Where Will Agriculture Spending Be Cut?

SARA WYANT

WASHINGTON, D.C.

Even though Commodity Credit Corporation (CCC) spending accounts for less than one half of one percent of all mandatory and discretionary federal spending forecast over the next decade (2012-2021), most Hill sources say it is not a matter of "if" but "what" farm bill programs will be targeted for cuts out of the agriculture spending baseline. House Budget Committee Chair Paul Ryan, R-Wisc., announced recently that "Washington's spending spree is over."

Laying out a plan to cut the federal budget for the current fiscal year by $74 billion compared with the administration's budget request, Ryan said that "As House Republicans pledged and voted to affirm on the House floor last week, the spending limits will restore sanity to a broken budget process and return spending for domestic government agencies to pre-stimulus, prebailout levels."

Ryan's proposal for an overall 9 percent cut in non-defense, discretionary spending would include a 14 percent cut for farm program spending, totalling about $3 billion. He's not alone in calling for cuts across all areas of federal spending. Even a farm bill "champion" like Sen. Kent Conrad (D-ND) offered a net $10 billion in savings from agriculture as part of the federal deficit reduction commission task force.

Conrad said a Congressional Budget Office (CBO) forecast that the federal deficit for fiscal 2011 will be nearly $1.5 trillion "should be a red light flashing to the nation. Our fiscal situation is serious and becoming more so." The chairman said the federal government is borrowing 40 cents of every dollar it spends and that spending as a share of national income is at its highest level in 60 years. Meanwhile, revenue as a share of national income is at its lowest level in 60 years. "No wonder that we are headed for the largest deficit ever. This is utterly unsustainable, and the sooner we come to grips with it, the better," Conrad said.

According to the most recent CBO update for the Commodity Credit Corporation (CCC), high commodity prices are driving lower spending on commodity programs, while the costs for other areas increase. Outlays from the CCC are expected to be $8.9 billion in 2012 with spending on commodity programs totaling $4.7 billion next year–considerably lower than the record $32.27 billion in CCC outlays in 2000. Projected spending on conservation and energy program spending also declines relative to earlier CBO projections for the 2008 Farm Bill, while spending levels for crop insurance and nutrition programs continue to climb. The chart below, developed by the former Ranking Senate Agriculture Committee Member Sen. Saxby Chambliss' economist, compares the new baseline to the same period in the August 2008 CBO update, except the food stamp program, which is now called the Supplemental Nutrition Assistance Program (SNAP) totals are from the final farm bill cost estimate.

Nutrition program spending fills up a larger piece of the Farm Bill "pie" with the share growing this year totaling about 81 percent of the House and Senate Agriculture Committee's baseline spending. (Note: The Senate Agriculture Committee has jurisdiction over the child nutrition programs which the House Agriculture Committee does not.) Commodity, conservation and crop insurance represent 5 percent, 6 percent, and 8 percent respectively. (See pie chart.)

Compared to the March 2010 baseline, outlays for upland cotton are forecast to fall significantly, with higher spending levels for feed grains and oilseeds.

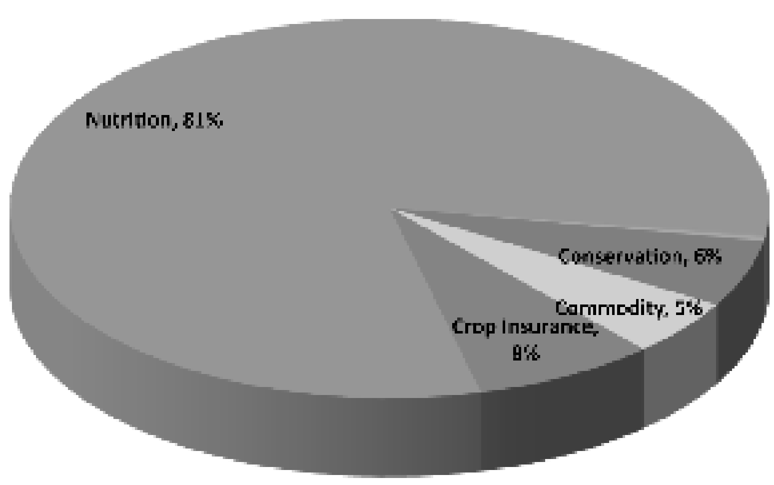
Outlays in the Average Crop Revenue Election (ACRE) program for corn and soybeans will total nearly $2 billion and $1.6 billion respectively over ten years while historic prices for upland cotton reduce projected outlays by $1.7 billion for counter-cyclical payments and $302 million in marketing loan benefits over the same period.

Direct payments, a frequent target for deficit hawks, are projected to cost about $5 billion annually from 2012-2021, with the exception of $4 billion in 2012. Complicating the budget cutting picture: the permanent disaster program (SURE), along with dozens of conservation and energy programs, expire with the 2008 Farm Bill, requiring Congress to find over $8 billion more just to continue these programs for 5 years, and over $20 billion for the next 10 years.

Little wonder then, that farm and commodity groups are trying to figure out where to trim, or perhaps improve programs, while still providing a strong safety net. Commodity prices are really good now, emphasized National Farmers Union President Roger Johnson during a recent speech at the Crop Insurance Industry Annual Convention. "But how many of you think they will still be this high five years from now?" he asked. No one raised a hand. Δ

	Farm Bill	CBO January 2011	Difference
(billions)	2012-2016	2012-2016	
CCC - Total	$60,667	$49,144	-$11,523
Commodity Programs	$40,927	$29,443	-$11,484
Conservation Programs	$31,018	$29,105	-$1,913
Crop Insurance	$33,672	$38,598	$4,926
Trade	$1,737	$1,739	$2
Energy	$785	$431	-$354
SNAP	$210,886	$367,651	$156,765

FY 2012 Farm Bill Baseline



SARA WYANT: Editor of Agri-Pulse, a weekly e-newsletter covering farm and rural policy. To contact her, go to: http://www.agri-pulse.com/

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