March 1, 2007

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D. C.

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 including below the recommendations of the Committee on Agriculture with respect to programs within the Committee's jurisdiction.

The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2008 budget cycle. Key provisions of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) will expire on September 30, 2007. The farm bill establishes the basis for economic support to agriculture, promotes the efforts of producers to conserve natural resources, and provides for the nutritional needs of the nation's poorest. The primary focus of our Committee will be to seek timely enactment of a 2007 Farm Bill. Your Committee's work on the Concurrent Resolution on the Budget for FY 2008 is crucial to our efforts and we appreciate your consideration of our views.

When it was passed by the House in 2002, the Farm Bill received broad support from Members of both parties. We believe that the results of its implementation provide very strong proof that that support was well-deserved.

Last year, the Committee on Agriculture held a series of field hearings to find out what farmers and ranchers think about our current policies and what changes they would like to see made. What we heard at those field hearings is that in general, the 2002 Farm Bill is working well for producers and that the basic structure should be maintained.

The feedback on the 2002 Farm Bill was especially positive when you compare it to the reaction from farm country to the 1996 Farm Bill, which had considerable failings from the standpoint of producers and taxpayers alike. The 1996 Farm Bill sacrificed safety net protection in favor of fixed payments that were unresponsive to cyclical changes in the marketplace. It was written during a time of high commodity prices under the assumption that prices would remain high well into the future. However, commodity prices declined and Congress intervened, spending more than $23 billion in supplemental "low price" payments to farmers over the life of the 1996 bill.

The 2002 Farm Bill restored the safety net for farmers and has proven itself to be a particularly responsible set of programs from a fiscal standpoint. By making payments to farmers when prices are low and returning savings when prices are high, the 2002 Farm Bill represented a major policy improvement.

When the 2002 bill was written, the baseline for agricultural safety net programs and their expected cost was 140 billion dollars over ten years. Under the most recent CBO baseline (which assumes continuation of current programs), the comparable amount for the coming ten years is 80 billion dollars. The baseline has increased for some Farm Bill programs -- particularly food stamps, which account for 67 percent of our budget -- that need to be maintained, not cut to fund other programs. The bottom line is that additional resources are needed to produce a policy that facilitates a strong farm sector and helps our nation move toward energy independence in a fiscally responsible way.

The Administration's Farm Bill proposal recommends additional budgetary resources for particular Farm Bill areas. For example, USDA's proposal recommends increased funding for renewable fuel programs. Exploding demand has led to a rapidly expanding market for agriculturally-based energy sources, including ethanol and biodiesel. The excitement about this development extends far beyond our rural communities. Our nation is more committed than ever to reducing our dependence on foreign energy sources. We need a strong energy title in the Farm Bill and additional funds are needed to provide for the necessary investment that we must make. A particular challenge that we must meet is to facilitate the development of an industry that manufactures ethanol from cellulosic feedstocks. This added capacity is essential to providing a long-term, environmentally friendly and sustainable ethanol industry in the United States.

The Administration has also proposed funding to support the fruit and vegetable industry. Many of our colleagues in the House as well as the Senate are in agreement that some sort of action in this area should be a priority for the 2007 Farm Bill. USDA also is calling for the extension of the Milk Income Loss Contract program which provides for payments to milk producers when prices are low.

The Administration also recommends expanding agricultural conservation programs. The 2002 Farm Bill provided the largest increase in such programs in the Agriculture Department's history. Even so, there is widespread agreement that further expansion is appropriate. America's farmers and ranchers are increasingly faced with the costs of compliance with environmental mandates from the Federal, state, and local authorities. During the Agriculture Committee's field hearings last year, row crop producers, fruits and vegetable growers and livestock owners -- virtually food and fiber producers of all types -- complained about the costs they are incurring in order to stay in compliance with burgeoning environmental regulations. The growing list of requirements thrust upon farmers and ranchers is largely debilitating. A good number were so confounded with the increased regulation and the sheer breadth and depth of the seemingly endless compliance requirements that they were seriously contemplating a career change. For most, the situation is beyond a matter of profitability for which an increased direct payment or a higher loan rate can compensate; it has, unfortunately, become a matter of survivability. For their economic well-being as well as for the good of the environment, we must offer increased assistance to help those who are willing to do the right thing or at least what the law requires even when they can’t afford the cost of compliance.

Proposals from USDA also recommend increases in the Food Stamp program to counter the rise in obesity, remove the cap on the program’s child care deduction, and exclude college savings accounts from resource limit calculations.

We also note the fact that, despite increases in the Federal crop insurance program made in 2000, Congress has subsequently determined on a number of occasions to provide ad hoc disaster assistance to agricultural producers. Should sufficient resources be made available, the Committee would endeavor to address this issue.

In addition to these priorities, some minor, but perhaps desirable, rebalancing in basic commodity programs will be proposed, and those will also require an increase in funds available to the Committee. The Agriculture Committee realizes that additional funds are difficult to identify. We nevertheless find that increasing the resources made available for writing the Farm Bill will serve our nation well and will yield substantial and tangible gains in return.

The Department of Agriculture has posed some offsetting reductions in farm programs along with the increases identified. Most notable among these is the suggestion that commodity program loan rates be reduced and partially replaced with fixed direct payments. While the Agriculture Committee is dedicated to an open process and the consideration of all proposals, this particular aspect of the Administration's plan is a considerable change in direction from the current safety net program. This is an approach to budgetary savings that looks good at the moment it is passed. We should all, however, keep in mind the history of the 1996 Farm Bill and the fiscal hemorrhage that followed.

The Administration has also proposed the enactment of new user fees to be charged by a number of different agencies under the jurisdiction of the Committee on Agriculture. Some of these fees have been proposed before, and it has been the consistent judgment of our Committee that the widespread benefits of the activities involved justify the use of the general treasury.

In addition to activity on the Farm Bill, the Agriculture Committee may consider legislation to extend the provisions of the *Secure Rural Schools and Community Self-Determination Act of 2000*. This act provided formula-based assistance for communities that historically relied on revenue from timber sales from Federal lands – sales that have been sharply curtailed. The expiration of the program at the end of FY 2006 has strained the fiscal resources of affected communities, and additional budgetary resources will be required if the program is to be extended in any form.

As you join us in measuring the value of the programs under the jurisdiction of the Committee on Agriculture, we urge that the Budget Committee be mindful of some very simple realities. The American people continue to enjoy a safe, abundant, and affordable food supply. America's farmers and ranchers produce this food and fiber so efficiently that it is made available for a remarkably small share of a family's income. These same farmers and ranchers are also directly responsible for meeting the dietary needs of much of a hungry world. We are dedicated to designing a new farm program that continues to assist this incredible contribution to our nation's security and prosperity, while also addressing emerging needs.

The Committee on Agriculture is mindful of the difficult task faced by your Committee in its work on the budget for fiscal year 2008. We are grateful for your consideration of the views we have presented, and look forward to providing any assistance you need in the preparation of a responsible budget resolution that permits us to continue to advance the well-being of America's rural citizens, its poor, and all of its people.

Sincerely,

Collin C. Peterson Chairman	Bob Goodlatte Ranking Minority Member