Agri-Pulse Communications, Inc.

April 18, 2012 Volume 8, Number 16

Senate ag panel sets farm bill markup for next week

The Senate Agriculture Committee expects to have a preliminary version of the 2012 Farm Bill ready by the end of this week, in the hope of beginning the mark-up process next Wednesday, April 25, according to panel Chair Debbie Stabenow, D-Mich.

"We have a tremendous amount of consensus around a majority of the bill," she said. **"We're still working through all the pieces, but I feel confident that we're going to have a strong, bipartisan bill."**

Senate Agriculture Committee Chair Debbie Stabenow, D-Mich.

The committee mark-up of new multi-year farm legislation, to be undertaken title by title, will most likely include the $23 billion in reductions that the committee outlined last fall. Stabenow said she doesn't expect to deal with amendments for every title during the mark-up. However, she and Ranking Member Pat Roberts, R-Kans., both noted during a session with the National Association of Agricultural Journalists that the Commodity Title proves to be the most challenging during every farm bill.

"This may not be best possible bill in the eyes of some commodity groups. But it's the best bill possible," Roberts said. "I think we can convince a majority of commodities that the need to move and come together and prove to leadership that we can get this on the floor within a week."

Stabenow noted that the committee made a decision to eliminate direct payments, given to farmers regardless of actual plantings, but that the safety net will be risk-based with crop insurance as a foundation.

"We've heard that crop insurance is the most important thing to farmers and we anticipate being able to make improvements," she said, also noting that crop insurance legislation for specialty crops is still being adjusted.

"I hope we don't get back to situation where farmers are planting for the government as opposed to the market," Roberts said when asked about raising target prices.

Other issues include a National Cotton Council proposal, the Stacked Income Protection Plan (STAX), which may be noncompliant with WTO rules, a situation that must be remedied, said Stabenow.

"Brazil has raised a number of concerns," she said. "We're working through how we can accommodate those. I expect that they may have concerns with whatever we have, but we can still be reasonable and have something we believe is defensible."

Roberts said it should be possible for USDA, the National Cotton Council and Senate Committee members to develop something from the STAX proposal that would eliminate WTO concerns.

"I think we're making real progress," Roberts said. "The members of the committee know we're under a deadline and we have to move very expeditiously."

Stabenow said the Energy Title has a limited amount of mandatory funding, but will include some authorizations and loan guarantees. The Livestock Disaster Assistant Program will be continued, but committee sources are signaling that the Livestock Title could be eliminated.

She added that the focus of the Nutrition Title will be the elimination of fraud and abuse in the Supplemental Nutrition Assistance Program (SNAP), as well as modifications to the Low Income Home Energy Assistance Program (LIHEAP) payments.

"My focus on SNAP is to make sure not a dollar of it goes where it shouldn't," she said.

House Ag Committee Chairman Frank Lucas, R-Okla.

While the Senate Committee attempts to write a mark-up to save $23 billion in the next farm bill, the House Agriculture Committee will hold its last farm bill field hearing on Friday in Dodge City, Kansas. Lucas said the House panel will then begin hearings in Washington.

While recognizing that budget proposals from President Obama and House Budget Committee Chairman Paul Ryan both suggest more than $30 billion in reductions for agriculture and cuts to the crop insurance program, Lucas said the Agriculture Committees are best left to make those budget reduction decisions because they "understand the subject matter, the consequences and the historic process" of farm policy.

"If crop insurance is the way we go then we have to make it more efficient," Lucas said. "But don't kill the program by taking away the incentive to participate. Crop insurance has already given a huge amount of dollars."

When it comes to dairy policy, Lucas said "it's easy to understand why [the industry] would want to do something different," given that the dairy sector just experienced a decade worse than any other in the agricultural industry. "Unfortunately, dairy policy is as complicated as any farm policy in the world," Lucas said. "How do you craft policy that saves money and that makes a policy difference?" He said that Ranking Member Colin Peterson, D-Minn., made considerable progress with the reforms of the Dairy Security Act, but it is not likely to satisfy everyone. Lucas declined to comment on exact components of a new farm bill yet, but that "assuredly there will be some very lively debate when it gets to the floor of the House."

Peterson said he questioned the reintroduction of conservation compliance to crop insurance, which is encouraged by some agriculture and environmental groups as necessary, given the likely elimination of direct payments.

"I don't know how you make that work without screwing the system up," he said. "When we decoupled conservation from crop insurance in 1996, the main reason was to get more participation in crop insurance and it worked."

Peterson questioned the availability of people to police compliance with conservation requirements, as well as avoid the temptation for growers to opt out of a joint compliance and crop insurance system as commodity prices rise.

Stitching together the remaining pieces of a new farm safety net will be a more difficult task for the House panel, he predicted.

The multi-faceted approach recommended by ag committee leaders last fall will "be a place to start," Peterson told *Agri-Pulse* recently. "The issue is how do we untangle this dispute we have about target prices and revenue programs and having a choice, and STAX for cotton. You've got folks on different sides of those issues and that's going to be a challenge to pull that together."

Lucas: Budget reconciliation recommendations 'just an exercise'

The House Agriculture Committee Chairman Frank Lucas, R-Okla., says recommendations for budget reconciliation cuts required by the House Budget Resolution are "just an exercise, and not the farm bill." It's the perspective he will bring to a panel business meeting at 10 a.m. today.

Reconciliation instructions for the House Agriculture Committee require lawmakers to make policy changes that result in 1-, 5-, and 10-year savings estimates of $7.7 billion, $19.7 billion, and $33.2 billion, respectively. The committee's GOP majority is expected to recommend during today's meeting that budget reconciliation cuts required by the House Budget Resolution be met entirely by reforms, elimination of loopholes and the reduction of waste, fraud and abuse in the Supplemental Nutrition Assistance Program (SNAP), formerly known as the food stamp program.

"We don't expect the Senate to take up the reconciliation process," Lucas said. "It's just an exercise to demonstrate our ability to achieve savings."

Ranking Member Colin Peterson, D-Minn., said "this is not the time to have the fight" over the food stamp budget, because the reconciliation process "doesn't mean anything.

"All the House Committee members agreed we shouldn't give it any credibility," he said. "We just have to get through the process."

Peterson was critical of the House Budget Committee, saying the budget reconciliation process impedes progress to a mutually agreeable farm bill. He acknowledged that the Senate Agriculture Committee's farm bill reductions will be at $23 billion, while House Republicans will want to reach a reduction as high as $34 billion.

"We'll have another fight over food stamps when we get to the farm bill and that will be legitimate," he added.

Framework discussions continue between U.S. and Brazil

Top trade officials from the U.S. and Brazil met in Washington, D.C. on Tuesday for their second quarterly meeting to discuss their Memorandum of Understanding (MOU) and a Framework Agreement developed as a result of Brazil's successful challenge to U.S. farm and export programs under the World Trade Organization (WTO) rules.

"We continue to make progress," noted U.S. Trade Ambassador Isi Siddiqui during an interview with Agri-Pulse Tuesday. "The focus of the framework discussions are on potential changes in the U.S. export credit guarantee program (GSM-102) and the domestic support for cotton, which has two parts of concern in the WTO decision: the counter-cyclical payments and the marketing loan program." Siddiqui said discussions also focused on how the transfer of $147.3 million in trade retaliation funds are being used in Brazil.

In January, Brazilian Representative Roberto Azevedo sent a letter to Senate Agriculture Committee Chairman Debbie Stabenow, outlining a long list of changes that his government would like to see made in U.S. cotton programs and trade policy in order for it to be "less trade-distorting." At that time, Azevedo wrote that the National Cotton Council's STAX proposal would "likely result in the highest level of trade distortion of all of the proposals examined by us," but failed to define what type of program would actually be acceptable.

Siddiqui said the Brazilians **"continue to make the same points that they made in the letter. Nothing has changed there."** But he expressed confidence that these issues will be addressed as lawmakers write the 2012 Farm Bill. "The issue is with the trade-distorting nature of the programs in place between 1999-2005," he added. "If Congress makes changes where it (the cotton program) is less trade distorting, USTR will work in terms of setting that kind of program and reaching a mutually agreed upon solution," he added.

Siddiqui said the GSM-102 program will need to be modified to make it more market-based and risk based, "more comparable to private sector financing." He suggested shortening the duration of loans to 180 days and increasing the loan premiums as examples of possible changes.

Sen. Conrad's Budget: Back to Bowles-Simpson

After almost three years of criticism from GOP leaders for not passing a budget, Senator Kent Conrad, D-N.D., will begin a Senate Budget Committee markup Wednesday of President Obama's Fiscal Commission Budget Plan, the Bowles-Simpson plan. That mix of budget cuts and tax increases won bipartisan support in 2010, but failed to win enough votes to advance.

"I recognize adjustments will have to be made to this plan before it can be adopted," Conrad said in a statement Tuesday. "It is not perfect, and it needs to be further updated to account for changes that have occurred since it was drafted in 2010. Those adjustments will have to be negotiated on a bipartisan basis, and those negotiations will take time."

Conrad said he intends to give members of the committee an extended period to evaluate the Chairman's Mark and that while the initial phase of the markup will end on Wednesday, they will not complete work on the plan until later in the year. Conrad is expected to be setting the stage for dealing with hundreds of contentious budget cutting and tax issues in the lame-duck session this fall.

Among the plan's six components is a provision mandating savings by cutting ag subsidies. Others include modernizing military and civil service retirement systems, reforming student loan programs and "putting the Pension Benefit Guaranty Corporation on a sustainable path."

The plan suggests reducing net spending on mandatory agriculture programs by $14 billion from 2013 through 2022 and allowing the Agriculture Committees to reallocate funds as necessary according to their priorities in the upcoming farm bill.

The Fiscal Commission Budget Plan provides a total of $5.4 trillion of deficit reduction over the 10 years, 2013-2022. The plan would reform the tax code as well as repeal the sequester cuts triggered by the Joint Select Committee on Deficit Reduction not reaching agreement and replace them with other savings.

According to the plan's text, it reduces the deficit from 7.6% of GDP in 2012 to 1.4% of GDP in 2022, and stabilizes the federal debt by 2015, bringing it down after that.