March 1, 2017

The Honorable Diane Black, Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Madame 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 2018.

The Committee understands 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 with the potential for significant new demands on finite resources, with deficits forecast by the Congressional Budget Office (CBO) already expected to exceed $1 trillion by the end of this 10-year budget window, contributing to almost $25 trillion in debt held by the public by 2027.

Despite this sobering fiscal outlook for our nation, behind CBO's estimates are the assumptions of a continuation of current law and a slow rate of economic growth. The Committee is hopeful that the legislative activities of the 115th Congress will prove successful in changing the current trajectory by spurring economic growth and jobs from which increased revenues and reduced federal spending will naturally flow. In fact, the Committee on Agriculture will undertake legislation this Congress that is absolutely critical to the realization of this objective, namely the farm bill. To be sure, rural America and farm and ranch country are in a severe economic slump right now, with no end in sight, and that is motivation enough for passage of a new farm bill. But, a new farm bill also has important implications for national economic growth and, therefore, the federal budget as well.

A recent article in The Wall Street Journal, "American Farm Bust is Upon Us" (Feb. 7, 2017), offers an incisive glimpse at the condition of American agriculture today. Based on the latest report by the U.S. Department of Agriculture's Economic Research Service (ERS), U.S. farmers and ranchers are now expected to experience a 50 percent decline in net farm income compared with four years ago, the sharpest four-year percentage drop since the start of the Great Depression.

The Agricultural and Food Policy Center at Texas A&M University and the Food and Agricultural Policy Research Institute at the University of Missouri, on whom the Committee on Agriculture relies for economic analysis, as well as the U.S. Department of Agriculture and the Federal Reserve all confirm the very difficult conditions reflected in the latest ERS report and the article in The Wall Street Journal. In fact, one in ten farms is highly or extremely leveraged today. Nominal debt levels on the farm are at all-time highs and real debt levels are approaching those not seen since the 1980s farm financial crisis, with rising farm debt mitigated only by lower interest rates as compared to the 1980s. For producers blessed with a relatively low debt load, strong production, and good prices in recent years, bleak economic conditions are just beginning to take their toll. But, for a good many who are carrying heavier debt or who have experienced low yields or turbulent or low prices in recent years, these producers are being severely tested.

The Wall Street Journal article, which we commend to your attention, cites a farmer with an ominous warning: "The potential for a big crisis is real...If things stay similar to how they are now, you haven't seen anything yet." In fact, the article observes concerns that current conditions may well trigger the biggest wave of farm foreclosures since the 1980s while also pointing to a concerning milestone in the history of American agriculture: the number of American farmers is expected to drop to its lowest point since the Louisiana Purchase, which triggered the nation's westward expansion, and this at a time when global population is spiraling toward 9 billion people who will rely heavily on America's farmers and ranchers to feed and clothe them.

Some on the Committee recall the 1980s farm financial crisis and the immense adverse impacts that it had on the entire U.S. economy. Many remember the 1990s farm crisis that was harsh but yet effectively mitigated by strong U.S. farm policy. And most can recollect a strong farm economy helping to offset the economic impacts of the manufacturing crisis that unfolded in the early years of the last decade. These relatively recent experiences demonstrate how a healthy agricultural economy and strong farm policy positively impact the national economy while an unhealthy agricultural economy and weak farm policy can seriously undermine it. Current times are not exempt from this rule. We have a very tenuous agricultural economy right now and unless met with strong and certain U.S. farm policy going forward, the farmer quoted in The Wall Street Journal may prove all too prescient. The Committee is deeply concerned that Congress strenuously avoid adding more uncertainty to already uncertain times through another prolonged farm bill debate or, worse, a failed reauthorization effort or the exacerbation of current hardships through either the extension of current law or the passage of a farm bill that is simply not up to the job. These ordeals would not only deal serious injury to American agriculture at a time when our farmers and ranchers can least afford it, but it would greatly undermine jobs creation and economic growth nationally, making current CBO projections of slow growth and, consequently, higher deficits a greater probability. Therefore, the Committee believes it is imperative that Congress pass a good farm bill, on time, as the President has called for.

Toward this end, we respectfully urge the Committee on the Budget to require no further budget reductions from within the jurisdiction of the Committee on Agriculture but, rather, that the fiscal year 2018 budget resolution fully respect the commitments made under the 2014 Farm Bill while providing the Committee the budget flexibility necessary to develop and enact an effective new farm bill before the current law expires.

As you know, the Committee on Agriculture voluntarily undertook to save taxpayers $23 billion (including sequestration) over ten years in the context of the 2014 Farm Bill. These savings were committed to at the beginning of the farm bill process and policies were subsequently tailored around these cuts. Yet, despite the Committee's successful efforts to achieve significant taxpayer savings, critics of U.S. farm policy have routinely called into question the authenticity of these savings. These unsubstantiated claims of phantom savings must now give way to the Congressional Budget Office's (CBO) January baseline update that tells the real story.

CBO estimates show that the current farm bill will save $104 billion, or more than four times what had previously been pledged. Lower post-recession subscription to the Supplemental Nutrition Assistance Program (SNAP) and lower Federal Crop Insurance spending primarily explain the substantially higher than expected ten year savings. The new savings to Federal Crop Insurance, totaling $10 billion, come in addition to another $17 billion in legislative or administrative savings from crop insurance over the past decade. These reductions have resulted in, among other things, a widespread consolidation among agents and companies as they seek to operate on thin and, at times, even negative margins, threatening the viability of private sector delivery which is a pillar to the success of Federal Crop Insurance. Fortunately, despite these challenges, enactment of costly, un-budgeted ad hoc disaster programs, once an annual occurrence, remains a thing of the past thanks to Federal Crop Insurance. The commodity, conservation, trade, and credit titles to the farm bill are also under budget despite current hard economic times, increasing regulations, the rising use of predatory trade practices by foreign countries, and the growing borrowing needs of producers who are struggling to show they can cash flow in order to obtain credit. Meanwhile, the rural development, research, forestry, energy, horticulture, and miscellaneous titles, are comparatively small titles in terms of overall farm bill funding though of no less importance.

The Committee believes it is especially significant that the aggregate level of taxpayer savings from all of the farm bill titles—$104 billion—is being achieved amid extremely difficult and worsening times in farm and ranch country. This level of savings is especially impressive given the entire farm bill comprises just 1.7 percent of the total federal budget, with support to farmers and ranchers under the Commodity Title and Crop Insurance constituting only 0.26 percent of the overall budget. However, we also believe that today's economic conditions in farm and ranch country warrant, and the Committee's successful fiscal record certainly justifies, our taking a different approach with respect to the development of the 2018 Farm Bill, by first establishing what policies are required to effectively address the conditions in farm and ranch country and then by establishing what resources will be required to achieve them.

In fact, we began this process more than two years ago, during which time the Committee has held 84 hearings to evaluate the purpose, effectiveness, and efficiency of the policies within the Committee's jurisdiction. This year, the Committee will continue its work as we ramp up to develop and enact a strong new farm bill. In this process, we commit that the Committee will continue to seek to build on our past success in saving taxpayer money wherever possible even as we urge you to provide the flexibility necessary to address very difficult conditions in rural America. While additional, responsible savings may yet be achieved by the Committee this Congress, depending upon the outcome of a thorough examination of the policies within its jurisdiction, as you know, 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. An exclusive or even over reliance on savings from the Committee on Agriculture will ultimately fail to seriously move the needle in meeting the fiscal objectives that our Committees share while also seriously undermining the mission areas within the jurisdiction of the Committee on Agriculture.

We would be remiss not to observe that America's farmers and ranchers are in the predicament they are today due to conditions beyond their control, including Mother Nature and the predatory trade practices of foreign governments and the serious injury they work upon American agriculture.  Neither can be controlled by U.S. producers, nor are the risks that they pose easily managed, if they can be managed at all.

For example, according to the Office of the United States Trade Representative, China recently exceeded by $100 billion its permissible level of subsidies under its World Trade Organization commitments in a single year with respect to just three crops.  Put into perspective, $100 billion would pay for the U.S. safety net for all commodities over the period of an entire farm bill plus more than half of another.  These Chinese farm subsidies have injured American corn, wheat, and rice farmers, but other Chinese government policies have worked to harm other U.S. farmers and ranchers as well, including producers of cotton.  Prior to passage of the 2014 Farm Bill, the Chinese government had embarked on an aggressive policy that sent global cotton prices soaring to record highs.  Those decisions led to record cotton stocks in China which in turn led to plummeting prices from which the market is still struggling to recover.  Predatory trade practices are not at all peculiar to China.  Several governmental, academic, and private studies indicate that nearly all foreign countries were ratcheting up their already high subsidies, tariffs, and non-tariff trade barriers even as the U.S. was cutting support to America's farmers and ranchers.  An example of a country closer to home is Mexico which was recently found by the International Trade Commission to have illegally dumped sugar onto the U.S. market at below Mexico's cost of production, depressing prices received by U.S. sugar farmers.  In fact, within three years of Mexican dumping, Hawaii sugar farmers shuttered their iconic industry after 180 years of business.

Again, these are only a handful of the kind of trade infractions by our trading partners that warrant an effective response from the United States government.  The safety net provided by the farm bill is intended to provide at least some modicum of relief to our nation's farmers and ranchers who are the most efficient producers in the world but simply cannot compete with the seemingly bottomless treasuries of foreign governments.  In some instances, the safety net provided by the 2014 Farm Bill is up to the job.  However, in a number of other cases, the safety net has proved inadequate under current conditions.  As examples, there are very serious and growing concerns over the adequacy of current cotton and dairy policies and the Agriculture Risk Coverage (ARC) option.  These shortcomings as well as others must be addressed if the Committee is to craft a farm bill that can be successfully enacted into law and effectively respond to current conditions.  America's farmers and ranchers can hardly be expected to rally around a farm bill that will fail them in hard times, nor can this Committee in good conscience advance such legislation.  What policy changes and resources it will take to properly address these issues are yet to be determined and will be the topic of hearings both in Washington and in the field, thus the need for budget flexibility.

With respect to conservation policy, the 2014 Farm Bill answered the call for meaningful deficient reduction, saving taxpayers $6 billion by streamlining and targeting delivery to farmers, ranchers, and foresters. In addition, appropriations limitations and sequestration have resulted in growing backlogs in demand for these programs. The Committee continues to believe that the focus should remain on enhancing voluntary, incentive-based conservation in lieu of burdensome regulations that stifle the rural economy.

In regard to the nutrition title, while Committee Members hold widely differing and often passionate views, particularly with respect to the Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps, we must all acknowledge that CBO is projecting that the Nutrition Title is achieving savings relative to the previous farm bill and significantly more than anticipated during the last farm bill debate. Yet, as encouraging as they are, these savings did not alter the Committee's pledge to conduct a top-to-bottom review of SNAP, which accounts for roughly 80 percent of farm bill expenditures. In fact, the Committee Majority published its extensive findings regarding SNAP last year, largely focusing on eliminating program vulnerabilities while further promoting program strengths. 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 live the American dream. On this, we are all agreed.

As the Committee looks forward, we expect to build on the bipartisan achievements of our panel in the 114th Congress, including with the on-time enactment of a strong new farm bill; reauthorization of the Commodity Futures Trading Commission; moving legislation to lift arbitrary, costly, and counterproductive regulatory burdens placed upon rural America by the federal government; and in conducting vigorous oversight to make certain that both taxpayers and those for whom policies within our jurisdiction are established are well served.

Therefore, we respectfully request that the Committee on the Budget give careful consideration to current conditions in rural America and the very significant contributions toward deficit reduction already made by the Committee on Agriculture. We further urge you to require no further budget reductions from within the jurisdiction of the Committee on Agriculture but rather that the fiscal year 2018 budget resolution fully respect the commitments made under the 2014 Farm Bill while providing the Committee the budget flexibility necessary to develop and enact an effective new farm bill before the current law expires.

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

Sincerely,