** Our next question is Aaron Stanley.

**Question:** Yes, hi, Congressman. My question is regarding the U.S.-Brazil cotton dispute. Brazil has been pretty outspoken saying that they're prepared to enact retaliatory trade measures if this new farm bill doesn't do enough to [assuage] complaints over U.S. cotton subsidies and exports credit guarantee programs. My question is how much of a priority was this in constructing a bill, and do you think the provisions in the bill are enough to avoid any potential retaliation?

**Rep. Peterson:** Well, the cotton industry thinks that it is, and I defer to their judgment. They know more about cotton than I do. I had the Brazilians in my office a week ago, maybe two weeks ago. The issue is you can't find out from them what they would accept. That's part of the problem. You cannot pin them down. They complain about anything you try to do, which I think is kind of disingenuous, because the Brazilians are subsidizing their farmers more than we're subsidizing ours. The problem is ours runs afoul of the WTO rules, which are ridiculous in the first place, and their subsidies are in a different category or they've got an exception because they're a developing country, which they're not.

So I told the Brazilians, well, you guys do whatever you want, but this is our answer. You wanted us to get rid of Step 2, we got rid of it. We're reforming the program. And so they kind of said, well, okay... First they were worried we were going to even never get a bill done, and then what was going to happen. I said, well, wait and see what...we get the bill done, take a look at what's in there, come back and talk to us after that. So that's kind of where it was left at.

But my judgment is you're never going to satisfy those people no matter what you do. And the WTO is so screwed up that it's about time to blow the whole damn thing up, as far as I'm concerned. So we'll see what happens.

**Question:** Sure. Thank you.

**Operator:** Thank you. Our next question is [Linda Lukes].

**Question:** Yes, my question is by the elimination of the supply management program and putting in the insurance, here in California we've been through such bad times, we probably wouldn't be able to afford the insurance if we have the prices that we had in the last couple years. Why did you eliminate the supply management for the insurance program?

**Rep. Peterson:** Well, because Boehner wouldn't let the bill move forward with it in there. And I, in my judgment, we were never going to get a bill done. But the stabilization fund has no impact on the cost that your farmers are going to pay for insurance. It has no impact on that.

**Question:** No, but I mean, we'd rather have the supply management so we wouldn't have an oversupply.

**Rep. Peterson:** Well, so would I, but we didn't win, because what ended up happening, I had Lucas, I had Stabenow, I had Cochran, all four of us were in agreement. The dairy stuff was never a question. And then Boehner started putting pressure on and Lucas came to me and said I can't support the dairy stuff anymore. And he's the chairman. He's in charge.

**Question:** So then you go for something you don't want just to have something.

**Rep. Peterson:** Well, I would argue that what we got here is pretty good. We weren't totally confident in how the stabilization fund was going to work. I think it was better. I'm more comfortable with it. But I think what we have in its place has the potential of working maybe as well, maybe better. We won't know until we actually have a situation. But your people will be able to buy insurance. If it blows up, it won't be on them, it's going to be on the government, basically, is what's going to happen. And they will be insured on what their base production is, they just won't be insured on increases if we get into an oversupply situation.

But if we had a stabilization fund, they would potentially lose 2% of their milk check or more under that, which would be a much bigger hit than what's being talked about in the current dairy bill. And that's why I am concerned, you know, that there's less of a hit under what we've done. The farmers are going to be penalized less under what we've done than they would have been under the stabilization fund. So you can argue that maybe farmers are better off under what we ended up with and the government is worse off, but we won't know until we actually get into that kind of a situation.

**Question:** Do you know what the insurance is going to cost?

**Rep. Peterson:** Yes, it's in the bill. The first year you can buy 6.50 coverage for four and a half cents a hundredweight. Or excuse me, no. That was changed. Just 25% reduction. So it's around seven cents, six and a half to seven cents a hundredweight under four million pounds. Above four million pounds it'll be about 18 cents a hundredweight at 6.50. So it's relatively inexpensive compared to the exposure that we could potentially have if we get into an oversupply situation. So these are the insurance premiums that were in the Dairy Security Act that we put together. And now we've actually discounted them from that in terms of what the farmer has to pay.

**Operator:** Our next question is from Steve Brown. Your line is open.

**Question:** Hello, Congressman. Please forgive me, and I apologize for not being up on this as my colleagues obviously are here. But could you go over again the difference between the former system of direct payments and the crop insurance? You said you have two elections on this, and they are?

**Rep. Peterson:** Well, the average crop revenue, I think is...or average revenue coverage? Okay, agriculture risk coverage.

**Question:** Agricultural risk coverage, okay.

**Rep. Peterson:** And that's one of the options. And what that is, is it's a shallow loss protection. As I was explaining before, say that you got 75% insurance coverage. You don't get paid on the first 25% loss. And a complaint that we got in a lot of places is that every year they lose 10, 15%, they buy insurance and then they never get paid.

And so as a replacement of direct payments, what we're going to do is this agriculture risk coverage, which will be a 10%...they can get payments of 10% out of that 25% that weren't covered by their deductible, if they have a loss. But you have to have a revenue loss in order to qualify for that. So it's different from the direct payments in that you won't get paid if you have a good year. If you had a good crop, good price, you're not going to get anything. But if the price goes down and it's below what the average has been, then potentially you can get a payment.

The other one is the price loss coverage, which puts a floor under prices. And we've raised the target prices significantly, but they're still probably 80, 85% of the cost of production, so they're not a guarantee of any kind of making money. But if we get into a very bad price collapse, when that happens, crop insurance no longer works in terms of price protection, and so this is an option that you would take to protect you if you got into a price collapse. You wouldn't make money, but you could maybe survive until the next year where you could make money.

So you'll have to decide, in your operation, which of these two safety nets makes the most sense. And when you do that, you're going to lock yourself in for five years, so people are going to have to really take a look at this and they're going to have to decide what works best for their situation.

**Question:** Okay, thank you.

**Operator:** And thank you. Our last question is from Tony [Cruise].

**Question:** Congressman Peterson, I'm just wondering how the committee arrived at the final decision regarding SNAP, because it's obviously quite a bit less than what the Democrats wanted, and more than—or more than what the...I'm sorry, I don't know exactly what I'm saying, but—

**Rep. Peterson:** Yeah, I know. It's more than some Democrats wanted and less than some Republicans wanted.

**Question:** Right.

**Rep. Peterson:** Well, I think it was driven by the Senate, more than anything. And it changed when Senator Roberts was replaced by Senator Cochran as the ranking member, because Senator Roberts was advocating \$36 billion in cuts, and Senator Cochran took over the first of last year as the ranking member, and he advocated zero cuts. And so I think Senator Stabenow was...before Cochran came on she was maybe willing to look at a little more, but with Cochran's position and her Democrats telling her they didn't want to do much, the thing that was the least...

Well, the thing that needed to be done, frankly, was this LIHEAP thing, which was being manipulated by the states. And only 16 states are doing this. And it's a loophole. They're paying one dollar for an entire year to a recipient that's getting them \$90 a month in payments by making a one dollar payment for a whole year.

And that was not how this was all set up. It wasn't designed to do this in the first place. It's something the states figured out, a loophole, to do.

So a lot of Democrats in the House that voted against the bill back in June voted against it because it eliminated categorical eligibility, it put on work requirements, it put on all kinds of other things. When that was eliminated, basically because of the Senate, that brought Democratic votes, people that saw the LIHEAP thing as a loophole and something that needed to be corrected. And so that's where it ended up. But I would say the primary...one of the main reasons is that Cochran, a Republican in the Senate, his public position was there should be no reductions in food stamps.

**Question:** Do you think this adequately addresses the fraud issues that have been going on?

**Rep. Peterson:** Well, I think the fraud issues are being handled. And the department has done a good job of eliminating fraud. We've put money into data mining to identify fraud, and we're putting more money into data mining to identify more fraud. And frankly, the majority of the fraud is not being done by the recipients, it's being done by the stores. That's where the fraud is. Because with these cards, it's almost...you know, you can't manipulate the system without...the store has to be in cahoots with you in order for you to do it.

And so we've focused in, with data mining, on these stores where there's this kind of stuff going on, and we've really cut things down. Frankly, I would say we've got more fraud in crop insurance than we've got in food stamps now. So this myth that there's somehow rampant abuse in food stamps is not true. I mean, when we went to these EBT cards we significantly improved the situation.

*[End of recording.]*