

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

American Farm Bureau's farm bill proposal

The establishment of the Joint Select Committee on Deficit Reduction as a part of the recent legislation that increased the US debt limit has changed the process for the 2012 Farm Bill. With the establishment of this committee of 12 (6 Republicans and 6 Democrats), the focus of farm bill discussions is shifting from the agriculture committees in the House and Senate to this joint committee, rolling a number of programs into this effort to reduce the federal deficit over the next ten years.

Instead of a leisurely debate (some might call it protracted) on various elements of the farm bill by each of the committees as they work to build a workable coalition that can get a positive vote on the floor of the House and Senate, the current process has to be done by Thanksgiving so that the two houses can vote the package up or down before Christmas. If the committee's bill is voted down, vetoed, or if the committee of 12 fails to reach agreement, then automatic cuts will be allocated to most federal programs. It is the fear of the nature of these cuts that is supposed to drive the committee to come to an agreement.

On the other hand, unlike an annual appropriations bill or continuing funding resolution, the farm bill is not facing a drop-dead deadline. In fact there are those in both parties who would like to see the farm bill put off until 2013. The reason for this is that each party hopes that they will win control of the presidency and both house of Congress in the 2012 elections, allowing them to shape the farm bill, which would then be the 2013 Farm Bill, without having to make compromises with the other party.

Last week we looked at a study that we did for the national Farmers Union and a set of Title 1 policies (commodity program policies) that would have protected average farm income during the 1998 to 2010 period at half the cost of current legislation.

This week we turn to a proposal that was released by the American Farm Bureau Federation (AFBF) on September 28 <http://farmpolicy.com/wp-content/uploads/2011/09/AFBF2012FarmBill.pdf>. The policy recommendations that the AFBF makes are offered as "suggestions to the House and Senate Ag Committees as they develop input to the Select Committee on Deficit Reduction (Joint Committee) as the Ag Committees consider policy changes to write the 2012 Farm Bill."

AFBF argues that "utilizing a single program as the entire safety net will not work for all commodities in all regions of the country. Continuation of a multi-legged stool for commodity programs is the best approach. A combination of direct payments, counter-cyclical payments (both CCPs and the ACRE

program), a commodity loan program and crop insurance will provide a much better safety net than only relying on one or two of those options."

As a rationale for their proposals, they say, "It is important to remember that America's farmers want to get their income from the marketplace, not the government. But market conditions can fluctuate widely and, in years of low prices and rising costs, farm program payments help keep family farms in business. It is also important to remember that regardless of high prices, markets around the world or the weather can render some farm programs useless in any given year."

The Farm Bureau recommend the continuation of "the vast majority of the programs included in the 2008 Farm Bill," with some exceptions. Those exceptions include the SURE program (permanent disaster) and the other 36 programs that were funded in the 2008 Farm Bill but did not have a baseline beyond fiscal year 2012. These other 36 programs are included in the following farm bill titles: energy, conservation, nutrition, horticulture and organic agriculture, rural development, trade, forestry, and livestock. Each of those programs will have advocates that may react to being left out of future farm legislation.

When it comes to cuts, the Farm Bureau suggests that "the reductions be spread among these four main spending areas in the following proportion:

- 30% of the reductions from commodity programs;
- 30% of the reductions from conservation programs;
- 30% of the reductions from nutrition programs;
- 10% of the reductions from the crop insurance program."

Given the different budget baseline amounts for each of these programs and assuming a total cut of \$33 billion, as recommended by the Administration, the cuts would be as follows:

- Commodity programs, which have a \$65 billion baseline, would be cut \$9.9 billion or 15.2% (most of these cuts could come from a reduction in the base acres used for calculation from 85% to a lower number);
- Conservation programs, which have a \$63 billion baseline, would be cut \$9.9 billion or 15.7% (2/3 of these cuts could come from the Conservation Reserve Program and the other 1/3 from the Conservation Security Program);
- Nutrition programs, which have a \$700 billion baseline, would be cut by \$9.9 billion or 1.4% (AFBF argues that this can come from administrative program changes and not from benefits);

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- Crop insurance programs, which have an \$80 billion baseline, would be cut by \$3.3 billion or 4.1% (because of the reductions in the Direct Payment program, the AFBF feels that crop insurance becomes more critical and thus suffers a lower level of reductions than the other broad areas).

The AFBF proposal is relatively comprehensive in that it addresses most of the areas covered in recent farm bills. The passage of any farm bill depends upon a coalition of interests, which include urban legisla-

tors for whom the nutrition program is important, and environmental interests who will be looking at the cuts to conservation programs. It will be interesting see what is squeezed (or hammered) into the final farm bill following the give and take of the political process.

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