

# “Permanent Law” for Agriculture

## Frequently Asked Question's

**Q: What will happen if a new farm bill is not enacted and an extension of the 2002 Farm Bill not approved?**

A: If a new farm bill is not enacted before the current bill expires on March 15, our nation's farm policy will revert to permanent law, originally written in the 1938 and 1949. Programs with mandatory funding under permanent law will continue to receive funding, while programs that are authorized will require an appropriation from Congress to continue functioning. Commodities without mandatory support in permanent law could receive support at the discretion of the Secretary of Agriculture.

**Q: What will happen to the commodity programs if permanent law goes into effect?**

A: Subsidies related to 2007 crop production will not be impacted. Beginning with the 2008 harvest, eligible crops would receive nonrecourse loans if the market price is below the loan rate. There will be no counter-cyclical payments or direct payments and no mandatory support for rice, peanuts, honey, wool, mohair, sugar beet, sugar cane, soybeans and other oilseeds, dry peas, lentil and small chickpeas.

**Q: What are the loan rates for eligible commodities under permanent law?**

A: Loan rates will be based on price parity at the time of enactment. Today's prices would be:

Wheat \$8.32/bu  
Rice \$15.05/cwt  
Corn \$4.125/bu  
Sorghum \$3.75/bu  
Barley \$2.99/bu  
Oats \$1.18/bu  
Upland Cotton \$1.36/lb.  
Milk \$28.20/cwt

**Q: How will dairy producers be compensated under permanent law?**

A: Dairy producers will continue to be supported by government purchases of dairy products. Under permanent law, the purchase price of these products today would be \$28.20/cwt, roughly three times higher than current prices.

**Q: What effect will a switch to permanent law have on the U.S. trade agenda?**

A: Nonrecourse loan payments are considered trade distorting by the World Trade Organization. The current U.S. trade agenda of shifting more support into a decoupled approach is a vastly different direction than permanent law's nonrecourse loan support. This could serve as motivation for the Administration to work with Congress in getting a new farm bill enacted, so as not to disrupt its trade agenda at the World Trade Organization.

**Q: Will permanent law affect conservation programs?**

A: Many programs that provide technical assistance to farmers are permanently authorized and rely on annual congressional appropriations for funding. The Conservation Reserve Program will honor existing contracts, but no new contracts would be accepted. Authorization for EQIP will expire in 2010 and the Conservation Security Program will expire in 2011.

**Q: What happens to nutrition programs if permanent law is reinstated?**

A: The Food Stamp Program, the Commodity Supplemental Food Program and fresh fruit and vegetable projects are funded through September 30, 2008. Other programs such as the Senior Farmers Market Nutrition Program and food nutrition assistance to Puerto Rico and American Samoa will cease.

**Q: What about COOL and permanent disaster?**

A: New programs included in House and Senate versions of the farm bill will be lost if not signed into law. This means there will be no permanent disaster program or mandatory COOL. However, these programs will also be lost under an extension of the 2002 Farm Bill.

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