

## The Economic And Political Setting For The 2012 Farm Bill



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What a difference an election makes when it comes to writing a new farm bill. Before November 2, 2010, House Agriculture Committee Chair Colin Peterson (D-MN) wanted to write the new farm bill in 2011. In the new Congress, he will be the Ranking member and Frank Lucas (R-OK), who will be the new Agriculture Committee Chair, has indicated that he prefers 2012.

The Senate Agriculture Committee will have a new chair, as a result of Arkansas Democrat Blanche Lincoln's loss in her bid for re-election. Because the Democrats retained control of the Senate, albeit by a smaller margin, they will have to appoint a new chair.

In addition to Lucas' desire to move slowly on writing a new farm bill, as a result of the election, at least 20 of the 46 members of the House Ag Committee will be new, both to the House and the Committee. The new members will face a steep learning curve in order to become conversant in the arcane details of the farm bill and the many programs it encompasses. If for no other reason than that, it would be unrealistic to expect to see legislation move quickly through the committee.

While Peterson is a known quantity when it comes to writing a farm bill, it will take some time to have a clear vision of the approach Lucas will bring to the process. In the past, Lucas has been more partisan than Peterson. How this will play out as he tries to fashion the kind of coalition that is needed to pass a farm bill is yet to be determined.

One thing Lucas has been clear about is that he strongly supports direct payments and has given no indication that he would be willing to divert some of that money to other programs like insurance.

Talking about money, that could be a problem in writing new legislation for a number of reasons. First, current prices are high and if they

stay that way until the March 2012, 10-year projection of the cost of continuing current programs – called the baseline – will be low, leaving the farm bill folks with a smaller pot of money to divide up among the many programs.

Second, long-time chief economist of the House Agriculture Committee, Craig Jagger, has identified at least 37 current programs or provisions that have no baseline funding after 2012. These programs include: the EQIP program which provides funds to help farmers come into compliance with environmental regulations; the Wetlands Reserve program, the Grasslands Reserve program, the McGovern-Dole International Food for Education and Child Nutrition program, and the SURE permanent disaster assistance program (it has no funding after 2011). Jagger estimates that it would take \$9-\$10 billion to fund these programs over ten years.

Under the current "pay as you go rules," to fund these programs Congress has to find a funding offset. That means that money will have to be taken from another program or the program will not be funded. As Jagger says, "you essentially are looking at robbing Peter to pay Paul."

Third, many of the funding gimmicks that were used to fund 2008 Farm Bill programs – note 2008 was also a year with high commodity prices and a relatively low baseline – have been used up and are not available for the new legislation.

Fourth, Concern over deficit reduction may result in spending reduction targets being given to all committees. So, in addition to a lower baseline, and \$10 billion in unfunded programs, the agriculture committees may have to content with an additional reduction in the money they have to fund the many programs in the farm bill.

As if that weren't enough, the recently adopted FMAP/Education jobs law was funded by using \$12 billion over the next 10 years from the food stamps program; and the child nutrition bill, now before Congress, may also use food stamp funding as an offset for its costs. That will leave the nutrition portion of the farm bill also short of money.

While we can't predict what Congress will do, we can be confident in predicting that the next two years will be a nail-biter for farmers. △

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