

**U.S. House of Representatives**  
**Committee on Agriculture**  
Washington, DC 20515

February 15, 2005

The Honorable Jim Nussle, Chairman  
House Committee on the Budget  
309 Cannon House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), we are including below the recommendations of the Committee on Agriculture with respect to agriculture programs within the Committee's jurisdiction.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies that will keep American agriculture and rural communities strong and our citizens healthy and safe. We believe that our current policies—as reauthorized and modified by the 2002 farm bill—do precisely that. These policies fit together into a framework that represents carefully crafted compromises and thoughtful tradeoffs among the commodity, conservation, environmental, food and nutrition, trade, rural development, research, and energy programs under our jurisdiction.

These policies will be re-evaluated in 2007 when current authorizations expire. At that time, we can better evaluate how programs have worked and the opportunities for consolidation and change. We also will have better information on the status of ongoing WTO negotiations, and the results of currently pending WTO challenges. Until then, we should let programs operate as designed.

The farm income safety net is an especially important Agriculture Committee program that is, indeed, working as designed. It works in times of high prices by reducing support that is not needed and works in times of low prices by increasing support at the very times it is needed the most. Producers (and their lenders) need this stable farm income safety net that allows them to do the long-range planning and make the investments needed to compete in an increasingly global economy. Mid-stream is not a good place for changing horses or farm income safety nets.

As was done before the 2002 farm bill, we are already scheduling advance hearings to explore changes, if any, that are needed to ensure that our programs operate as effectively and efficiently as possible while delivering needed benefits and holding down costs.

We already know, without hearings, that lower-than-projected actual costs in farm program spending since farm bill passage have, in effect, lowered the federal budget deficit relative to expectations. Actual costs of Commodity Credit Corporation (CCC) programs are \$14 billion less than CBO predicted for the first three fiscal years (2002 to 2004) of the farm bill. With lower current and projected prices (and for other reasons), CBO expects CCC annual costs to be higher than projected at farm bill passage beginning in FY 2005. Despite the increases, CBO projects that cumulative CCC costs for the fiscal years

corresponding to the farm bill (FY 2002 – 2008) will still be lower (on a comparable accounting basis) than projected when the farm bill was passed.<sup>1</sup>

We understand that our nation faces significant budget pressures and that the Congress has a responsibility to address those pressures. All government safety net programs—not just the farm income safety net—need to be sustainable. And the burden of addressing the nation's budget pressures needs to be broadly shared to be effective.

As you craft solutions to our nation's budget pressures—including the possibility of budget reconciliation—we would like to ask that you consider an increasingly important concern from our committee. Significant funding for the Agriculture Committee's mandatory programs has, in recent years, been cut not by the Agriculture Committee but by the Appropriations Committee one year at a time. These cuts have come largely in conservation, rural development, research, trade, and energy programs. The level of these cuts has been increasing; budget-year levels of these appropriations cuts grew from \$650 million in FY 2004 to \$1.4 billion in FY 2005. When agriculture programs were last reconciled, cuts in Agriculture Committee programs in appropriation bills were not a significant concern. This problem needs to be recognized and addressed as part of any budget reconciliation instructions.

In closing, we recognize, Mr. Chairman, what a difficult task you and your committee have in putting together this year's budget resolution—and possible reconciliation instructions. We want very much to work with you and to do our part in furthering the excellent relationship that our two committees have established and maintained over the years.

Sincerely,



Bob Goodlatte  
Chairman



Collin C. Peterson  
Ranking Minority Member

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<sup>1</sup>By law, the costs of producer payments for the tobacco quota buyout are to be offset by assessment receipts from tobacco companies. The net costs to the government should be zero. In its accounting, CBO charges the producer payments to the CCC fund but credits the assessment receipts to a tobacco excise tax fund outside of CCC. This overstates cumulative CCC costs through FY 08 by over \$4 billion. USDA and OMB count assessments receipts for the tobacco quota buyout as offsets to CCC costs within the CCC budget which makes them net to zero within CCC—as is supposed to happen.

**ADDITIONAL VIEWS TO ACCOMPANY**  
**Letter Transmitting FY 2006 Budget Views and Estimates**  
**Of the House Committee on Agriculture**

Dear Chairman Nussle,

As your Committee considers the elements of the Congressional Budget Resolution for 2006, we ask that you keep in mind these several facts as you review the President's budget submission for agriculture programs.

Following the enactment of the 1996 Farm Bill, Congress passed four years of ad hoc emergency assistance totaling \$26 billion to support farmers when prices fell. The 2002 Farm Bill was designed to remove the need for such assistance by structuring basic farm programs so that they aid farmers when need actually arises. The 2002 Farm Bill also makes important investments in conservation, nutrition, trade, rural development and energy programs.

The first three years of the 2002 Farm Bill, 2002-04, cost an average of \$14 billion, which was 40% less than program and emergency assistance provided in the last three years of the 1996 Farm bill (1999-2001). Over the first three years, the 2002 Farm Bill has also cost \$15 billion less than was originally estimated by CBO at the time the Farm Bill was passed.

Agriculture mandatory spending declines at an average annual rate of 13 percent during fiscal years 2006 through 2010 in the Administration's baseline projections. Total mandatory baseline spending is projected to increase at a 5.6 percent average annual rate over that period. Despite this projected decrease in agriculture spending, the President proposes an additional cut of 5.6% while reducing all other mandatory spending by only 0.6 percent. Agriculture represents 1% of all mandatory spending but is 8 percent of proposed mandatory reductions in the President's budget. The Administration's request for agriculture discretionary funding is 9.6 percent below 2005 while the requested funding for all other discretionary spending (excluding defense and homeland security) is only 0.3 percent below 2005.

The Administration stated that it has completed the Electronic Benefit Transfer (EBT) of food stamp delivery, extending it to all 50 states. EBT, along with information systems to monitor the value and flow of benefits through retailers and track compliance and recently implemented program simplification, has achieved the highest level of food stamp payment rate accuracy and reduced the rate of food stamp trafficking to less than 2.5 cents of each dollar issued, down by half since 1993.

The Administration's budget, however, proposes to change the criteria for how states determine income eligibility for the Food Stamp Program. Households in about 40 states which have streamlined their income eligibility criteria would be affected by the change. Such a change is expected to add to the states' costs of administering the program, as new processes are instituted and adversely affect payment accuracy measures as new systems are instituted. It will also restrict eligibility for working families as they try to break their reliance on benefits programs and move to self-sufficiency.

President Bush has reiterated his goal, stated in his 2005 and 2006 Budget submissions, to cut the deficit in half in five years, from 2004 to 2009. The Congressional Budget Office's (CBO) January 2005 Baseline Projections, which assume no new legislation, show the deficit declining from 2004's \$412 billion deficit to a projected 2009 deficit of \$197 billion (excluding extension of the 2005 emergency supplemental) and less than half of the 2004 deficit. Relative to the Administration's 2004 Budget estimate of a \$521 billion deficit, CBO's 2009 projection is 24% below the President's target of \$260 billion. As a percent of GDP, CBO's January 2005 Baseline deficit falls by more than half, from 3.6% of GDP in 2004 to 1.4% of GDP in 2009. By this standard, no cuts in the Committee's jurisdiction are necessary.

The United States is currently engaged in multilateral trade negotiations that aspire to broadly open markets for U.S. agricultural products. The greatest assets our negotiators have to offer are our domestic support programs. If the cuts proposed in the President's budget are enforced through your Budget Resolution, our negotiators will have less to bargain with and will gain less market access than might otherwise occur.

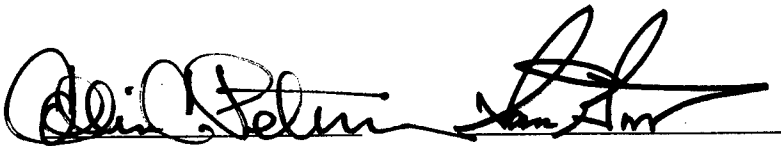
The Farm Security and Rural Investment Act of 2002 is a contract with American agriculture that provides the stability that investment and capital planning require. As former Agriculture Committee Chairman Larry Combest recently said,

*"Our intent when we wrote the (2002) bill was that we would not have any changes in time. Any changes to it now would renege on the existing contract."* (February 15, 2005 before USA Rice Federation Government Affairs Conference, Washington, DC.)

Mr. Chairman, the 2002 Farm Bill is a contract that embodies the importance of a consistent, continuous policy that does not rely on yearly ad hoc adjustments, as you recognized:

*"In providing the needed funds, our committee asked the Agriculture Committee to produce a straightforward bill that avoids gimmicks and leaves enough money to not only meet future crop year needs, but to permanently reform agricultural assistance programs so we can move away from the band aid approach of the past three years. The Agriculture Committee more than met that request."* On passage of FY2001 Economic Assistance bill on June 26, 2001.

Congress should fulfill its contract with American agriculture and its conservation, nutrition, and rural development interests; its expiration in 2007 will be soon enough to review and consider changes.

  
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Ed Case

  
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W. Stewart

Henry Cullen

Jim Holt

Ben Chamblin

Lemuel Davis

John Bennett

Sophanie Fursten

Howard L. Brown

R. G. G.

Cl. Johnson

Rick Zuercher

Tim Holden

February 3, 2005

The Honorable Mike Johanns  
United States Department of Agriculture  
1400 Independence Ave, SW  
Washington, DC 20250

Dear Mr. Secretary:

We are writing to express our concerns regarding the Fiscal Year 2006 budget. The diverse group of organizations signing this letter is concerned that program reductions and/or restructurings could seriously undermine many nutrition, conservation, crop insurance and farm programs that are important to all Americans. We look forward to working closely with you to prevent any ill effects that such reductions would have on these important programs.

All of the American families and industries impacted by USDA's programs have labored hard to work with Congress and USDA to create programs in the Farm Bill that work for our constituents within the specific budget limits provided by Congress. Many of these critically important programs already have sustained budget reductions in recent years. For example, the agricultural appropriations bill is the only appropriations bill to have its 302 (b) allocation reduced in both of the previous two years. These reduced resources, coupled with the need to fund hurricane and other disaster assistance, have necessitated reductions in funding for many discretionary agriculture programs, as well as reductions of \$4 billion in mandatory agriculture programs. As another example, the nutrition of the nation's low-income people is still suffering because of the budget cuts of the 1990s.

The Farm Bill programs play a critical role in the country's economy and benefit all Americans. The 2002 Farm Bill's conservation provisions already are benefiting the environment as part of the "greenest" farm bill ever enacted. USDA's nutrition programs have recently been re-authorized, improving their efficiencies in providing food to the most vulnerable members of our society. Through the first three years of the 2002 Farm Bill, farm program costs have been more than \$15 billion less than the costs initially projected by the Congressional Budget Office when Congress passed the 2002 bill. A budget that requires further cuts or structural weakening in these important programs will put at risk the promising environmental benefits of the bill, and the nutritional health of some of the poorest populations in our country. In addition, with prices for many major commodities falling sharply from last year, reductions to farm programs would come at precisely the time that these supports are most needed in rural America.

We look forward to working with you to maintain the viability and success of these programs of critical importance to our rural, suburban, and urban citizens, as the Fiscal Year 2006 budget is developed.

Sincerely,

Agricultural Retailers Association  
Alabama Farmers Federation  
Alabama Peanut Producers Association  
America's Second Harvest, The Nation's Food Bank Network  
American Association of Crop Insurers  
American Association of School Administrators  
American Baptist Churches USA  
American Beekeeping Federation  
American Corn Growers Association  
American Commodity Distribution Association  
American Cotton Shippers Association  
American Dietetic Association  
American Farm Bureau Federation  
American Farmland Trust  
American Federation of State, County & Municipal Employees (AFSCME)  
American Sheep Industry Association  
American Society of Farm Managers & Rural Appraisers  
American Soybean Association  
American Sugar Alliance  
Americans for Democratic Action (ADA)  
Association of Farmworker Opportunity Programs  
Association of State Wetlands Managers  
CACFP National Professional Association  
Catholic Charities USA  
Certified Crop Advisors  
Certified Professionals in Erosion and Sediment Control  
Children's Defense Fund  
Children's Foundation  
Children's Sentinel Nutrition Assessment Program (C-SNAP)  
Coalition on Human Needs  
Community Action Partnership  
Community Food Security Coalition  
Community Liaisons, Inc.  
Congressional Hunger Center  
Crop Insurance Research Bureau  
Dairy Farmers of America  
Defenders of Wildlife  
Ducks Unlimited  
EBT Industry Council of the Electronic Funds Transfer Association  
Electronic Funds Transfer Association

Evangelical Lutheran Church in America  
Families USA  
Farm Credit Council  
Florida Peanut Producers Association  
Food Research and Action Center (FRAC)  
Georgia Peanut Commission  
Grazing Lands Conservation Initiative  
Jewish Council for Public Affairs  
Independent Bankers Association of America  
Independent Community Bankers of America  
Independent Insurance Agents and Brokers of America  
International Erosion Control Association  
MAZON: A Jewish Response to Hunger  
Michigan Milk Producers Federation  
Migrant Legal Action Program  
National Advocacy Center of the Sisters of the Good Shepherd  
National Association Conservation Districts  
National Association of Farmer Elected Committeemen  
National Association of State Conservation Agencies  
National Association of State Foresters  
National Association of Wheat Growers  
National Barley Growers Association  
National Conservation District Employee Association  
National Corn Growers Association  
National Cotton Council  
National Council of Farmer Cooperatives  
National Council of La Raza  
National Education Association  
National Farmers Organization  
National Farmers Union  
National Grain Sorghum Producers  
National Grange  
National Head Start Association  
National Health Care for the Homeless Council  
National Immigration Law Center  
National Law Center on Homelessness & Poverty  
National Low Income Housing Coalition  
National Milk Producers Federation  
National Recreation & Park Association  
National Sunflower Association  
National Watershed Coalition  
National WIC Association  
National Wild Turkey Federation  
Nature Conservancy  
NETWORK  
Northeast States Association for Agricultural Stewardship



Partners' Action for Children  
Presbyterian Church (U.S.A.) Washington Office  
Rain & Hail Insurance Society

**RESULTS**

Rural Community Insurance Services  
Sargent Shriver National Center on Poverty Law  
School Nutrition Association  
Share Our Strength  
Society for Nutrition Education  
Southeast Dairy Farmers Association  
Southern Peanuts Farmers Federation  
Soybean Producers of America  
Sustainable Agriculture Coalition  
The Alliance of Western Milk Producers  
United Church of Christ Justice and Witness Ministries  
United Egg Producers  
United Food & Commercial Workers Union (UFCW)  
United States Conference of Mayors  
U.S. Canola Association  
U.S. Rice Producers Association  
USA Dry Pea & Lentil Council  
USA Rice Federation  
Voices for America's Children  
Volunteers of America  
Welfare Law Center  
Wells Fargo Bank  
Western Growers  
Western Peanut Growers Association  
Western United Dairymen  
Wildlife Management Institute  
Women Involved in Farm Economics  
World Hunger Year

Cc: House Budget Committee, Senate Budget Committee