



02-26-09

## **President's budget includes both winners & losers at USDA**

By Jon H. Harsch

© Copyright Agri-Pulse Communications, Inc.

True to President Obama's promise of change, his budget announced Thursday includes major shifts in funding at the U.S. Department of Agriculture. For details on the biggest change, the phase-out of direct payments to farms with annual sales revenue over \$500,000, click on: <http://www.agri-pulse.com/uploaded/20090226H.pdf>

The full list of changes in the proposed budget include:

### **Funding Highlights:**

- Provides over \$20 billion in loans and grants to support and expand rural development activities, including small businesses, renewable energy, and telecommunications.
- Includes a \$50 million increase to address deferred maintenance on the most critical health and safety infrastructure within our national forests.
- Supports the implementation of a \$250,000 commodity program payment limit. The payment limit will help ensure that payments are made to those who most need them. [Note: the White House has issued a correction on this item which initially was stated as a \$500,000 limit]
- Reflects the President's commitment to wildfire management and community protection by fully funding suppression costs at the 10-year average, establishing a discretionary contingent reserve for wildfires, and including program reforms to ensure fire management resources are focused where they will do the most good.
- Fully funds the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to serve all eligible individuals.
- Includes \$1 billion per year for the Child Nutrition reauthorization.
- Supports a pilot program to help increase senior participation in the Supplemental Nutrition Assistance Program.
- Reflects the President's commitment to supporting independent producers through improved enforcement of the Packers and Stockyards Act and investing in the full diversity of agricultural production, including organic farming and local food systems.
- Reflects the President's commitment to fiscal responsibility by reducing direct payments to the largest farmers, reducing crop insurance subsidies, eliminating cotton storage credits, eliminating funding for the Resource Conservation and

Development program, and reducing program funding for overseas brand promotion.

The budget's section on agriculture includes these specifics:

The United States Department of Agriculture (USDA) provides leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management. USDA focuses on further developing alternative markets for agricultural products and activities, providing financing needed to help expand job opportunities and improve housing, utilities and infrastructure in rural America, enhancing food safety by taking steps to reduce the prevalence of foodborne hazards from farm to table, improving nutrition and health by providing food assistance and nutrition education and promotion, supporting international agricultural and economic development, and managing and protecting America's public and private lands working cooperatively with other levels of government and the private sector. This Budget provides \$26 billion in discretionary budget authority to support this mission.

**Supports Strong farm and Rural Economic development.** The President's Budget targets farm programs to family farmers and provides the stability and predictability they need. The Budget will also provide American farmers with protection from market disruptions and weather disasters. At the same time, program effectiveness will be improved through restrictions on commodity payments to wealthy farmers. The President supports the implementation of a \$500,000 commodity program payment limit, which will help ensure that payments are made only to those that most need them. To spur the development of small business and value-added agriculture in rural America, the President's Budget provides \$61 million for five rural Development programs: the rural microentrepreneur assistance program, rural cooperative development grants, value-added producer grants, grants to minority producers, and cooperative research agreements.

**Develops Rural Broadband Services.** Modern technology is critical to the expansion of business, education, and health care opportunities in rural areas and the competitiveness of the Nation's small towns and rural communities. The Budget provides \$1.3 billion in loans and grants to increase broadband capacity and improve telecommunication service and education and health opportunities in rural areas.

**Promotes Rural America's Leadership in developing Renewable Energy.** America's farmers have been on the forefront of the renewable fuels movement. The President has been a strong proponent for increasing the national supply of home-grown American renewable fuels. This Budget ensures that the Nation's rural areas continue their leadership in this arena by supporting an additional \$250 million in loans and grants. rural America is poised to produce and refine more American biofuels; provide more wind power than ever before; and create millions of new jobs across the country.

**Supports Rural Revitalization, Education, and Land Grant Programs.** The Budget includes an additional \$70 million for rural areas, for competitive research grants that provide incentives for teachers working in rural areas to pursue professional development, and to enhance existing rural research and extension programs at land grant and minority-serving institutions.

**Protects the Nation's forests.** The Budget reflects the President's commitment to protecting and restoring our national forests as a cornerstone of a healthy, sustainable environment. The Budget provides a \$50 million increase (plus inflation) for national forest operations to protect natural resources and maintain facilities, including those that are restored with 2009 American recovery and reinvestment Act investments.

**Responsibly Budgets for Wildfires.** The Budget fully funds the 10-year average suppression costs, establishes a discretionary funding reserve, and ensures fire management resources are used in a cost-effective manner in high-priority areas. The \$282 million discretionary contingent reserve provides funding for firefighting when the \$1.1 billion appropriated 10-year average is exhausted. This proposal will ensure that fire management resources are sufficient to allow for other critical Forest Service activities.

**Conserves New Lands.** The Budget includes \$119 million, a \$34 million increase, in Forest Service funding through the Land and Water Conservation Fund to acquire easements on forested lands under significant development pressures. These conservation easements will protect air and water quality, provide access to national forests, and provide habitat for threatened or endangered wildlife and fish.

**Supports Conservation.** The Administration fully supports partnering with landowners to conserve land, protect wetlands, improve wildlife habitat, expand hunting and fishing opportunities, and promote other conservation initiatives. In this vein, the Administration funds several vital conservation programs including the Conservation Stewardship Program, the Conservation Reserve Program, and the Environmental Quality Incentives Program and conservation tax incentives that were provided in the 2008 Farm Bill.

**Strengthens Nutrition Assistance.** The President's Budget supports a strong Child Nutrition and WIC reauthorization package that will ensure that low-income children receive the nutrition assistance they need and help fulfill the President's pledge to end childhood hunger by 2015. The Budget provides an increase of \$1 billion annually for program reforms aimed at improving program access, enhancing the nutritional quality of school meals, expanding nutrition research and evaluation, and improving program oversight. Funding is also provided to support over 9.8 million participants in the WIC program, which is critical to the health of pregnant women, new mothers, and their infants.

**Responds to the Needs of Low-income Americans.** The President supports the nutrition provisions incorporated in the American Recovery and Reinvestment Act, including a temporary increase in the Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamps, to help strengthen the food purchasing power of low-income families during these tough economic times. The President also supports additional resources for food banks and community-based food providers, which help many families put food on the table. Additionally, the Budget provides funding for an innovative pilot initiative to increase participation among low-income seniors, who are among the most vulnerable and hardest-to-reach populations in SNAP, to ensure they receive the benefits for which they qualify.

**Enhances Food Safety.** The President's Budget takes steps to improve the safety of the Nation's supply of meat, poultry and processed egg products and to ensure that these products are wholesome, and accurately labeled and packaged. The Budget provides additional resources to improve food safety inspection and assessment and the ability to determine food safety risks. This will lead to a reduction in foodborne illness and improve public health and safety.

**Supports Independent Producers.** Protecting producers against unfair, deceptive, and fraudulent practices is essential to a fair and efficient marketing system. Additional resources are provided to improve the enforcement of the Packers and Stockyards Act to help accomplish this. The Budget also proposes increased funding to enhance the National Organic Program through additional education and outreach, as well as enforcement to maintain labeling credibility.

**Pursues Fiscal Responsibility.** As part of the President's commitment to fiscal responsibility, the Budget includes several significant offsets. The proposals include programmatic changes that:

- **Reduce direct Payments.** As part of an effort to transition large farms from direct payments provided to owners of base acres to increased income from revenue derived from emerging markets for environmental services, the President's Budget phases out direct payments over three years to farmers with sales revenue of more than \$500,000 annually. Presently, direct payments are made to even large producers regardless of crop prices, losses, or whether the land is still under production. The program was introduced in the 1996 Farm Bill as a temporary payment scheduled to expire, but was included in the 2002 and 2008 Farm Bills. The President wants to maintain a strong safety net for farm families and beginning farmers while encouraging fiscal responsibility. Large farmers are well positioned to replace those payments with alternate sources of income from emerging markets for environmental services, such as carbon sequestration, renewable energy production, and providing clean air, clean water, and wildlife habitat. USDA will increase its research and analytical capabilities and conduct Government-wide coordination activities to encourage the establishment of markets for these ecosystem services.
- **Reduce Crop insurance Premium Subsidies and underwriting Gains.** This proposal would reduce the Federal subsidy to both insurance companies and farmers. Over the last several years, subsidies for crop insurance companies have grown rapidly without improving program coverage or customer service for farmers. Current subsidy levels exceed what is necessary to encourage farmer participation and they do not constitute a sound value to taxpayers.
- **Eliminate Cotton Storage Credits.** The President's Budget proposes to eliminate the requirement for the Government to pay the storage costs of cotton that is put under loan with USDA. Cotton is the only commodity for which this assistance is provided. Storage credits for cotton have been found to have a negative impact on the amount of cotton on the market. Because cotton storage is covered by the Government, producers may store their cotton for longer than necessary.
- **Eliminate the Resource Conservation and development (RC&d) program.** The Budget eliminates funding for the rC&D program. First begun in 1962, the program was intended to build community leadership skills through the establishment of rC&D councils that would access Federal, State and local programs for the community's benefit. After 47 years, this goal has been accomplished. These councils have developed sufficiently strong State and local ties that the Administration believes they are now able to secure funding for their continued operation without Federal assistance.
- **Reform the Market Access Program (MAP).** The Budget reforms MAP by reducing program funding for overseas brand promotion and minimizes the benefits that large for-profit entities indirectly gain as members of trade associations who also participate in MAP. An annual funding reduction of 20 percent will reduce Federal spending and place a greater emphasis on promoting generic American products overseas.

**Support Economic Recovery.** The recovery Act provides USDA with a total of \$27.6 billion, most of which will fund increased benefits to low income families through the Supplemental Nutrition Assistance Program (\$20 billion). In addition, the Act provides \$6.9 billion in discretionary appropriations for rural development activities such as construction and renovation of rural water and wastewater systems, low income housing loans, broadband infrastructure in rural areas, rural business programs, and construction of Forest Service facilities. Finally, the Act provides \$700 million in mandatory farm disaster assistance.