February 12, 2015

The Honorable Tom Price, M.D., Chairman
Committee on the Budget
U.S. House of Representatives
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 mission areas within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for fiscal year 2016.

The Committee recognizes the difficult task the Committee on the Budget faces each year in establishing a fiscally responsible framework for Congress to work within, particularly in an environment where annual deficits are forecast by the Congressional Budget Office (CBO) to once again exceed $1 trillion by fiscal year 2025, adding more than $7.6 trillion to a national debt already standing at more than $18 trillion.

While the Agricultural Act of 2014 (the farm bill) comprises just 2 percent of the total Federal budget, with support to producers under the Commodity Title and Crop Insurance constituting only 0.29 percent of the overall budget, the Committee on Agriculture is proud to have made a significant contribution to deficit reduction with the passage of the farm bill, which CBO estimated at the time would save $16 billion over 10 years or $23 billion when including sequestration of the May 2013 baseline. When comparing the CBO baseline used during the farm bill with CBO's January 2015 baseline update, we estimate that anticipated taxpayer savings remain intact.

Nevertheless, while the contribution to deficit reduction already made by the Committee on Agriculture is very significant, exclusive or even overreliance upon savings from our Committee in the future will greatly undermine important mission areas while failing to seriously move the needle in meeting the fiscal objectives that our Committees share. While additional, responsible savings might be achieved by our Committee in the future depending upon the outcome of an examination of the policies within our jurisdiction, truly meaningful deficit reduction will necessarily depend on contributions from beyond the jurisdiction of the Committee on Agriculture, where more than 98 percent of Federal spending resides.

As you know, economic conditions for many producers have changed dramatically over the course of the farm bill debate, with commodity prices plunging—for example, the price of corn, the nation's largest cash crop, has fallen almost 50 percent over the last 2 years. Milk prices have collapsed by nearly 20 percent in less than a year. Drought and other natural disasters also resulted in disaster declarations for 25 percent of counties in 33 states across the country last year. The net effect is an estimated 43 percent decline in net farm income from 2013 to 2015. Yet, despite this economic turbulence in rural America, CBO's January baseline projects that the Commodity Title of the farm bill is still slated to save taxpayer money relative to the old Direct Payment Program, and the cost of Federal Crop Insurance is also expected to decline. Moreover, as we indicate above, overall farm bill savings anticipated by CBO during the farm bill debate remain intact under the January baseline.

In short, the farm bill is working as it was intended to work, meeting our objectives with substantially fewer resources.

However, as much as the Committee is pleased with successful efforts to achieve greater efficiencies in the farm bill, it is important not to gloss over the current difficult economic conditions in farm country, especially in parts of the country that have faced both sharply lower crop prices and natural disasters. A good many producers are struggling to demonstrate to lenders that they can cash-flow in order to secure credit and farm for another year. Adding to the anxiety of producers is implementation of the farm bill where complicated decisions with very significant consequences need to be made by February 27 and March 31 of this year. As producers continue to work through these issues, both economic and policy, it is important that Congress not adversely change the rules of the 5-year farm bill.

Despite farm policy under the preceding two farm bills operating well under budget and the anticipated savings from the current farm bill, there are still frequent calls for even more cuts, often from those unfamiliar with the unique market and weather risks of agriculture. We expect that producers would gladly oblige these calls and walk away from Washington were they able to purchase crop insurance without Federal involvement and to freely market their commodities without interference by foreign countries' subsidies and tariffs, which are rising to record levels. But this is not the case, so producers have little choice but to add an unpredictable Washington and media ridicule to the long list of challenges they must manage. To this Committee, the criticism producers routinely face seems a strange thanks to those who put clothes on our backs and food on our tables while creating jobs and contributing toward a positive balance of trade.

While agriculture's contribution to the economy is felt even in the nation's largest cities, it is often the very lifeblood of our rural communities. Recent calls for cuts to crop insurance are especially ill-timed and unwise given the elimination of ad hoc disaster programs, falling crop insurance costs even during a period of significant crop losses, and Washington's requirement on producers to rely more upon risk management tools that they must help pay for under crop insurance. Despite the importance of crop insurance, the 2008 Farm Bill reduced crop insurance by an estimated $6.8 billion at the time; the renegotiation of the Standard Reinsurance

Agreement further reduced the CBO baseline for crop insurance by more than $6 billion; and a recent re-rating of crop insurance led to even further reductions in crop insurance spending.

Anticipated savings from the highly successful Conservation Title are also intact, according to CBO, with the January baseline actually projecting some additional savings relative to what was forecast during the farm bill debate. The 2014 Farm Bill achieved significant budget savings when consolidating the number and better targeting the resources of conservation initiatives under Title II. Over the years, these voluntary conservation initiatives have made inestimable strides in effectively combatting soil erosion and protecting and enhancing water and air quality and wildlife and wildlife habitat in ways that a regulatory approach could never hope to accomplish. Here again, the Committee believes we have thread the difficult needle of achieving budget savings without retreating from the profound mission our nation's conservation policies serve.

While Committee Members hold widely differing and often passionate views on the Nutrition Title and particularly the Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps, relative not only to program costs and vulnerabilities but, perhaps, even more so concerning the effects of the underlying policy upon the people the program is designed to help, we all acknowledge that CBO is projecting that the Nutrition Title is also achieving savings relative to the previous farm bill and more than anticipated during the farm bill debate. This will not alter the Committee's intention to conduct a top-to-bottom review of SNAP, which accounts for roughly 80 percent of farm bill expenditures, nor will it change our plans for intensive oversight with respect to all other policies within our jurisdiction. But, these expected savings are encouraging. However widely the views of Members of the Committee vary on the subject of SNAP, we all share a common conviction in the dignity of every person and the importance of creating economic opportunity so each and every person is able to find a job to support themselves, care for their families, enjoy productive lives, contribute to their communities, and live the American dream. On this, we are all agreed.

Finally, on the full range of other mission areas within the jurisdiction of the Committee, be they trade, credit, rural development, research, forestry, energy, horticulture, or any of the other many important facets of United States agricultural policy, these, too, underpin the rural economy, benefit consumers, and were thoroughly reviewed during the farm bill debate.

As the Committee looks forward, we expect to build on the bipartisan achievements of the 2014 Farm Bill in reauthorizing the Commodity Futures Trading Commission and moving legislation to lift arbitrary, costly, and counterproductive regulatory burdens placed upon producers by the Federal Government, monitoring farm bill rulemakings to ensure full and proper implementation, and in conducting vigorous oversight to make certain that both taxpayers and those for whom farm bill policies are established are well served.

Therefore, we respectfully request that the Committee on the Budget give careful consideration to the significant contributions toward deficit reduction already made by the Committee on Agriculture, the substantial reforms these savings entailed, the troubled economic conditions facing farm country that are exacerbated by regulatory burdens and trade and tax uncertainties, as well as our Committee's work ahead, when determining from which congressional committees and mission areas any future budget savings should come. From our perspective, we believe the Committee on Agriculture has done its duty for now with respect to deficit reduction and that areas constituting the other 98 percent of the Federal budget ought to be looked to first for any additional savings being sought this Congress.

Thank you for this opportunity to present the budget views and estimates of the Committee on Agriculture.

Sincerely,

K. Michael Conaway Chairman	Collin C. Peterson Ranking Minority Member