CHOICES
a publication of AAEA Agricultural & Applied Economics Association
The Magazine of Food, Farm and Resource Issues

2nd Quarter 2011 | 26(2)

EXTERNAL FACTORS THAT WILL DRIVE THE NEXT FARM BILL DEBATE

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JEL Classification: Q18
Keywords: Farm Bill, Federal Budget Deficit, Congressional Budget Office, Political Stakeholders, House Agriculture Committee, Senate Agriculture Committee, Permanent Legislation

This article is part of a series of Policy Issues articles on the 2012 Farm Bill. You can also find articles on The Environment of the Next Farm Bill Debate, Farm Bill Stakeholders: Competitors or Collaborators?, Trade Issues in the 2012 Farm Bill, and Food and Nutrition Programs in the Next Farm Bill as part of this theme.

As with any policymaking process, the final product of the current farm bill debate, expected to culminate in 2012 by the time the Food, Conservation, and Energy Act of 2008 expires, will reflect a combination of external forces and internal policy tradeoffs. The range of issues covered in farm bills continue to expand far beyond traditional farm and commodity policy, a trend that started in the 1970's with the arrival of nutrition assistance programs. This paper will focus on the key external factors that are generated within the United States, specifically the impact of the changing political, demographic, and budgetary environments.

Political Environment

In recent decades, federal agricultural policymaking has largely been a bipartisan process. Such divisions that occur on specific policies typically fall along regional and not party lines, primarily reflecting variation in the dominant crop and/or livestock structure across the country rather than ideological differences. This tendency was demonstrated in the 2008 Farm Bill, which was developed on a bipartisan, consensus basis throughout the process. The bill attracted more than a super-majority of votes in both the House of Representatives and the Senate in twice overriding President Bush's vetoes of the legislation.

However, the partisan divide in Congress has recently become strikingly more entrenched. It is difficult to see how the combative tone that now characterizes most party interactions in Washington, DC won't affect the political dynamics of the House and Senate Agriculture Committees that have primary jurisdiction over the policy areas included in the farm bill. In particular, the emergence of the Tea Party movement as a force within the Republican Party contributed strongly to that party's takeover of the House in the 2010 elections. Of the 87 new Republican House members for the 112th Congress, more than half gained their seats with the backing of various Tea-Party groups, many of whom are now members of the Agriculture Committee. The composition of the Democratic side of the Committee also changed, with many farm state Democrats who lost re-election being replaced by more liberal members.

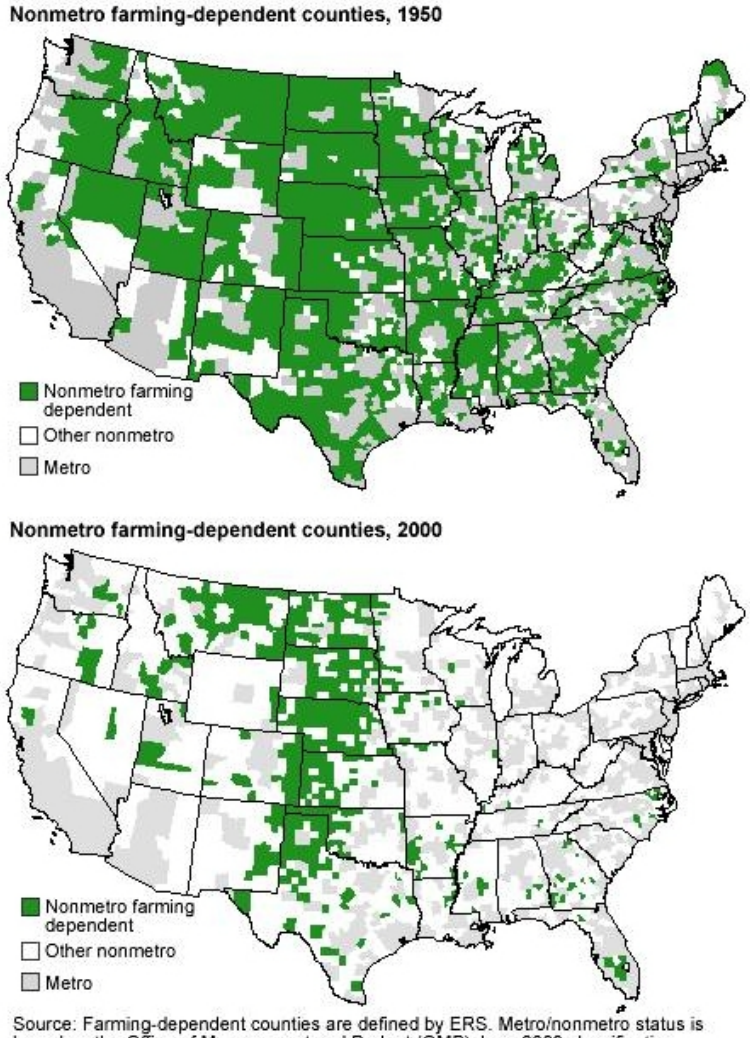
While agricultural policy was rarely discussed by any Congressional or Senate candidates in the 2010 campaign, one of the few clear tenets of the Tea Party movement is to reduce spending by the federal government and thus the role of government in U.S. society overall. The result of the clash of that objective with the substantial policy intervention represented by current U.S. food and agricultural policy will clearly influence the make-up of the bill that will emerge from the House of Representatives. Interestingly, the structure of House rules gives the majority party a nearly exclusive role in shaping legislation. That legislation will have to be reconciled with the version that emerges from the Senate, which is still controlled by the Democratic Party, albeit by a modest 53-47 margin. The bill must also be acceptable to President Barack Obama.

Changing Demographics

Steady gains in agricultural productivity over the last several decades have allowed the U.S. agricultural sector to continue to produce more output with a smaller share of the population involved in the activity. During the 20th century, the overall U.S. population grew 270%, while the number of U.S. farms fell by 60%. Over the same period, average national corn yields increased nearly 350%, generating a 275 % increase in overall production on nearly 25 % fewer acres harvested for grain.

This shift in productivity and population means that relatively few voters have a general interest in the outcome of the farm policymaking process and even fewer are concerned about the details of the various programs that make up the farm safety net. Out of a U.S. population estimated by the 2010 Census at 308 million, about 2.2 % (6.8 million) are farm operators or farm household members. Only 838,391 farms reported receiving government payments in 2007, according to the most recent Census of Agriculture.

Figure 1: Farming Dependent Counties in the United States, 1950 and 2000



Source: Farming-dependent counties are defined by ERS. Metro/nonmetro status is based on the Office of Management and Budget (OMB) June 2003 classification.

From the perspective of formulating agricultural policy, the geographic concentration of farming as an economically important activity is as important as the share of the overall population directly involved in U.S. agriculture. Over the past half century, the portion of the country where agriculture is a significant driver of the economy at the county level

has shrunk dramatically. As defined by USDA's Economic Research Service, a nonmetro county is deemed to be `farming-dependent' if at least 15 % of its residents' earnings or employment are generated in the agricultural sector. Figure 1 indicates that such counties dominated more than two-thirds of the country in 1950, while 50 years later, they clustered in a region located almost entirely west of the Mississippi River, one that stretches from the Texas panhandle northwest to western Montana, with others scattered throughout the rest of the country. This shift is occurring even in states which are significant farm states as measured by total receipts from agriculture. For example, California has led the country since 1948 in state's total value of agricultural production ($37.8 billion in 2009), but only five out of 57 counties are classified as non-metro farming-dependent—Colusa, Glenn, Imperial, Merced, and Tulare.

The political implications of these demographic changes are that a declining number of members of Congress face significant constituent pressure to vote in favor of farm bills based on the commodity title, containing the programs that support the farm income of producers of major row crops. Almost all Senators represent farmers as state-wide elected officials, but that rule of thumb does not hold for the House of Representatives. As compiled from the 2007 Census of Agriculture, more than one-third of House members represent fewer than 1,500 farmers in their district. For purposes of comparison, the average Congressional District had a population of about 615,000 in the decade that just passed.

Stakeholder Group Participation

Despite the erosion in support for the basic commodity programs due to the political and demographic changes described above, the groups that represent producers and agribusinesses will still have a critical role in shaping the farm bill that emerges from the respective Committees of jurisdiction in the House and Senate. For the most part, members of Congress choose to serve on these Committees due to their desire to protect the interests of farmers in their districts or states, not to dismantle programs seen as crucial to those interests. As the number of members whose support for commodity programs reflects a priority for their constituents has declined, the Committee leaders have reinforced core support for the farm bill process by adding programs and provisions to the legislation that appeal to a broader set of interest groups and constituents. This development is consistent with a long-honored legislative practice often referred to as `log-rolling'. Defined as the exchange of support or favors, especially by legislators for mutual political gain as by voting for each other's bills—many etymologists attribute the phrase's first use in this context to the legendary Davy Crockett, who served as a member of Congress for Tennessee between 1827 and 1831.

Although food stamps intended to provide poor families assistance to purchase food were offered in 1939 under a pilot program, the first nationwide program was established in 1964 in legislation which also included higher support prices for cotton and wheat. The main advocacy group supporting U.S. nutrition policy, the Food Research Action Center (FRAC), was founded in 1970, and the next farm bill, the Agriculture and Consumer Protection Act of 1973 was the first farm bill that fully incorporated food stamp provisions. In recent years, a combination of high commodity prices which reduces farm program spending and a poor employment environment has led to a situation where the majority of funding under the Agriculture Committee jurisdiction actually goes to nutrition programs. In the 2008 Farm Bill, in which the name of the food stamp program was formally changed to the Supplemental Nutrition Assistance Program (SNAP), funding for SNAP and related nutrition activities accounted for more than two-thirds of total spending over the next ten years as projected by the Congressional Budget Office (CBO).

More recently, various farm bills have added significant programs—the Environmental Quality Incentives Program (EQIP)—which was focused on helping livestock operators meet environmental regulatory requirements, was started in 1996 and greatly expanded in 2002; renewable energy, gaining a separate title in the 2002 Farm Bill; and specialty crops, addressed in a separate title in the 2008 Farm Bill—all bringing new constituencies into the process. For similar reasons, maneuvers to strip the Agriculture Committees of major areas of jurisdiction have typically been opposed by Committee members. A concerted effort by the Republican House majority in 1995 as part of The Contract with America to convert funding for school lunch programs into block grants transferred to the states was vigorously resisted on a bipartisan basis by members of the Senate Agriculture Committee, and was never enacted into law.

Most ideas put forward by members that end up in farm bills originate with stakeholder groups, although the successful proposals will ordinarily be fleshed out and modified during the legislative process to address other members' concerns and budgetary or other constraints. Inevitably, those policy proposals have the goal of maintaining or even expanding the benefits for the stakeholders involved. For example, the original concept of the Average Crop Revenue Election (ACRE) program included in the 2008 Farm Bill as an alternative for farmers to the more traditional price-based countercyclical payment program (CCP) came out of policy discussions by the National

Corn Growers Association (NCGA) and American Farmland Trust, working with academic agricultural economists. NCGA members felt that existing programs did not adequately account for the changing cost structure of crop production, and wanted a program that could adjust to a higher price/cost environment.

Average Crop Revenue—the election part came later—was initially developed as a county-based revenue program that included an effort to integrate with the federal crop insurance program by making only one payment to producers to compensate for revenue losses that occur state-wide and thus reimbursing to farmers a portion of the crop insurance premium they would have otherwise paid for their coverage. It was envisioned as a full replacement for the CCP program for all program crop producers. As eventually configured, ACRE is a state-based revenue program that made no changes to the crop insurance program. Largely because it is relatively complex and requires producers to surrender 20 % of their direct payments on program crop acres to enroll, it has attracted less than 14 % of total base acreage into the program through the 2010 crop year, almost exclusively from wheat, corn, and soybean producers.

In the last few farm bills, outside groups without a direct vested interest in farm bill programs have increased efforts to influence the course of the debate. An eclectic group of environmental, humanitarian, and libertarian organizations such as the Cato Institute, Oxfam, and the Environmental Defense Fund established a coalition entitled the Alliance for Sensible Agriculture Policies to fight for reform of farm policies in the 2008 Farm Bill cycle, with the goal of benefiting farmers by rewarding stewardship, expanding markets at home and abroad, and encouraging entrepreneurial innovation. A number of other groups also got involved in separate efforts, including a coalition of faith-based organizations that launched the “Green Ribbon Farm Bill Campaign”, aimed at shifting funds for commodity payment programs to the fight against hunger and poverty.

Given the composition of the Committees with jurisdiction, legislative proposals that would radically change programs have historically had little prospect of inclusion in the initial version of the bill that is reported out of Committee. Once the legislation is sent to the floor for consideration by the respective full bodies, more opportunities for change exist. House floor amendments were offered by Representatives Ron Kind (D, WI) and Jeff Flake (R, AZ) in both the 2002 and 2008 Farm Bill debates that would have represented major reforms to farm policy if adopted, shifting a significant share of funding from farm safety net programs to conservation programs. This approached garnered 200 votes in the first go-round in 2001, but only 117 votes in the follow-up effort in 2007. In the Senate with its open debating rules, there are always ample opportunities to offer amendments to a Committee-reported bill. During Senate floor consideration of the previous farm bill, more than 350 amendments were filed during 17 days of debate late in 2007, with 15 recorded roll-call votes. A companion bill to the Kind-Flake substitute, offered by Senator Richard Lugar (R, IN) as part of the 2008 Farm Bill debate, received 37 votes in the Senate.

While none of the bolder reforms sought by the outside groups were adopted in the 2008 Farm Bill, their participation in the process likely pushed the compromises reached on certain policies, such as payment limitation provisions and additional funding for conservation programs, further in the reform direction than the main agricultural stakeholders would have preferred. Most farm groups went into the farm bill process hoping for an overall increase in funding for their support programs. In the enacted version, the commodity and crop insurance titles were actually net donors in terms of distribution of mandatory funds, although that status was largely achieved with the use of budgetary timing shifts—which harm recipients only in terms of the opportunity cost of deferred payments—and not full-blown cuts. The bulk of the funding gains were realized in the nutrition, specialty crops, and conservation titles, all supported by the outside groups mentioned above.

Budgetary Environment

A complex combination of factors has led the U.S. government into its current fiscal situation, in which the amount of federal spending significantly exceeds the revenue coming in. Policy decisions made back in the 1990’s, including providing the tax cuts of 2001 and 2003, embarking on the wars in Iraq and Afghanistan, and expanding the Medicare program to cover most of recipients’ prescription drug costs, helped create a significant structural budget deficit. CBO projected prior to the 2008 financial meltdown, in the March 2008 official baseline forecast, that the deficit would total more than $2.1 trillion over the 2009-2018 period. Subsequently, the deficit has been amplified by outlays from the Troubled Asset Relief Program (TARP) to bail out distressed financial institutions and the spending provisions of the American Recovery and Reinvestment Act of 2009, or stimulus package. Reduced tax revenue due to the 2007-2009 U.S. recession, the tax cuts in the stimulus package, and the two-year extension of the 2001 and 2003 tax cuts in late 2010 have contributed even further to the deficit. As of January 2011, CBO forecast the cumulative deficit for next ten-year period, 2012-2021, at nearly $7 trillion.

As mentioned above, a major focus of the Republican House majority for the 112th Congress is to reduce federal government spending. In the previous two farm bills, the House and Senate Agriculture Committees were able to

devote additional mandatory funds to adding, expanding or improving programs for the 2002 Farm Bill in the amount of $73.5 billion over ten years and $10 billion over ten years for the 2008 Farm Bill. In the next farm bill, those Committees are likely faced with a situation where the best they can hope for is to make do with existing funding available under the CBO baseline estimates at the time. Under similar circumstances in the past, core agricultural stakeholders have pressed for legislation which simply `extends' the provisions of the current farm bill, and such an approach is likely to be suggested again. However, funding provisions for 38 programs in the 2008 Farm Bill were written in such a way so as to not provide funding in the out-years, i.e., beyond 2012 (Monke). The Congressional Research Service has tallied the cost of renewing those programs for an additional five years at $9 billion, with the three largest, the Supplemental Revenue assistance program (SURE)—the permanent crop disaster assistance program, the Wetlands Reserve Program, and the Biomass Crop Assistance Program, accounting for about 75 % of the total. A debate over such an extension would test the continued clout of the farm groups, who want to preserve the current farm safety net programs in the farm bill process, against other groups that would like to see funds shift in other directions, such as toward conservation and renewable energy.

The 2010 report prepared by the co-chairs of the President's National Commission on Fiscal Responsibility and Reform included a recommendation that net spending on the next farm bill be reduced by a total of $10 billion over ten years, that would include a funding extension for SURE and other disaster programs at a five-year cost of $5 billion. However, that report has no official standing because it failed to garner sufficient support among Commission members, gaining the support of 11 of 18 members while the President's mandate required 14. In late April 2011, the House voted on a party-line basis to approve a FY12 budget resolution that would cut $178 billion over ten years from programs under the Agriculture Committee's jurisdiction, including $123 billion from nutrition programs and $30 billion from farm programs. That bill was rejected by the Senate on May 25, 2011. The Senate Budget Committee chairman has not yet introduced his own version of the FY12 budget resolution, although Senator Conrad (D, ND) did serve on the President's fiscal reform commission and supported its recommendations.

If the Agriculture Committees do in fact face reconciliation instructions in the upcoming fiscal year, this would encompass specific amounts that would have to be cut in the first year, over the first five years, and over the full ten years, although it leaves discretion to the Committees to decide what programs to cut. This legislation would be the first farm bill since the Federal Agriculture Improvement and Reform Act of 1996 (FAIR Act) to be crafted under such circumstances. In addition to specific budget reconciliation instructions, both bodies would operate generally under budget rules which require that any new spending be `offset'. For the 112$^{th}$ Congress, the details of those rules differ somewhat between the two bodies—in the Senate, `Paygo' requires new spending be matched by spending reductions or increases in revenue, while in the House, the offset can only be achieved through spending reductions.

Concluding Comments

Each of the last three farm bills took longer than originally envisioned, spreading over portions of at least two calendar years in each case. If the next farm bill is not completed by the time the 2008 Farm Bill expires on September 30, 2012, Congress will be faced with a choice of a simple extension of the current farm bill—as happened several times during the final months of the 2008 Farm Bill debate—or the lapse of current law and for some policy areas the programs would revert to long-standing statutes known as permanent legislation, which were the farm laws passed back in 1938 and 1949. The Agriculture Act of 1949 Act established `parity' prices for certain commodities based on high market prices of nearly 100 years ago, adjusted for inflation. For example, the support price for milk under permanent legislation would have been at least $30.30/cwt in 2008, as opposed to an all-milk price for farmers that averaged $18.41/cwt for that year (Monke et al.). The high cost of running these programs under permanent legislation normally dissuades Congress from letting farm bills lapse. If the farm bill process is not completed by the end of 2012, none of the work accomplished in one Congress formally carries over into the next, so the legislative process would have to restart from scratch in 2013.

As the new leadership of the House and Senate Agriculture Committees begins to prepare for the next farm bill, the external conditions they face are in many respects similar to what the Committees in the 104th Congress dealt with, when the FAIR Act of 1996 was passed. These factors include a divided government, with a President of one party and at least one of the houses of Congress in the control of the other party, and a political dialogue driven at least in part by the size of the federal budget deficit. That set of factors were important drivers to a farm bill in 1996 that contained a number of reforms to basic farm programs, although the collapse of commodity prices internationally a few years later led Congress to add back programs with countercyclical elements in the 2002 and 2008 Farm Bills, an approach that had been largely eliminated in the FAIR Act. However, it is too early to predict whether history is on track to repeat itself.

For More Information

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