



Oppose Any Fiscal Cliff Farm Bill Deal: Farm Bill is Filled with Fake Savings that Plant Seeds for Future Deficits

November 29, 2012

Dear Member of Congress:

As you consider ways to responsibly avert the looming fiscal cliff, we urge you reject any effort to use a nearly trillion-dollar farm bill as a budgetary offset. Congress must take immediate concrete steps to tame our national debt. Passing legislation that increases taxpayer subsidies for a sector experiencing its two most profitable years in a generation while relying on cost savings that are unlikely to occur, would be the height of irresponsibility. Furthermore, larding up a fiscal cliff deal with major policy legislation would tell taxpayers that lawmakers are not taking these issues seriously.

Neither the \$969 billion Agriculture Reform, Food, and Jobs Act nor the \$957 billion Federal Agriculture Reform and Risk Management Act (FARRM) take credible steps toward changing legislative business as usual that brought taxpayers this fiscal crisis. Even adjusted for inflation the House and Senate bills authorize nearly 50 percent more spending than the last farm bill passed merely four years ago. While both bills finally end the discredited direct payments program, they tap much of the savings to create new open-ended “shallow loss” entitlement programs that force taxpayers to pay agricultural businesses that see as little as a five percent loss in expected revenue. And both bills actually increase spending on the costliest taxpayer support for agriculture, federally subsidized crop insurance, through such special interest handouts as popcorn, peanut revenue, and catfish margin insurance policies.

Taxpayers are unlikely to realize the \$23 to \$35 billion reduction in the baseline as calculated by the Congressional Budget Office (CBO). Farm bills routinely blow past initial CBO estimates: the 2002 farm bill by \$136.5 billion, and the 2008 farm bill is on pace to exceed its original score by 50 percent, adding more than \$300 billion to the deficit. Furthermore, the bulk of the savings envisioned in the current bills occurs in the second five years of the score – after the bills would have expired.

No program embodies the inability of Congress to predict agricultural markets better than taxpayer-subsidized crop insurance. After passage of the 2008 farm bill, CBO projected crop insurance to cost taxpayers \$47 billion over ten years. When all the claims are finalized this year, taxpayers will have easily spent more than half this amount in 2011 and 2012 alone. Newly proposed shallow loss subsidies will only make the situation worse.

Instead of attaching a backroom negotiated trillion-dollar bill to any deficit reduction agreement, a one-year extension of expired law should be passed and fully paid for with real and meaningful agriculture-related cuts to programs like direct payments. Eliminating these wasteful subsidies is something on which everyone agrees. Additional savings can be identified by cutting unnecessary programs, most of which have already been identified by both the House and Senate Agriculture Committees, including the Dairy Production Price Support Program (DPPSP), Dairy Export Incentive Program, and Average Crop Revenue Election (ACRE) program. It is also vital to repeal the outdated Agriculture Adjustment Act of 1938 and the Agricultural Act of 1949. Agriculture interests cynically trot out the specter that these obsolete laws could come into force to leverage Congressional support for new unnecessary subsidies. These laws have no relevance to modern agriculture and must be repealed.

Congressional inaction on our nation's budget challenges has directly led to the impending fiscal cliff. While sequestration's across-the-board budget cuts are a terrible fiscal tool, enactment of legislation with CBO scored savings but no chance of real-world realization is an even worse remedy.

We look forward to working with you in the 113th Congress to create an efficient and effective agricultural safety net that spends taxpayer dollars wisely while improving, not worsening our nation's dire fiscal situation. For more information, please contact me or Joshua Sewell at 202-546-8500 x116 or josh at taxpayer.net.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Ryan Alexander". The signature is fluid and cursive, with the first name "A." and the last name "Alexander" clearly visible.

Ryan Alexander
President