

# Stateline

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U.S. Department of Agriculture Secretary Mike Johanns addresses participants at a Sept. 20 forum on the farm bill. Held in New London, Ohio, the event included comments by farmers and ranchers on a wide range of agricultural policy issues, including concerns about the farm-bill safety net, payment limitations and World Trade Organization negotiations. (photo: USDA)



been hosting these forums for several months in states around the country.

He heard from a diverse group of Ohio farmers and agriculture groups.

Some pleaded for stricter payment limitations in the next farm bill and fairer international-trade rules. Others urged Johanns to boost funding for rural economic development and conservation programs.

There also was talk about further delaying the country-of-origin labeling program, bolstering loan assistance for new farmers, reshaping the bill's disaster-relief provisions and providing more support for biofuels production.

In half a day's time, the forum touched on numerous emerging and long-standing issues in agriculture.

How will these policy concerns be resolved over the next two years?

Johanns says it is too early to tell.

However, it already is clear that the 2007 legislation will be crafted under political and economic circumstances different from those that existed during 2002 farm-bill negotiations.

This change in conditions will affect how federal lawmakers address many of the issues raised by Ohio farmers.

## Reversal of fortunes

At the beginning of this decade, the federal government was enjoying an unprecedented budget surplus. This strong fiscal situation helped U.S. lawmakers address the low prices and sluggish export market impacting agricultural producers at the time.

The 2002 farm bill expanded subsidy programs, created a new price-support mechanism (counter-cyclical payments) and pumped additional dollars into federal conservation efforts.

Much has changed, though, since the last congressional reauthorization.

"When the last farm bill was written, there was at least a perceived notion that there was a healthy budget surplus," Johanns said after the Ohio forum.

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## Roomful of ideas

### Future of agriculture policy focus of Ohio forum on 2007 farm bill

by Tim Anderson

One by one, for nearly three hours, Ohioans stepped to the microphone to express their ideas and concerns about the 2007 federal farm bill.

Dwight Wise, a retired farmer and former state legislator, talked about the consequences of cuts to current levels of producer payments and price supports.

"The safety net is essential if the family farmer is to make enough profit to stay in business," he said. "Federal benefits are the major reason that many family farmers have any profit at all."

But in the eyes of agriculture producer Bob Slicker, some of the 2002 farm bill's subsidy programs have had some serious downsides as well.

"Permanent payments don't do anything but raise the price of land, make it harder for younger farmers and keep inefficient people on the land," he said.

Wise and Slicker were among the first to speak at the farm-bill forum, held Sept. 20 in a rural part of southeast Ohio. By the afternoon's end, about 50 people had spoken, and a few hundred others had listened in.

Among those listening was U.S. Department of Agriculture Secretary Mike Johanns, who has



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# Budget deficit, WTO negotiations expected to shape farm bill

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Surpluses have since been replaced by record budget deficits, which are estimated at \$300 billion in both fiscal years 2005 and 2006.

Adding to the fiscal crunch are severe spending pressures. The hurricanes on the Gulf Coast are the most recent examples. Higher costs related to defense, as well as in entitlement programs such as Social Security and Medicare, also cut into the budgetary pie left for agriculture.

“There is no getting around the fact that the deficit will be a factor in the next farm bill,” Johanns added.

The concerns expressed by Wise and others at the Ohio forum, then, would seem to be well-founded. One possible consequence of a smaller bill is a squeeze on its safety-net provisions.

This year, in fact, an across-the-board, 5 percent reduction in payments (direct, counter-cyclical, marketing loan, etc.) to all producers has been proposed in the U.S. Congress.

Those cutbacks are being considered as federal policymakers seek ways to reduce farm spending by \$173 million in fiscal year 2006. Plans are to slice \$3 billion from agriculture programs over the next five years.

Many farmers and ranchers in this region want cuts in agriculture to start with stricter payment limitations.

Critics of the 2002 farm bill say it set limits too high (at \$360,000) and contained too many loopholes, resulting in larger, high-income agricultural operations receiving the bulk of the federal support. They believe these payments lead to higher land prices and rents, making conditions more difficult for smaller operations and beginning farmers.

“I’ve heard significant support throughout the Midwest for payment limitations,” Johanns told attendees at the Ohio forum. “But down South, you won’t find much support.”

The reason is that rice and cotton farms would be hit hardest by tighter caps.

Still, federal lawmakers are considering changes. One proposal would reduce the payment limit per person to \$250,000 and make it a “hard cap” through other revisions.

## WTO’s impact on farm bill

The federal budget deficit isn’t the only factor causing lawmakers to take a hard look at agriculture policy. More than any other past reauthorization, the 2007 farm bill will be shaped by the country’s obligations under international-trade agreements.

This is especially true in light of a World Trade Organization ruling that found some U.S. cotton-subsidy programs in violation of WTO regulations.

The case could have implications well beyond the U.S. cotton industry. It raises questions about whether subsidies for other commodities need to be cut, modified or replaced in order to comply with the country’s WTO commitments.

Meanwhile, President George Bush has challenged other wealthy, industrialized countries to join the United States in eliminating farm subsidies altogether by 2010.

Several farmers at the Ohio forum said they would gladly cede income support from the government, so long as it were accompanied by an open international marketplace for American producers.

“There are concerns that the trade rules have not been fair to us, that agriculture has been sold out in past trade negotiations,” Ohio Department of Agriculture director Fred Dailey said in an interview after the forum.

“We need to become more aggressive about opening up markets. It’s not just about removing tariffs, but getting rid of the non-tariff barriers as well.”

The next round of WTO talks is scheduled for 2006. The outcome of these negotiations will have a significant impact on U.S. agricultural producers and the 2007 farm bill.

## Future of conservation, biofuels

In his travels across the country, Johanns said, near-universal support has been expressed for the federal government’s conservation initiatives.

And unlike the commodity programs, this component of farm policy is unaffected by international trade agreements. It is “WTO-friendly.”

At the Ohio forum, several farmers asked Johanns to step up conservation efforts, particularly through a better-funded Conservation Security Program (CSP). Introduced in the 2002 farm bill, the CSP offers financial rewards to farmers and ranchers who practice good stewardship on working agricultural lands.

The program has since been hampered by limited funding. Originally designed to be

national in scope, the CSP now is available only to farmers and ranchers with land in specific, high-priority watersheds.

“CSP must be available to all producers,” an Ohio farmer told Johanns.

But considering current fiscal conditions, it is unclear whether significantly more funding will be

earmarked for the CSP. In fact, the program has been targeted for cuts in some congressional proposals for fiscal year 2006.

Ohio farmers also touched on several other agricultural issues at the farm-bill forum, including federal support for biofuels production and implementation of a mandatory country-of-origin labeling

(COOL) program.


• **Energetic support for biofuels** — The 2002 farm bill was the first to have an energy title. It established federal incentives for ethanol and biodiesel production as well as a grant program for biomass research.

In addition, a procurement program now requires all federal agencies to favor biobased products in their purchases.

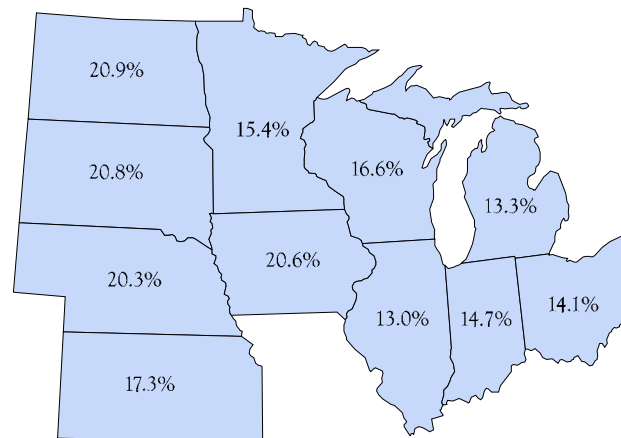
Johanns said he has heard from several people at the forums who would like the next reauthorization to focus even more on energy. He also noted that passage of the 2005 energy bill should help agriculture producers. Under the measure, the nation’s annual use of biodiesel and ethanol must be at least 7.5 billion gallons by 2012. That would mark a near doubling of current production levels.

• **Heated debate over COOL** — Upcoming farm-bill discussions are once again expected to include discussions about the mandatory COOL program, which was included in the 2002 legislation. Implementation of COOL, however, has been delayed until next year by subsequent congressional actions.

Tom Jackson, president of the Ohio Grocers Association, urged Johanns to pursue a voluntary labeling program in the next farm bill. He and other opponents of a mandatory system say it will cost producers, packers and retailers more money, the result of which will be higher food prices.

Supporters of the COOL program say it will help domestic producers market their commodities (beef and pork, for example) by informing consumers about a food’s origins. 

**Job generator: Percentage of Midwestern states’ employment in farm and farm-related jobs\***



\* Farm and farm-related jobs account for 14.3 percent of total U.S. employment.

Source: U.S. Department of Agriculture Economic Research Service

“There is no getting around the fact that the [budget] deficit will be a factor in the next farm bill.”

Mike Johanns

U.S. Department of Agriculture secretary