PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Will there be a 2012 Farm Bill?

When we were kids and someone would ask an important question where the answer was difficult or uncertain, someone would inevitably say, "That's the $64,000 question"—and yes, in the mid-1950s, $64,000 was more money than most families could imagine. "The $64,000 Question" was also the name of a popular quiz show in which the contestants could win $64,000 over a series of weeks.

For farmers, this year's $64,000 question is "Will members of Congress be able to overcome their partisan division long enough to pass a farm bill this year or will they kick the can down the road leaving the task to the next Congress?"

In our previous discussion of the failure of the supercommittee to come up with a deficit reduction package that would have included a new farm bill, we repeated the suggestion that Congress might give the current bill a one year extension under the theory that each party is hoping to win control of Congress in this fall's elections.

All agree that approving an extension would be preferable to allowing the 2008 Farm Bill expire, allowing the farm bill to revert to the 1949 Farm Bill which serves as permanent legislation.

But, is it as simple as that? Let's think it through.

First, for the third time in four farm bills Congress is debating farm legislation in a period of high crop prices. A period of high prices is the worst of all times to pass farm legislation, in part, because the 10-year projection of the cost of continuing the current legislation is relatively low. That leaves the ag committees with less money to work with than when prices are low and expected expenditures are much higher.

With less money to work with, it is more difficult for members of Congress to balance out the needs of competing uses for the money—commodities, nutrition, insurance, environment, rural development, research, and the list goes on and on.

Another problem with writing farm legislation in a period of high prices is the expectation, on the part of many, that the current prices reflect the future of agriculture, making policies that protect farmers against low prices seem less urgent. This is what happened in 1996 and two years later, as the result of a swift decline in prices, Congress responded by passing emergency payment legislation to prevent widespread bankruptcy in the heartland.

Second, the 2008 Farm Bill was also adopted in a period of high prices with the resulting low 10-year baseline to work with. In order to bring the 2008 legislation within the baseline, Congress resorted to a budgeting trick that works only once. They scheduled 37 programs to end with or before the expiration of the 2008 Farm Bill. Thus when the Congressional Budget Office calculates the cost of continuing the current legislation over the next 10 years, there is no funding for those programs. For those programs to be continued in the 2012 Farm Bill, funds will have to be taken from other programs.

Third, even though the ag committees are starting from behind the budgetary 8-ball, they will still be expected to contribute to their share of the budget cuts that are needed to reduce the overall federal deficit. And that is not the end of the bad budgetary news. In last summer's deal to increase the federal debt ceiling, Congress agreed set up a supercommittee to reduce the deficit over the next ten years. And if that committee failed to come up with an agreement there would be mandatory cuts with half coming from the Pentagon's budget and half from the rest of the budget.

The supercommittee failed to come to an agreement so the mandatory cuts are slated to take effect in 2013 in a process called rescission. Though the crop insurance program in the current farm bill took a $6 billion budget cut, the farm bill still faces rescission and additional budgetary cuts.

Fourth, while we have seen Congress work on a farm bill after its expiration without triggering permanent legislation, this year is an election year. So even though the 1990 Farm Bill expired at the end of the fiscal year in 1995, Congress continued to work on the new farm bill into 1996 because there had not been an intervening election. With an election this fall, a new Congress will be seated in January and all unpassed legislation has to start all over.

So what does all this mean?

The difficult task of writing a farm bill this has been made all the more difficult because, even if Congress were not polarized, there is less money to work with and compromises among competing interests will be more difficult—no one wants to see their program thrown under the bus.

In addition, it is likely that any vote to extend the current legislation would have to include some budget cuts to stand any chance of passage. And that would leave the new Congress with a lower financial baseline to work with for agriculture—so now we are dealing with cuts for the extension, cuts when a new farm bill is passed in 2013, and then there is still rescission—this is all on top of cuts that were made to crop insurance in 2011.

From our perspective, unless there is a swift drop

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in prices this year—resulting in a potentially higher farm bill baseline in 2013—farmers will be better off if Congress passes a farm bill before its members head home for the fall campaign or, failing that, during the lame duck session between the election and the end of December 2012.

Will they? That's still the $64,000 question.

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