March 4, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 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 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 2011 budget cycle.

The Committee's legislative agenda and budget considerations for the upcoming year are very much colored by the fact that that we are a year and nine months beyond enactment of the Food, Conservation, and Energy Act (FCEA) of 2008, and final rules have not yet been issued for many programs.

Final passage of the FCEA was supported by over 1,000 organizations from across the policy spectrum. Substantial bi-partisan majorities in both the House (317-109) and the Senate (80-14) supported passage.

One reason for these substantial majorities for the FCEA was that the Agriculture (and other) Committees worked very hard to ensure that any increases in spending above baseline levels were offset with reductions elsewhere. As scored by the Congressional Budget Office against the official scoring baseline, the final bill saved $67 million over five years and $110 million over ten years.

The recent economic crisis has made benefits provided by the FCEA increasingly essential to many families' existence. The number of Supplemental Nutrition Assistance Program (SNAP—formerly the Food Stamp Program) recipients just hit a record high of over 38 million in November, 2009 (the latest data available).

USDA forecasts of net farm income and asset values for 2010 demonstrate the need to maintain the farm income safety net. In real terms (adjusted for inflation), 2010 net farm income is estimated to be the third lowest since 1999. While press reports have indicated a rise in net farm income from 2009, those reports often neglect to mention that 2009 net farm income was not only at the lowest nominal dollar level since 2002 but also was down from 2008's near record for net farm income of $87.0 billion.

USDA expects crop receipts to be down $6 billion in 2010, compounding the decline of $16.8 billion in 2009. Declines in crop receipts would be across the board, except for small increases in cotton and greenhouse/nursery products. Livestock receipts are expected to increase $11.5 billion in 2010; however, this makes up for only about half of the $22.3 billion decline in 2009. Both Government payments and total expenses are forecast to change little in 2010.

Farm sector asset values are forecast to decline from $1.944 trillion in 2009 to $1.876 trillion in 2010 (a 3.5-percent decline), reflecting lower expected returns on farm investments. Declines are forecast in all categories of farm assets including the values of land, machinery, and equipment; crop inventories; financial assets; livestock and poultry; and purchased inputs. USDA notes that volatility persists in commodity, energy/input, and financial markets providing considerable uncertainty in forecasts. Although interest rates are low and stable, and farm credit is still available, producers could face tight credit requirements.

Additionally, America's farmers and ranchers are facing ever-increasing regulatory requirements, both from state and federal authorities. Conservation programs under the FCEA help producers not only meet these requirements, but also protect water, soil, and air quality and enhance wildlife habitat.

Given these political and economic realities, the Committee believes that program benefits of the FCEA should be maintained so that families—both farm and non-farm--facing adverse economic conditions—many through no fault of their own—can be continue to receive help as Congress intended. We believe that it would be unwise to reopen the FCEA to reduce program benefits—especially through proposals similar to those that, during the FCEA debate, were considered and rejected.

The Committee will begin hearings this Spring in preparation for drafting the next farm bill. Changes in program benefits can—and should—wait until the comprehensive reauthorization of that legislation.

Our position regarding changes in program benefits does not mean that the Committee should do nothing to address waste, fraud, or abuse in areas under the Committee's jurisdiction. In fact, during the past year the Committee spent much of its time working to reduce the potential for fraud and abuse of our nation's derivatives markets. On October 21, 2009, the Committee passed bipartisan legislation, the Derivatives Markets Transparency and Accountability Act, designed to promote fair and transparent derivatives markets and to give Federal regulators effective tools to guard against fraud and manipulation. If enacted, these provisions should improve oversight and enforcement mechanisms that should help forestall future needs to interject massive taxpayer resources into rescuing financial institutions.

Further, these tough economic times make it critically important to identify wasteful, fraudulent, and abusive spending in government programs. Doing so is important to the nation's hard-working taxpayers who deserve value and efficiency. Every dollar of waste, fraud, and abuse identified and eliminated will help our short- and long-term deficit and debt problems. The Committee has a strong record of identifying needed legislative and administrative remedies to ensure that programs under our jurisdiction operate more efficiently and effectively. Here are a few examples:

The FCEA of 2008 provided a permanent, mandatory funding stream to ensure the continuation of a very successful data mining project that has identified schemes and devices used by some agents, adjusters, and producers to defraud the Federal crop insurance program. In prior acts, the Congress limited double insurance on the same acres in the same season and required that social security or tax identification numbers be used to track producers who previously would switch agents or companies for fraudulent activities.

Fraud in both the commodity programs and crop insurance has been reduced by a statutory requirement that producer information be reconciled between the Farm Service Agency's commodity programs and the Risk Management Agency's crop insurance programs.

Trafficking in SNAP benefits (formerly food stamps) has been reduced substantially by requirements that EBT (electronic benefit transfer) cards be used to deliver benefits. The Committee has also legislated policies that tighten program administration to ensure that certain classes of ineligible persons (such as prisoners) do not receive SNAP benefits.

In closing, the Committee on Agriculture is mindful of the many challenges that the Committee on the Budget faces in developing the Budget Resolution for FY 2011. Given current economic conditions, doing so clearly represents a daunting task. 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,

Collin C. Peterson Chairman	Frank D. Lucas Ranking Minority Member