

President Obama Unveils Details Of How He Would Cut The Farm Safety Net

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About ten months ago, members of the bipartisan National Commission on Fiscal Responsibility, who were appointed by President Barack Obama, formally unveiled their plan to cut federal spending and raise revenues in an attempt to reduce the federal deficit by about \$4

trillion over the next decade. But they failed to advance the plan for congressional consideration. The Commission needed a supermajority of 14 votes, but only 11 of the 18 members endorsed the plan.

President Barack Obama reacted cautiously. He praised the commission, but didn't endorse any of their specific proposals, which included \$15 billion in gross cuts to farm programs, with \$5 billion of that amount reinvested in a standing disaster program.

Since that time, the president has been holding his cards close to the vest. Over the last few months, we've seen several other ideas surface: Rep. Paul Ryan, R-Wisc., had a budget plan, along with the Senate's "Gang of Six" and even Vice President Biden's was working on a budget proposal. However, none of these gained political traction before the debt ceiling needed to be raised in late July and Congress punted the duties of trimming the federal deficit by at least \$1.5 trillion to a new bipartisan "supercommittee."

Fast forward to September.

Facing the lowest poll ratings of his presidential career and an unemployment rate over nine percent, the president unveiled a \$447 billion jobs plan. To pay for it, he offered to provide advice on how the new "supercommittee" should raise revenue to pay for his new plan and cut thousands of federal programs.

Standing in the White House Rose Garden, President Obama outlined his \$3 trillion in deficit reduction recommendations to the bipartisan "supercommittee." Most farm and commodity groups were shocked to see that the level of cuts totalled about \$33 billion for agriculture--more than double what had originally been proposed by the president's original deficit cutting team.

Here's what the President now proposes for agriculture, according to a White House Fact sheet:

Eliminate direct payments. "Taxpayers continue to foot the bill for these payments to farmers who are experiencing record yields and prices," according to the White House. "More than 50 percent of direct payments go to farmers with more than \$100,000 in income, the document states, but this proposal would eliminate direct payments, regardless of size. This change would save the Government roughly \$3 billion per year, they estimate, because more producers would opt into the Average Crop Revenue Election (ACRE) program.

Cut crop insurance. While acknowledging that "crop insurance is a foundation of our farm safety net," and that "83 percent of eligible program crop acres are enrolled in the program," the White House says the program continues to be highly subsidized and costs the taxpayers approximately \$8 billion a year to run: \$2.3 billion per year for the private insurance companies to administer and underwrite the program and \$5.7 billion per year in premium subsidies to the farmers. The president proposes these changes:

- Streamline the administrative costs of the program by lowering crop insurance companies' rate of return to meet the 12 percent target, saving \$2 billion over 10 years.

- Cap administrative expenses at \$0.9 billion adjusted annually for inflation, which would save \$3.7 billion over 10 years.

- Price the premium for catastrophic coverage policies more accurately, saving \$600 million over 10 years.

- Shave two basis points off any coverage premium subsidy levels that are currently offered

above 50 percent, saving \$2 billion over 10 years.

Better target agricultural conservation assistance. Citing a "dramatic increase in funding (roughly 500 percent since enactment of the 2002 Farm Bill) has led to difficulties in program administration and redundancies among our agricultural conservation programs," the White House noted. "At the same time, high crop prices have both strengthened market opportunities to expand agricultural production on the Nation's farmlands and decreased producer demand for certain agricultural conservation programs.

The Administration proposes to reduce conservation funding by \$2 billion over 10 years by "better targeting conservation funding to the most cost-effective and environmentally-beneficial programs and practices." And Administration source says the Conservation Reserve Program would be one example of a conservation program targeted for cuts.

Extend mandatory disaster assistance. The Administration strongly supports disaster assistance programs that protect farmers in their time of greatest need. To strengthen this support, the Administration proposes to extend these programs, or similar types of disaster assistance that are of a similar cost, for the 2012 to 2016 crops. The programs provide financial assistance to producers when they suffer actual losses in farm revenue, loss of livestock or the ability to graze their livestock, loss of trees in an orchard, and other losses due to diseases or adverse weather. The farm revenue program (commonly referred to as SURE) provides whole farm revenue coverage to farmers at a revenue level that is essentially 15 percent higher than their crop insurance guarantee.

Target Medicare support. "Given the importance of Medicare to rural seniors, the program provides special payments to rural hospitals and doctors. Some of these payments, however, are not justified and threaten to undermine those that are. The proposal would better target Medicare's Critical Access Hospital program and eliminate the new special add-on payments to providers in some, but not all, rural States -- saving \$6 billion over the next decade from the \$60 billion.

Although the White House didn't outline rural revenue raisers, the White House also proposed a series of new users fees on things like pesticide registration.

House Agriculture Committee Chairman Frank Lucas (R-OK) and U.S. Senator Pat Roberts (R-KS), Ranking Member of the Senate Agriculture Committee, said President Obama's debt plan is "not credible" and said his priorities reveal a "lack of knowledge of production agriculture and fail to recognize how wholesale changes to farm policy would impact the people who feed us.

"For example, cutting \$8 billion from the crop insurance program puts the entire program at risk. We have heard again and again from producers that crop insurance is the best risk management tool available. In jeopardizing this program, the President turns a deaf ear to America's farmers.

Meanwhile, SURE (Supplemental Revenue Assurance Program) has not worked as intended for most crops, but the President proposes extending it. The President only proposes a \$2 billion cut, roughly three percent, to conservation despite his claim that conservation spending has increased 500 percent through the years.

And, the President does nothing to address waste, fraud, abuse, and other integrity issues within nutrition programs, which account for 80 percent of USDA spending.

Veteran farm bill watchers point out that President Obama won't be the first or the last resident of the White House to have their proposals be quickly declared "dead on arrival" but that his proposal adds more fuel to a budget cutting fire that's already been heating up in recent months. Δ

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