

## *WGN AgriCast*

February 14, 2014  
Orion Samuelson with Dr. Keith Collins

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Note: This is an unofficial transcript of a *WGN- AgriCast* interview.



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**Mr. Orion Samuelson:** Now this week, well, I'm in Scottsdale, Arizona earlier in the week to attend and address the National Crop Insurance Industry Convention. From all over the country they gathered in the Valley of the Sun, and those from the Midwest especially enjoyed the weather, temperatures in the 70s, and touching into the low 80s, with nothing but sunshine. And the yards are green, not white.

But they were here to talk about crop insurance in the new farm bill, and the economic and policy advisor to the National Crop Insurance Services, Keith Collins, had some things to say about that. Keith was chief economist at USDA and he is now serving as an advisor to the crop insurance industry, and so as we visited, the first question I had for Keith, are there any big changes in crop insurance in the farm bill.

**Dr. Keith Collins:** Orion, there are. The new farm bill, Title 11 is the crop insurance title, and it's got 28 sections in it. It creates some new products for farmers, like supplemental revenue programs that will be sold by crop insurance companies. It creates a number of new products, like margin insurance or whole farm insurance. There's specific commodities that will have new products like peanut revenue insurance. And in addition to that there are a number of program changes that are attempts to make crop insurance more flexible, make crop insurance better able to fit the risks of individual farms. So all in all, there are quite a number of changes in the new farm bill.

**Mr. Samuelson:** Are they good or bad, in your viewpoint?

**Dr. Collins:** I think they're good. I mean, what's been happening over time is farm programs have been shrinking, and with the elimination of countercyclical payments and direct payments in this farm bill, farmers need a safety net, and the

safety net that's being provided now is more crop insurance than anything else. So if crop insurance is going to work, and it's going to work broadly for all commodities and all farmers, then you're going to have to tune it up, you're going to have to strengthen it, you're going to have to put some new features into it, and that's exactly what the farm bill does.

**Mr. Samuelson:** How do we respond to urban newspapers who call crop insurance a boondoggle?

**Dr. Collins:** Well, first of all I think it's fair, in a time of huge budget deficits, to ask questions about everything the government does. But understand what the government does. It raises revenues and then it turns around and spends those revenues to help the citizens of our country, to support the industries of our country. We support healthcare because we want people to have healthcare. We support housing because we want people to have houses. We support energy. The government does all of that. And the government also supports production agriculture. It's in the public interest.

The nation, the taxpayers and the Congress want to support an industry composed largely of family farmers that produce our food and protect them from the unusual risks they face, whether it's drought, whether it's storms, whether it's floods, whether it's freezes. And so promoting financial stability for the family farmers to produce our food is in the public interest, and that's what the farm bill does, and it does it in a very small way. Farm program spending is typically \$15 billion a year. The federal government spends three and a half trillion dollars a year. So we're talking about out of every dollar the federal government spends, less than one half of one penny goes to production agriculture.

**Mr. Samuelson:** Well, Keith, let's shift gears for a moment and talk about your 32 year career with USDA, many of those years as the chief economist. And as we look at USDA and its relationship to American agriculture, do you see any change in how they do business?

**Dr. Collins:** Oh, dramatic changes. I would say probably the most sweeping ones had to do with farm policy. When I first came to USDA in the 1970s the government was controlling agricultural production. It was very much involved in the management decisions that farmers made day-to-day on their farm. John Block used to say the government was in the driver's seat on the tractors. And by the time I left in 2008 we had much more flexibility in production. We had farmers making their decisions based on market prices, no longer production control programs, so a tremendous change.

The other change is the role of exports. In the history of American agriculture, at least in the last half of the 20<sup>th</sup> century, there have been really three dramatic things that have happened. One was the Russians entering world grain markets in the 1970s, and they stayed in grain markets until 1989, when the Soviet Union collapsed, and they started their own production programs, and their consumption

fell off the table, and they were no longer in world grain markets. That had a profound effect on farm incomes.

The second one was ethanol in the 2000s. Just a huge increase in corn used for ethanol. Today 25 million acres is needed to produce the corn that goes to ethanol plants. And then the third was China. And a lot of people don't realize this. They think that, oh, ethanol was the driving boom in price increases of the last few years, but China—we send the equivalent of 25 million acres of soybeans to China every year.

So these three events—the Soviet Union, ethanol and China—are sort of political events and policy events that have dramatically transformed agriculture and made it incredibly prosperous in the late 20<sup>th</sup> century. So those are amazing changes that I had an opportunity to observe.

**Mr. Samuelson:** Two questions on the current farm bill. It took us 475 days to get it written. Will the next one, you think, take that? Is it going to get tougher and tougher to write a farm bill?

**Dr. Collins:** There are people speculating whether this is the last farm bill or not. I don't know the answer to that. In the same way that you can't predict the Soviet Union coming into grain markets or what China's going to do with respect to corn imports in the future, it's hard to predict what the structure of Congress is going to look like, and whether some bipartisanship will return or whether the polarization is going to continue.

One of the real problems with the farm bill is it got caught up in this whole budget debate, the deficit hawk issue, and it made it very difficult for both sides to come together. The farm bill, in fact, got used for various ideological things. The whole debate over food stamps, for example, not fundamental to farming in a farm bill, but it has to do with the whole equity in spending debate between liberals and conservatives. And so whether that's going to continue or not, I don't know. Hopefully not. Hopefully the next time a farm bill rolls around it'll be a lot easier than this one.

**Mr. Samuelson:** Then the second question, which you partially answered, but it's one that's asked of me, do we need a farm bill?

**Dr. Collins:** Well, right now we still have this problem of permanent legislation being the legislation from the 1930s and the 1949 Act, and if a farm bill expires you revert to permanent legislation, and that's the, as everyone's heard about, the doubling of milk prices and things like that. So something has to happen. We have to replace that permanent legislation, which would take you back to mandatory production controls and administered prices, and it would be very anti-market oriented, and so you don't want that. So there's going to have to be something to replace that in one form or another.

Fundamentally what a farm bill does is a lot of things. It's 12 titles. It includes food assistance programs, trade programs, research programs, food safety programs, forestry programs, energy programs, and farm production policy. And I think that there is a public interest in many of those titles. Society wants those things. Congress wants those things. Here you just had a farm bill where scores and scores of congressmen looked very carefully at whether the taxpayer should be supporting these different programs, and they decided that they should, that it's in the public interest. So I think there is a need for a farm bill, that it touches too many parts of our society in too many important ways.

**Mr. Samuelson:** And finally, the crop insurance section of the farm bill. Will they get it in place so it will be implemented for this year's crop year?

**Dr. Collins:** It will not. It will not be implemented for 2014. The farm bill is very clear that the new programs for the Farm Service Agency, the Agriculture Risk Coverage program and the Price Loss Coverage program, the new reference price program, those have to be implemented for the 2014 crop year.

The crop insurance programs will not be implemented until the 2015 crop years. And the reason is we've already passed the policy change dates and the contracts are already in place for 2014, so it's too late to change the policies at this point. But probably most of the programs will be in place for the 2015 crop years.

**Mr. Samuelson:** A visit with Keith Collins, who now serves as economic and policy advisor to the crop protection industry.

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