A LEGISLATIVE PERSPECTIVE ON CURRENT AND FUTURE CHANGES IN U.S. FARM POLICY

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As of this writing, Congress can claim two significant agricultural legislative accomplishments: the Omnibus Reconciliation Act of 1993 (OBRA) and the Emergency Supplemental Appropriations Act of 1993. Also nearly finished is agriculture appropriations legislation for fiscal year 1994.

The first legislative accomplishment, OBRA, is a combination of spending reductions and tax increases designed to reduce the federal deficit nearly half a trillion dollars from fiscal year 1994 to fiscal year 1998. Of that amount, a projected $3 billion is to be saved from agriculture commodity, conservation and crop insurance programs.

There is criticism from some quarters that half of the $3 billion reduction will not be realized as true expenditure reduction. Critics argue that some measures related to crop acreage reduction program levels are specific to conditions in the Congressional Budget Office baseline, which are unlikely to be realized and, consequently, will not result in any savings. Other legislated reductions require the administration to make program changes within its discretionary authority and that it already announced prior to the drafting of legislation. Requirements to reduce excess losses in the Federal Crop Insurance program are cited as an example of changes the administration had already announced. It is also argued that changes in the timing of outlays, such as the requirement to repay soybean loans within the same fiscal year they were originated, do not truly reduce government costs.

The second significant piece of legislation, the Emergency Supplemental Appropriations Act (Supplemental), reflects the president's request to provide emergency flood relief to the Midwestern states. Nearly $2.7 billion in disaster assistance is available to farmers incurring crop losses resulting from 1993 disasters. The cost may well exceed the $2.7 billion estimate, however. The Senate struck the required 50 percent proration of payments which were authorized in the 1990 farm bill. Moreover, there is no absolute limit on total payments because the Supplemental requires the use of Commodity Credit Corporation funds should demands for disaster assistance exceed $2.7 billion. Finally, the Supplemental has been designated as an emergency requirement, thus exempting it from provisions of the 1990 Budget Enforcement Act that would otherwise require offsetting reductions in other appropriations.

The agriculture appropriations bill, in conference report form, awaits Senate action, having passed the House in early August. Some changes may still occur in Senate deliberation, but the $71 billion of budget authority is not likely to change significantly.

How do the events thus far in this congressional session suggest agriculture will fare in the future? It is still too early to draw specific conclusions, but some themes begin to emerge. The Clinton administration has not revealed itself clearly with regard to agriculture, but it does not appear to have the ideological bent against government involvement in agriculture demonstrated by the first Reagan administration and, to a degree, the Bush administration.

The Clinton presidential campaign had endorsed the 1990 farm bill policies but questioned their implementation. Some reductions in agriculture spending, proposed as part of the administration's economic program, seem to echo previous Reagan-Bush proposals. These include increased user-fees, federal crop insurance program reforms, reduction in rural electrification subsidies, and reduced payment acres for income support payments to farmers. Some policies, such as "means-testing" farm program payment eligibility based on off-farm income, suggest a populist inclination to target assistance to some notion of "small" farmers. Proposals for increased rural development program expenditures also reflect a desire to "invest" in the economically deprived. The administration's request for a disaster relief supplemental appropriations bill underscores a desire to help those clearly in need. These inclinations may be repeated in Clinton farm bill proposals in 1995.

Despite the conservative nature of the proposals to reduce agriculture spending, the total cuts, $7 billion in mandatory spending over five years, was less than a third of the $22 billion proposed by President Bush in his 1990 budget submission for fiscal 1991. The $3 billion reduction in farm spending in 1993 OBRA was less than a quarter of the $13.6 billion reduction in 1990 OBRA even though both bills were projected, over a five-year span, to reduce future deficits nearly $500 billion, of which about $100 million were attributed to gross reductions in mandatory spending programs.

For the moment, pressures to change agriculture appear to come from directions other than the budget reconciliation process as they have since 1981. The agriculture appropriations bill awaiting final approval illustrates this. It seeks reforms or reductions in programs that have come under criticism such as federal crop insurance, the Market Promotion Program, and restrictions on export promotion of tobacco and on funding of Women, Infants and Children clinics that do not prohibit smoking and on school lunch programs that require offering whole fluid milk. Also debated was the elimination of fiscal 1994 funding for the honey program.

Other reductions, such as the limitation of annual enrollment in the Wetlands Reserve Program to 50,000 acres, were made to provide additional funding to other Appropriations Committee priorities. These reductions were considered necessary because of the budget caps, continued in the 1993 OBRA, that froze appropriations spending at, or below, the fiscal 1993 level. This is a trend that will likely continue in the future as capped appropriations spending will force programs to compete just to maintain their real 1994 spending levels. Even greater competition will come from "investment" initiatives announced by President Clinton as part of his economic program.

Further changes to agriculture will be proposed in the Clinton administration's National Performance Review as part of the effort to "reinvent government." The introduction already made contains proposals to transfer the Food Safety Inspection Service from the U.S. Department of Agriculture (USDA), to the Food and Drug Administration, eliminate the wool, mohair and honey programs, and close and consolidate USDA agency field offices.

Perhaps the most noteworthy aspect of these developments from a legislative perspective is their drifting from the legislative jurisdiction and vehicles over which the Agriculture Committees have primary control. In the past, a multi-year farm bill has been the venue for debate and votes on such issues. Today, we see the debate happening in the Appropriations Committee and, in the case of reinventing government, before committees concerned with government operations and other jurisdiction. That means not only less control over legislation and floor rules governing that legislation, but also repeated votes on issues. The honey program, for instance, will not only have been debated and voted on three or four times this year as part of OBRA and appropriations bills, it will still face legislation under the National Performance Review proposals.

Trade issues, principally the North American Free Trade Agreement (NAFTA) and trade liberalization under the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), hold the promise of net benefits for American agriculture. It is unclear when implementing legislation will appear before Congress, however. While the administration has a NAFTA agreement in hand, it faces daunting opposition in the House. Majority Whip David Bonior has said he thinks three-quarters of House Democrats will oppose NAFTA. This makes its passage questionable at best.

The trade agreement in GATT has yet to be concluded in spite of the expiration of the congressional fast track resolution in December of this year. Though the focus of negotiations has shifted to non-agricultural issues, because of the Blair House agreement between the United

States and the European Community, the new French government is making declarations that seek to undermine the Blair House accord and may be eliciting German support for their position.

Of interest is the possible interaction of NAFTA and GATT. There is no requirement that NAFTA legislation be taken up before GATT, but its defeat would appear to have a most deleterious effect on GATT negotiations, shoring up the French position to undermine the Blair House accord. It appears some of the agricultural NAFTA opposition may be more anti-GATT in nature—such as that of some farm commodity interests to Section 22 quota protection—with hope that a defeat of NAFTA would lead to a failure in the GATT negotiations. All this suggests the legislative outlook, both strategy and outcome, is unclear, which is unfortunate because it may be agriculture's best legislative initiative for some time.

There is some good news on the regulatory front. The Clinton administration has released a policy statement on wetlands protection. Regarding agriculture, the statement announces that recently completed agency rule making will assure that about 53 million acres of prior converted cropland will not be subject to regulation under Section 404 of the Clean Water Act. In addition, the statement designates USDA's Soil Conservation Service (SCS) the lead agency on wetland delineations for agricultural lands and provides that SCS and other involved agencies will use the same procedures to delineate wetlands.

In a similar spirit for pesticide legislation, the Clinton administration has indicated it will propose food safety legislative alternatives to the Delaney clause, a 1950s provision of law that requires the presence of no carcinogenic agents. This is particularly important since courts have held that Delaney is an absolute standard, overturning the *de minimus* standard for pesticide residue that has been used for some time. Such a court ruling threatened the use of many currently registered pesticides.

For the longer term, we must look to the 1995 farm bill. As stated earlier, a Clinton farm bill might have a structure similar to the 1990 farm bill, with populist overtones. Though the president's farm policy may seek to preserve a large measure of the budget resources for farmers, larger budget policy concerns may not permit this.

The Congressional Budget Office (CBO) has just released the August update of its 1994 budget outlook. Taking account of the recently passed OBRA and recent macroeconomic changes, the CBO projects the deficit to decline from $266 billion in fiscal 1993 to $190 billion in fiscal 1996 and then to increase to $360 billion by fiscal 2003. More importantly, the deficit increases its share of Gross Domestic Product every year, from 2.5 percent in 1998 to 3.6 percent in 2003. This is largely the result of double digit growth rates in Medicare and Medicaid, the only major spending categories to increase faster than growth in the economy.

These projections suggest that more budget cuts face Congress before the deficit ceases to be an economic problem. The analysis of the deficit's increase, growth in health care program spending, suggests at which area the reductions might be best directed, but it is questionable if this will happen. The Clinton administration health care reform proposals are expected to increase access to health insurance and health care. Health care reform, when finally passed, may further reduce the Medicare and Medicaid spending levels, but it will unlikely alter the cost structure of providing health care, at least over the next five years. Consequently, in 1995, the Clinton administration and Congress may feel the need to further reduce entitlement spending. To attempt to stem the growth, additional cuts in health care programs may be in order, but other entitlement programs will not go unscathed.

Congressional budget committees will not likely focus on popular health care programs only. They will likely seek significant reductions in other entitlement programs such as agriculture, veterans, or federal retirement, even though these programs represent 2 percent, 5 percent and 22 percent, respectively, of 1998 health care program outlays. Agriculture, with two million farmers, may have the smallest constituency of these three, and budget committees may remember that agriculture took only a $3 billion reduction in the 1993 OBRA. If they believe only half were true program reductions, and recall the $2.7 billion in disaster assistance, budget committees may seek reductions in agriculture similar to the 25 percent of projected spending obtained in the 1990 OBRA.

Reductions of this magnitude may lead agriculture committees back to reductions in payment acres, the most obvious means to reduce deficiency payments, which are the bulk of annual commodity program outlays. New approaches also may receive consideration. One alternative might be to convert income support payments into some form of conservation/environmental payments made for compliance with so-called sustainable cultivation practices. These payments would not in themselves reduce expenditures, but would broaden the political constituency for payment to farmers. Revenue insurance, in one form or another, may be considered as a policy that could reduce commodity program spending while providing producers a means to manage risk associated with crop loss and macroeconomic factors that have affected farm income beyond the reach of traditional farm programs.

Pressure for legislative changes will continue to confront agriculture on several new fronts. The question for agricultural interests and policymakers is whether they will look forward, and adapt, to changes or resist and fight rearguard battles, perhaps dissipating the government resources available to agriculture.