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Farm Subsidy Changes Draw Resistance on Hill

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President Obama's budget proposes repealing certain farm subsidies and capping direct payments to high-income producers — two ideas that met Thursday with quick resistance from some farm-state Democrats and Republicans.

The Agriculture Department proposal would phase out, over three years, direct payments to farmers with more than \$500,000 in sales revenue and cap commodity supports at \$250,000. The plan will go nowhere, some senior lawmakers say.

“We just passed a fiscally responsible farm bill that made cuts to farm programs, so now is not the time to reopen it,” said House Agriculture Chairman Collin C. Peterson, D-Minn.

Congress just spent more than two years writing a compromise bill (PL 110-246) that would satisfy agribusiness, nutrition advocates, environmentalists and a host of other special-interest groups. During that process, lawmakers rejected proposals akin to Obama's request.

The proposed subsidy cuts, which Obama has been mentioning since November, is intended to save \$3.8 billion over five years.

The Agriculture budget outline allocates \$26 billion for fiscal 2010 discretionary spending — an 8.8 percent increase over the estimated fiscal 2009 level — to strengthen several programs, including rural broadband expansion, wildfire suppression and nutrition. The plan would add \$1 billion a year to child nutrition entitlement programs, such as school lunches and breakfasts.

The increased spending on child nutrition would be more than offset by decreased spending on farmer supports, crop insurance subsidies, cotton storage assistance and overseas commodities marketing. The budget document projects a net savings of \$1.4 billion over five years.

Senate Agriculture Committee ranking Republican Saxby Chambliss of Georgia said he is “greatly concerned” that the budget ignores the effect of falling commodity prices on farmers.

“This budget suggests that the current economic downturn has had no impact on our agriculture sector,” he said.

House and Senate farm bill negotiators last year shut out people with more than \$500,000 in non-farm-related income from collecting any money. The law also bars people earning

more than \$750,000 in farm-related income from collecting direct payments. The \$500,000 cap in the president's outline does not differentiate between farm and non-farm-related sales revenue.

Agriculture Secretary Tom Vilsack said that roughly 4 percent of producers, or 81,000 farms, would be cut off from payments under Obama's proposal. The 4 percent receive 39 percent of all program payments, according to Agriculture officials.

Some lawmakers from the Midwest, where farms are generally smaller, have pushed for such adjustments for years.

Sens. Byron L. Dorgan, D-N.D., and Charles E. Grassley, R-Iowa, unsuccessfully teamed during the farm bill debate last year to limit federal payments for farming couples at \$250,000 annually. Dorgan said he was "pleased that President Obama's budget will protect family farms by implementing a reasonable cap on payments."

But Grassley said the proposal to terminate direct payments for high-earning farmers goes too far: "I'm a farmer and I know that gross income or sales revenue does not reflect your ability to pay."

House Agriculture ranking Republican Frank D. Lucas of Oklahoma argued that the administration is veering from the farm bill "in a direction that has been rejected by policy makers in the past. If the \$16 billion in farm aid cuts [over 10 years] is any indication of how this administration will undertake finding \$2 trillion in savings, then we're in for a real tough time."