PolicyPennings by Dr. Daryll E. Ray

Farm bill deliberations: The beat goes on

Thursday, October 4, the US Senate Agriculture Committee postponed their scheduled meeting. The reason? Ag Committee Chair Tom Harkin was unable to develop a consensus around which to fashion a farm bill.

The problem? Money! The high-baseline crop-price numbers over the next ten years have resulted in a very low budget baseline. In addition, the large federal deficit, the cost of the military actions in Iraq and Afghanistan, and the Bush tax cuts have reduced the possibility of finding additional revenue sources to increase the size of the Ag budget.

Two years ago, various interest groups were looking at the large farm subsidies (particularly Loan Deficiency Payments and Counter-Cyclical Payments) as a source to fund various rural development, conservation, nutrition, permanent disaster assistance, revenue based insurance, fruit and vegetable research, and food aid programs that they were advocating.

With recent farm price increases, the budget amounts for those subsidies are extremely small, meaning that any increase in one area has to be offset by additional revenue or a cut in another program. Neither of these options is very palatable.

Add to this, three Senate leaders who are going in different directions. Senator Harkin would like to see more money spent on conservation and rural development. He, especially, would like to see his never fully-funded Conservation Security Program given a new life. The House ag bill slighted the Conservation Security Program and Harkin would like to correct that.

Senator Max Baucus, chair of the Senate Finance Committee, has found some additional funds that might be used for agriculture, but he would like to see it focused on a disaster aid trust fund, a program of vital interest to his home state, Montana.

Budget Committee chair, Kent Conrad, is there to remind the senators on the Ag committee that there is not enough money available to fund everyone's wants.

If all that were not complicated enough, there is the issue of direct payments, the fixed annual payments farmers receive without regard to price and whether or not they plant anything at all. In low crop-price years, these payments have been a life saver for many farmers and from a WTO perspective they are considered to be more non-trade-distorting than other payments, especially if the fruits and vegetables provision were to be rescinded.

But with wheat futures above $8.00 a bushel, soybean futures above $9.00 a bushel and corn futures above $3.00 a bushel, the direct payments may not be politically sustainable on the domestic front and would seem like a good target for obtaining money to fund other programs. The problem is that farmers like the direct payments and want that security in case prices take a nose-dive.

And then there is the payment limitations issue.

Given the impasse Harkin is facing, it has been suggested that he may bypass his Agriculture Committee and take a bill straight to the Senate floor where he may have a better chance of fashioning a farm bill.

At that point we need to remember the words of Yogi Berra, "It ain't over 'till it's over." Even after a Senate Bill is passed, there will be a conference Committee and another vote in both the House and the Senate.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://www.agpolicy.org. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.

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