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House Ag Committee letter rejects direct payment cuts

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A joint March 12 letter from House Agriculture Committee Chairman Collin Peterson (D-MN) and Ranking Member Frank Lucas (R-OK) comes out strongly against farm program changes proposed by the Obama administration. The joint letter to the House Budget Committee notes that last year's Food, Conservation and Energy Act (FCEA) "was supported by over 1,000 organizations from across the policy spectrum. . . We believe that it would be unwise to reopen the FCEA to reduce program benefits – especially though proposals similar to those that, during the FCEA debate, were considered and rejected."

The administration proposal put forward by Agriculture Secretary Tom Vilsack would end direct farm program payments to farmers with more than \$500,000 in annual sales revenue. In response, the Peterson/Lucas letter warns that at a time of economic crisis "program benefits of the FCEA should be maintained so that families facing adverse economic conditions, many through no fault of their own, can be helped as intended." The letter points out that "Producers in both the crop and livestock sectors have seen prices decline dramatically from last summer's record high levels. In many cases, production costs that also hit record high levels last summer have not declined as much as prices, setting up a classic cost-price squeeze."

Peterson explains that the 2008 Farm Bill (FCEA) became law only nine months ago and still has not been fully implemented. "Efficient implementation requires a period of stability," he says, adding that "The current economic crisis is having broad impact on our nation and the benefits provided by that broadly supported legislation are essential to the well-being of millions of Americans. We urge the Budget Committee to take these points into consideration while crafting a responsible budget resolution for the coming [2010] fiscal year."

Calling on the House Budget Committee "to honor the commitments made to our producers in the 2008 Farm Bill," Lucas insists that "At a time when our country is facing an economic crisis and commodity prices are plunging, it is important that we do the best we can to provide our farmers and ranchers with the safety net they need to continue to produce the safest, most abundant food supply in the world."

While they reject ending direct payments to large farming operations, in their letter Peterson and Lucas call for other changes to “capture economies and efficiencies in delivering benefits.” Specifically, their joint letter supports:

- Modernization of USDA’s Farm Service Agency (FSA) computer system to replace “aging technology infrastructure and equipment.”
- The proposed Derivatives Markets Transparency and Accountability Act of 2009 “to promote fair and transparent derivatives markets, and to give Federal regulators effective tools to guard against fraud and manipulation” and to “help forestall future needs to interject massive taxpayer resources into rescuing financial institutions.”
- Efforts to “identify waste, fraud, and abuse. . . in government programs” including federal crop insurance and commodity programs.

Earlier this week, Secretary Vilsack indicated that the administration is not irrevocably committed to changing the rules for direct payments. In a press conference Monday, Vilsack acknowledged that “we don’t necessarily have all the right answers. There may be different ways to do what we think needs to be done. At the end of the day, I think what we are interested in is making sure that payments that are made go to farmers who need them and are entitled to them.” He explained he’s convinced that creating ways for more farmers to be paid for the carbon their farming removes from the atmosphere could generate more income than the current direct farm program payments.

He said that there need to be changes in current programs because “these are tough economic times and as we deal with the fiscal realities of trillion dollar deficits, all of us are going to have to come up with creative ways to reduce that deficit.” But he added that in finding new ways, “We’re absolutely willing to work with Congress. They may have better ideas and we’re open to better ideas.”