Trump’s budget proposal reduces outlays for agriculture

The 2020 Fiscal Year Budget (https://tinyurl.com/y63rovly) that President Trump sent to Congress on March 11, 2019 cut spending for the United States Department of Agriculture (USDA) by 15 percent. While this proposed budget may be dead on arrival, with Congress likely to ignore it as they have done with the last 2 budget proposals, it suggests a lack of concern about the financial crisis that is slowly—or not so slowly for those on the financial edge—enveloping US agriculture.

There may be a slight uptick in net farm income this year, but the long-term trend is clearly downward, and we see little in the Trump administration’s proposal that will turn things around.

While talking about maintaining a strong safety net for farmers, the proposed budget calls for “reduc[ing] the average premium subsidy for crop insurance from 62 percent to 48 percent and limit commodity, conservation, and crop insurance subsidies to those producers [who] have an Adjusted Gross Income (AGI) of $500,000 or less.”

In the present economic climate on US farms, the $500,000 limit on AGI will not impact a large number of farmers, but the reduced insurance premium subsidy, if enacted, would inflict serious economic harm on most farm budgets.

The expected savings from reducing crop insurance subsidies is $2.253 billion in the 2021 fiscal year. Limiting crop insurance eligibility to $500,000 AGI will save another $62 million; limiting eligibility for agricultural commodity program payments to $500,000 AGI will save $117 million.

While we argue that crop insurance is not an effective counter-cyclical farm income program, any farmer who must borrow crop input expenses from their local bank knows that their banker will not give them any money if the crop is not insured.

The result is that any cut in the crop insurance subsidy is a direct increase in the cost of production for the insured crops. Now is not the time to enact USDA budgets that will increase the cost of production for agricultural crops.

Another way the administration would like to reduce the funding of USDA is to establish or increase user fees for the Food Safety and Inspection Service, the Animal and Plant Health Inspection service, the Packers and Stockyards Program, and the Agricultural Marketing Service. In 2021, the estimated user fees from these services is expected to total $727 million.

If those fees are increased, who is ultimately going to end up paying those costs: the packers and processors, consumers, or farmers? Our guess is that it will probably end up coming out of the pocket of producers by way of lower prices for their animals and commodities.

The budget does not take into consideration the longer-term impact of the trade dispute and the disruption of agricultural trade relationships. It took years to build the relationships that supported the affected trade in agricultural products, and the disruption will not end with the announcement of a new agreement. The impact will most likely affect US farm exports for years to come.

All of these and other reductions are coming during a period of reduced farm income, the very time when adequate farm programs are most needed by farmers.

At the same time, the administration seems determined to pit farmers against the recipients of nutrition programs administered by the USDA. The expected savings from new Supplemental Nutrition Assistance Program requirements is $17.4 billion.

The 2020 Fiscal Year Budget also cuts an average of $8.5 billion a year from Medicare. With nearly one-third of principal farm operators aged 65 and older, cuts to Medicare also affect farmers and other rural residents who are participants in this critical healthcare program.

We hope that once again, Congress will see through the proposed budget and enact one that better serves the needs of producers and consumers alike.

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