U.S. House of Representatives
Committee on Agriculture
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The Honorable Paul Ryan, 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 clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the suite of policies within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2013 budget cycle.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies and risk management tools that will keep American agriculture and rural communities strong and our citizens healthy and safe. We also know that this country continues to face a fiscal crisis that, if not addressed, will not only harm the agricultural sector and rural America but the country as a whole. The Committee on Agriculture has worked diligently over the past year to identify potential areas for deficit reduction and wants to be part of the solution as it develops the 2012 Farm Bill.

The Committee's main focus this year will be on reauthorizing the farm bill, which expires on September 30, 2012. Over the past year, the Committee held a series of eleven farm bill "audit" hearings of various policies under the Agriculture Committee's jurisdiction, including those relating to nutrition, commodities, conservation, crop insurance, trade promotion, rural development, credit, research, forestry, and energy. These audit hearings built on a series of eight farm bill field hearings held by Chairman Peterson in 2010. Combined, these hearings have helped to establish the framework with which the Committee will make decisions on which programs to prioritize and which programs need to be eliminated or consolidated. The Committee plans to finalize its farm bill preparation with a series of field hearings starting in early March followed by a series of hearings here in Washington D.C.

Last fall, in response to the Budget Control Act of 2011 and acting in a bicameral, bipartisan fashion, we proposed $23 billion in net savings from programs under the Committee's jurisdiction. Those cuts included $15 billion from commodity programs, $6 billion from conservation programs, and $4 billion from nutrition programs. Expiring, unfunded livestock disaster programs would have been extended but fully paid for in recognition of the extreme drought conditions facing many livestock producers across the country.

At numerous hearings, both in the field and in D.C. the Committee heard loud and clear of the importance of the federal crop insurance program and how it must not be weakened, particularly since it has already experienced billions of dollars of cuts in recent years. Crop insurance, which is distinct from traditional farm policy, has become the cornerstone of risk management in agriculture for a great many producers. At one point last year, over 25% of the continental United States experienced severe to exceptional drought while many areas of the country were suffering devastating floods. While improvements to crop insurance can and will be made, these events are plainly beyond the control of producers and helping them manage these risks in a fiscally responsible manner is of vital importance.

One area of consensus that seems to be forming is to simplify and improve conservation programs. With the continued concerns that many of our producers have with environmental regulations, we believe it is vitally important to streamline many of our conservation programs that are designed to help producers avoid regulation or come into compliance. The Committee will build upon the good work from last fall to ensure that conservation programs are being administered as efficiently as possible under current fiscal and regulatory conditions.

The Committee believes the best way to achieve deficit reduction across all programs under the Committee's jurisdiction is to reauthorize the farm bill with sustainable and fiscally responsible reforms. This goal is vitally important since Congress was unable to achieve targeted spending reductions through the Joint Select Committee on Deficit Reduction. As a result, most mandatory programs within the Committee's jurisdiction will be subject to sequestration beginning in January 2013. Using the Congressional Budget Office's (CBO's) government-wide estimates, we expect that mandatory programs under the Committee's jurisdiction will be sequestered between $10 billion and $15 billion, depending on directives from the Office of Management and Budget.

We would also expect that discretionary appropriations authorized by the Committee—including agricultural research programs that are vital to feeding a burgeoning population—would be reduced even further as part of the Budget Control Act's reduced limits on discretionary spending. To offset these reduced limits, appropriators likely will impose even further annual spending limits on the Agriculture Committee's mandatory spending programs through the use of CHIMPS (Changes in Mandatory Program Spending), which they have done repeatedly over the last several years. These CHIMPS come at the expense of the Committee and its ability to fund its mandatory spending programs.

The largest program under the Committee's jurisdiction—the Supplemental Nutrition Assistance Program (SNAP)—is exempt from sequestration. SNAP is the part of the agriculture budget that has seen the most dramatic increases, with SNAP spending tripling over the last ten years. Given the economic downturn and high unemployment which has left many Americans with few options, an increase in nutrition assistance spending is to be expected. In fact, in 2001 there were 17.3 million SNAP (called Food Stamps at the time) recipients. That figure rose to 23.8 million in 2004, 28.2 million in 2008 and stands now at 44.7 million recipients for 2011, accounting for $700 billion.

The Committee looks forward to continued hearings and input from Members to achieve the most fiscally responsible Farm Bill. Every title and policy area will be examined to ensure greater efficiencies, avoid duplication, and streamline wherever necessary.

Beyond the $23 billion in savings proposed by us in response to the Budget Control Act, the Committee believes it is important to note the budget reductions that programs under our jurisdiction have experienced both recently and over the past several years. For example, the renegotiation of the Standard Reinsurance Agreement reduced the CBO baseline for agriculture by more than $6 billion. In contrast to many other mandatory funding policies, spending on farm policy has declined significantly. It is also important to note the traditional Title I commodity policies have come in under their projected CBO budgets by an average of $1.3 billion per year since 2002.

Another way to reduce the deficit is to grow the economy. To that end, the Committee will continue its oversight of regulations that affect jobs and the economies of rural communities. Continued oversight of the Commodity Futures Trading Commission (CFTC)—particularly in light of the MF Global bankruptcy and the CFTC's implementation of the Dodd–Frank Wall Street Reform and Consumer Protection Act—is of particular importance. In addition, regulatory overreach may adversely affect production agriculture and the communities and businesses they support. In general, regulations appear to be promulgated in spite of potential negative real-world economic consequences that could undermine U.S. producers' ability to produce the world's safest, most abundant, most affordable food and fiber supply in the world.

Some may argue that the current agricultural economy and farm prices are strong and, therefore, now would be a good time to cut our agriculture policies even further. But this conclusion ignores lessons from history. The agriculture economy is highly cyclical. When record-high prices fall—which they inevitably will do—having sound farm policy in place is vital not just for producers but for the entire national economy and has proven time and again to be the most fiscally responsible approach. Recent high prices have not made the family enterprises that make up our farm sector any less vulnerable—indeed it has just raised the stakes in what is still an exceptionally costly, risky business.

It bears mentioning that during some of the worst economic times in the last fifty years, production agriculture served as a catalyst for economic growth. Last year alone, U.S. farmers and ranchers produced $410 billion of goods after spending $227 billion to purchase inputs, made $65 billion in rent payments, paid $24 billion in wages to employees, and spent $15 billion in interest and financing. While agriculture would be the 25th largest economy based on the value of goods produced alone if it were its own country, the farm safety net now constitutes less than one quarter of one percent of the federal budget.

Recognizing the dire fiscal situation this country is in, we developed a bipartisan farm bill proposal last fall that would have contributed substantially to deficit reduction while simultaneously reforming policies and providing risk management tools for the nation's agricultural producers. That process, along with the audit hearings, field hearings, and hearings here in D.C. have given the Committee the information needed to write a farm bill that is more efficient and streamlined and that consolidates duplicative policies.

We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,

Frank D. Lucas

Frank D. Lucas
Chairman

Collin C. Peterson
Ranking Minority Member