

# Trump's budget proposes deep cuts in agricultural and food programs

Having perused the Trump 2018 budget documents, we find a lot of items that we would like to comment on, but we will confine ourselves to the major agricultural items and leave the rest to analysts in other policy arenas.

We find the following rationale for limiting the single family housing loan program curious. "The Budget proposes to eliminate funding for the...(USDA) rural single family housing direct loan program. Beginning in 2018, USDA will offer home ownership assistance only through its single family housing guaranteed loans. Financial markets have become more efficient, and increased the reach of mortgage credit to lower credit qualities and incomes. Therefore, utilizing the private banking industry to provide this service, with a guarantee from the Federal Government, is a more efficient way to deliver this assistance" (<https://www.whitehouse.gov/omb/budget> documents quoted in this article can be found at that website).

If we read this correctly, we are talking about sub-prime mortgages that are to be guaranteed by a Federal agency. That sounds very much like the Fanny Mae and Freddy Mac loan guarantees that were provided to commercial lenders in the 2000s. We all know what happened in 2008. What makes the administration think that the results will turn out any differently for rural sub-prime mortgages when the private banking industry has every incentive to stretch the qualifications to make more mortgages, knowing that the federal government is on the hook if the mortgages fail?

The proposed budget cuts \$29.3 billion from crop insurance programs in the farm bill over the 2018-2027 period. The two biggest cuts come from limiting the crop insurance subsidy to \$40,000 (\$16.218 billion) and eliminating the harvest price option for crop insurance (\$11.924 billion).

While we have written regularly about our problems with revenue insurance as a part of the crop insurance program, it seems irresponsible to make the cuts outside of the farm bill debate and clarity on what the new programs will look like.

Given how long it is likely to take to write the next farm bill, and with the prospect of crop prices that are below the full cost of production, the harvest price option may be the only thing to provide additional income to crop farmers in years where the price at harvest time is above the springtime price expectation.

The cuts to conservation programs amount to \$5.755 billion and the elimination of other small programs comes in at 3.077 billion. USDA conservation program support has been essential to the implementation of many changes that farmers have made to reduce the negative environmental externalities that result from agricultural activities. This is especially true during times of depressed crop prices; farmers don't have the money to take on the cost of eliminating unpaid externalities.

In addition, the budget proposes to implement a number of user fees which are not called tax increases but have the same effect on the users of these services. The administration plans to implement user fees to the Food Safety and Inspection Service, the Animal Plant and Health Inspection Service, the Grain Inspection, Packers and Stockyards Administration, and the Agricultural Marketing Service.

The budget also proposes to eliminate interest payments to electric and telecommunication utilities and to eliminate the Rural Economic Development program.

But the biggest cut of all (\$190.1 billion) is with the Supplemental Nutrition Assistance Program (SNAP). If the administration were to support an increase in the minimum wage to a living wage then a reduction in the cost of SNAP would come all by itself as people who work 40 hours per week and depend on SNAP benefits to get from paycheck to paycheck would no longer need to rely on SNAP to feed their family.

Of course, a president's budget proposal does not itself trigger the cuts contained in the budget documents. They require legislative action, which gives time for citizens who are "for and against" to contact their members of Congress.

*Policy Pennings Column 879*

*Originally published in MidAmerica Farmer Grower, Vol. 37, No. 125, June 9, 2017*

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