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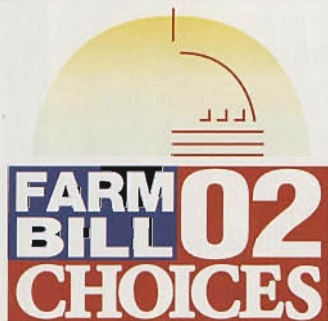
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The 107th Congress:

What Can Agriculture Expect?

Much of the current law expires in 2002, so Congress is bound to take action.



More Winters of Discontent Ahead? Will Congress be able to reconcile competing interests and provide a stable "farm income safety net," or will some farmers face a continuing series of long, cold winters? *CHOICES* will provide continuing coverage of the run-up to the 2002 Farm Bill throughout 2001 and 2002.

Photo courtesy Deere & Co.



BY JASPER WOMACH

It can be said with certainty that the 107th Congress will adopt a number of bills important to farmers, agribusiness, and rural America. What will they be? One thing is clear: since many major provisions of current law expire in 2002, the 107th Congress will pass an omnibus many-titled farm bill.

Commodity and farm income support, "the farm income safety net," will be the most important and most controversial title in the farm bill. The legislative agenda will also include farm production and finance policy items, conservation and environmental issues, and international trade and development. Some of the items on this long list will be included in the farm bill, while others will likely follow different legislative paths, perhaps to become laws in their own right.

Farm Production and Finance

Farm income support. The Agricultural Market Transition Act (AMTA), or "Freedom to Farm," expires in 2002. Therefore, commodity support beyond 2002 is at the top of the legislative agenda. House Agriculture Committee chairman Larry Combest (R-TX) and ranking Democratic member Charles Stenholm (D-TX) believe the committee can agree upon and enact new commod-

ity support policy in 2001. Senate Agriculture Committee chairman Richard Lugar (R-IN) and ranking Democrat Tom Harkin (D-IA) expect a slower pace.

When Congress adopted Freedom to Farm, much discord surrounded the broadened planting flexibility given grain and cotton farmers and the elimination of annual federal acreage reduction authority. However, some thought the spending level for the "contract payments" was generous, given the federal deficit and tight budget allowance given to the agriculture committees.

The largely unconstrained planting flexibility for wheat, feed grains, cotton, and oilseeds and the absence of acreage restrictions are popular features with many farmers. However, in retrospect, the \$36 billion allocated over seven years for AMTA payments has been woefully inadequate, and the framework of fixed annual payments has proven politically untenable. To date, the actual spending level exceeds \$46 billion, and there are two more years of spending.

Marketing loans continue to enjoy broad approval. However, contract payments divide the farm community, largely along partisan lines. Republicans tend to support the framework of contract payments, and want to supplement them with counter-cyclical support payments. Democrats, on the other hand, tend to want to replace entirely contract payments using counter-cyclical

payments. Per-person payment limitations, farmer-owned reserves, loan rates and loan rate caps are all points of contention under current policy.

Commodity-specific programs. Domestic sugar oversupply and increasing imports from Mexico make the current sugar support program ineffective and costly. Sharply declining tobacco marketing quotas raise questions about the sustainability of that program. Congress eliminated support for wool, mohair, and honey, then reinstated it at reduced levels. Even apple growers received payments. Will the 107th Congress maintain or even increase support for these commodities?

In 1996, Congress directed that support for milk prices expire at the end of 1999. However, lawmakers subsequently extended the program through 2001, and finally supplemented it with direct farm payments in 1999, 2000, and 2001. In 1999, for the first time, hog producers received direct income support payments in response to low market prices. Do these various livestock programs foretell a future that integrates farm income support policy for a broader array of crops and livestock?

Tax relief. There is broad congressional support for tax deferred savings accounts for farmers, popularly labeled Farm and Ranch Risk Management accounts (FARRM accounts), as a risk management tool. Similar support exists for accelerating the full deductibility of health insurance premiums. However, there is disagreement within the House Ways and Means and Senate Finance committees over proposals to alter income averaging rules, reduce capital gains taxes, or eliminate "death taxes." The election of George W. Bush to the White House and growing congressional support for tax relief restores all options to the table.

Foreign farm workers. Farmers want timely admission of an adequate number of temporary foreign farm workers. In return for reform of the existing H-2A program, farmers promise to provide workers with enhanced wages and benefits that growers can afford. Past favorable hearings by the House and Senate Judiciary committees suggest a good chance for action in the 107th Congress.

Agriculture business concentration. Proposals to increase competition in the agricultural sector and increase regulatory oversight of mergers and acquisitions could give new directives to the Justice Department, the Federal Trade Commission, and USDA. Based on past initiatives, the legislation could define parties subject to antitrust reviews; set higher threshold definitions for agri-

cultural cooperatives, processors and dealers selling their own production, or exempt them entirely; require parties in mergers or acquisitions to file pre-merger notices with the Secretary of Agriculture for review; and enhance producer bargaining authority.

Conservation and Environment

Expanding CRP. The Conservation Reserve Program (CRP) remains popular with both farmers and environmentalists. Implemented in 1986 as a soil conservation/cropland diversion program, its objectives have grown beyond erosion control to include water quality, wildlife habitat, and other environmental benefits. There is support for raising the enrollment limit from 36.4 to 40 million acres. Continued low grain prices will outweigh critics' claims that a substantial amount

of CRP acreage could be cropped without causing environmental damage, and that CRP adversely impacts the comparative advantage of U.S. farmers and agribusinesses in the global marketplace.

Wildlife habitat development. The federal contribution to wildlife habitat development by the Natural Resources Conservation Service is capped at \$50 million through 2002. Wildlife groups have signaled they will work hard to increase funding.

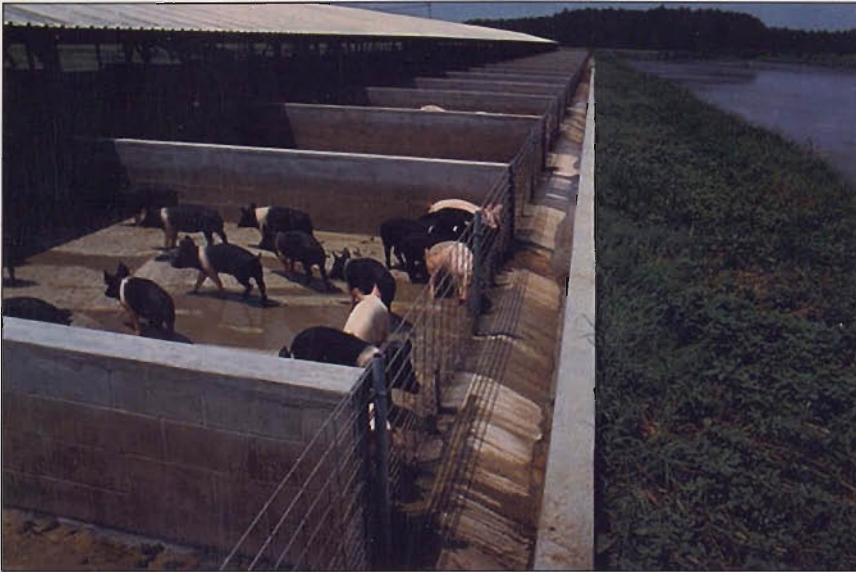
Farmland preservation. Pressure is growing to provide additional funds for farmland preservation, for which spending is now capped at \$35 million. In the past, states and local governments have sought more than these authorized funds to purchase land or easements that prevent conversion of the land to non open-space uses. Some

Water quality: Small watershed quality management projects could receive attention as Congress considers provisions of the 2002 Farm Bill.

Photo courtesy of the Conservation Technology Information Center.

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Livestock waste management:

Legislators are likely to struggle to find consensus on new rules for livestock waste management. Compliance costs may be a significant issue.

Photo courtesy USDA.

preservationists argue that non-governmental organizations (NGOs) also should be eligible to compete for federal funds. Expect a determined effort to seek NGO eligibility in the 107th Congress.

Small watershed project rehabilitation. The Natural Resources Conservation Service has constructed more than 1,600 small watershed projects, primarily small dams and reservoirs, across the United States. NRCS constructed the projects with federal funds under authority of the Watershed and Flood Prevention Act of 1954 (P.L. 83-566) for purposes of flood reduction, sediment and erosion control, and water conservation. Many now are at the end of their design life, and may require substantial rehabilitation.

Congress must pass authorizing legislation and funding for rehabilitation projects. Community demands for a broader range of benefits and new environmental standards could require more funds and physical changes to the projects, setting the stage for local disputes, interagency conflicts, court action, and ultimately congressionally mandated standards.

Livestock waste management. Controversies between USDA, EPA, and the farm community over livestock waste management seem likely to continue. The EPA is in the process of imposing stricter environmental standards on livestock farms, including smaller operations, under Clean Water Act waste treatment and disposal rules. There is little agreement about what size facilities should be covered, how strict the rules should be, and how soon farm compliance should be required. Environmentalists and farmers are currently at opposite poles. EPA will soon propose rules. Congress provides close oversight, and may be asked to provide financial assistance to farmers who incur compliance costs. Environmental interests will be more likely to support farm assistance if they are satisfied with the standards and pace of implementation.

Carbon sequestration/carbon credits. Global warming, has caused some scientists to suggest that selected

farming practices can help cropland serve as a large enduring and unobtrusive "carbon sink." Paying farmers to sequester carbon is attracting considerable interest in the agricultural community. The next farm bill debate may include titles to promote the evaluation of this concept. Supporters argue that carbon sequestration payments would encourage and compensate farmers for valuable non-market benefits. Critics charge that the policy would be similar to the "multifunctionality" justification for some European Union subsidies. The United States opposes those subsidies in its trade positions.

Ethanol/MTBE. The Clean Air Act amendments of 1990 require that gasoline be reformulated to contain 2 percent oxygenates in high ozone areas. To meet this mandate, refiners have added methyl tertiary butyl ether (MTBE)—or, less frequently, ethanol—to gasoline. Drinking water contamination from MTBE is pushing Congress to ban MTBE and/or eliminate the oxygenate requirement.

Supporters of alternative fuels are seeking a mandate that some minimum proportion of all motor fuels be renewable fuels. Corn-based ethanol would be the biggest beneficiary of a renewable fuels mandate, and members of Congress from the Corn Belt are its strongest proponents. However, advocates of market-based solutions to air pollution oppose mandating fuel formulations. Resolution of the problem will require new legislation, which is normally handled by the House Commerce and Senate Environment and Public Works committees.

Federal land designations. Development pressures, vigorous environmental and preservation groups, and proactive federal agencies may stimulate increased designation of lands as conservation areas, heritage areas, monuments, and wilderness areas. Historically, Congress has made such designations, and has been uncomfortable with the executive branch taking an activist role. Typically, designated lands are already federally owned, but designation affords more protection against development. Livestock grazing and agriculture normally are compatible with federal designations, but there is substantial opposition from some regions to any action that limits allowable land use. At the extreme, some favor converting federal lands to private ownership. However, extreme positions are unlikely to dominate in this closely divided Congress.

International Trade and Development

Fast-track authority. The "fast-track" provision requires Congress to approve or deny implementation of trade agreements negotiated by the President within a limited time period, and with no amendments. Efforts to renew fast-track authority have been unsuccessful since its expiration in 1994. Many policymakers fear that trading partners will not negotiate if Congress is free to change a treaty after the fact. As negotiations on agriculture, services, and other topics move forward in the World Trade Organization, the question of fast-track will become more pressing.

Trade sanctions reform. Expect renewed strong effort in the 107th Congress by agricultural interests to remove food, farm commodities, and farm inputs from the President's trade sanctions authority. Though sanctions now apply to only a few nations with small markets for U.S. goods, critics argue that they undermine trust in the United States as a reliable supplier, and encourage other nations to adopt trade-distorting programs. Others argue that comprehensive sanctions are an essential foreign policy tool for the President, and that the law provides sufficient flexibility for exceptions.

Country-of-origin labeling. Federal law requires most imports, including many food items, to bear labels informing the "ultimate purchaser" of their country of origin. Some farm groups want to require country-of-origin labels on retail packages of meat, fruits, and vegetables. Supporters believe labeling will give domestic products a marketing advantage. Opponents counter that country-of-origin labels bear no relation to food safety, and would not create a price advantage for U.S. farmers. However, they would impose a costly regulatory burden on the marketing system, and ultimately higher consumer prices for domestic as well as imported foods. Critics also argue that trading partners would interpret country-of-origin labels as a new non-tariff trade barrier, undermining ongoing U.S. efforts to reduce other countries' trade barriers.

Global school lunches. USDA is conducting a \$300 million pilot program involving donation of surplus commodities for foreign food programs serving children. The initiative enjoys wide support, and the 107th Congress may provide it legislative status and specific funding authority through an amendment to P.L. 480 (popularly called "Food for Peace"). Such legislation could create multi-year sustainability, allow inclusion of processed foods, and counter critics who call the program a surplus disposal initiative.

Foreign agriculture development. Universities are seeking to restore their traditional collaborative role in carrying out U.S. Agency for International Development (USAID) programs. A proposed rewrite of Title 12 of the Foreign Assistance Act of 1961 directs USAID to build on the research, extension, and training activities of U.S. land-grant and other universities to carry out development programs.

Conclusion

The complexities of the legislative process make consensus an always helpful, and usually necessary, requirement for enactment. Typically, omnibus farm bills address a wide range of agriculture-related policies, thereby creating a coalition of otherwise diverse and sometimes even opposing interests in support of the legislation. It remains to be seen whether the nearly equal party division in the House and Senate, along with the partisan acrimony surrounding the 2000 presidential election, will make coalition-building more difficult.

Several factors diminish the likelihood of early action on long term income support policy. First, if the executive branch is to play a role, President Bush and Secretary of Agriculture Veneman will need time to develop policy proposals. Second, commodity and farm interest groups are still in the early stages of developing recommendations. Finally, Congress is rarely inclined to enact legis-



lation, especially controversial legislation, until forced by the calendar.

On the other hand, farm income support legislation creates just the kind of controversy that most members would like to dispose of before the 2002 election. In addition, there is pressure from farmers and the congressional budget committees to establish a farm income safety net that does not rely on emergency legislation. If there is no early agreement on long term policy changes, continued low commodity prices almost certainly mean more emergency farm assistance in 2001 and 2002.

For More Information

Following the congressional debates on the anticipated Farm Bill is best done by logging on to the web sites of the appropriate committees. The House Committee on Agriculture is available at <http://agriculture.house.gov/>. The Senate Agriculture, Nutrition, and Forestry Committee is available at <http://www.senate.gov/committees/agriculture.html>. These sites have many well defined links to other interesting sites.

The views expressed in this article are the author's and do not represent those of the Congressional Research Services.

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American as...New Zealand apple pie? Country-of-origin labeling could be a contentious topic as Congress debates the 2002 Farm Bill. Some farm groups believe labeling will give domestic producers a market advantage; opponents of labeling cite the costs and regulatory burden imposed.

Photo courtesy USDA/ARS.