



OPPOSE HOUSE FARM BILL DRAFT: FAILS TO REFORM; CREATES NEW SUBSIDY ENTITLEMENT PROGRAMS

July 10, 2012

Dear Representative,

On behalf of the millions of members represented by our organizations, we write to express concerns with, and opposition to the draft Farm Bill (Federal Agriculture Reform and Risk Management Act or FARRM) released by the House Agriculture Committee. With the booming farm economy and near record commodity prices, now is the time to rein in the wasteful agriculture subsidy programs of the past. Instead, the draft bill creates new entitlement programs, reinforces wasteful crop insurance subsidies, retains and expands market distorting counter-cyclical target prices, and fails to reform and reduce Washington's outsized and outdated role in American agriculture.

Farm businesses are a testament to the skill, ingenuity, and persistence of Americans. While many sectors continue to feel the effects of the recession, American agriculture is one of the few bright spots in the economy. Net farm income is at \$98 billion, nearly doubling between 2001 and 2011. Farm business exports totaled nearly \$140 billion, exceeding imports of agricultural products by more than \$37 billion. And, it's estimated that one out of every 12 jobs is connected to agriculture.

Rather than reform, as the bill's title implies, the Committee's draft Farm Bill reinforces the heavy federal and taxpayer role in the farm economy. The Congressional Budget Office (CBO) estimates that the bill would save \$35 billion over ten years compared to the ten-year baseline of \$992 billion. The Committee shaved off a 3.6 percent whisker of spending from a bill that is 60 percent larger than the last Farm Bill.

The simple fact is that if the Committee only eliminated the egregious direct payment program and did nothing else, the bill would save \$45 billion, \$10 billion more than the current estimated savings.

FARRM does eliminate direct payments – which have virtually no defenders – but then plows those savings into three new “shallow loss” entitlement programs designed to make Washington responsible for ensuring profits for agriculture businesses. The federal government should not be in the business of guaranteeing profits for anyone, and certainly not locking in the boom times for American agriculture.

The Committee claims to eliminate the command and control economy of the Counter-Cyclical Program (CCP), but in an Orwellian maneuver, simply tweaks and renames CCP as Price Loss Coverage (PLC). These programs set price floors for commodities, which proponents support as a supposed safety net in the event that prices fall. Instead of creating a safety net, the Committee-drafted PLC will put agriculture squarely on the backs of taxpayers. For six out of the eight eligible commodities, the draft bill’s target prices would be higher than average prices from 2005-2010, and all eight hit the target prices at least one year during this time period. Remember, those years were a time of record or near-record prices for commodities. Even a small reduction from these near-record levels would trigger massive taxpayer payouts.

Instead of reining in the heavily subsidized crop insurance program, the draft bill actually expands it. Already the single largest federal agriculture subsidy, crop insurance cost taxpayers more than \$11 billion last year. Out of every dollar of premiums that are paid, taxpayers kick in 62 cents to producers’ 38 cents. Administration and overhead costs of the crop insurance companies are also paid by taxpayers. Rather than reform and reduce the subsidies to the out of control crop insurance program, FARRM increases spending by \$10 billion, to \$100 billion over the next 10 years. That’s even \$5 billion more than the fiscally irresponsible Senate-passed bill.

Since America’s agricultural economy is strong, now is the time to roll back the wasteful and unnecessary taxpayer subsidies. This strength and the glaring weakness of the federal budget – \$15 trillion in debt and trillion dollar deficits for the next decade – make it essential that Washington’s role in agricultural policy be reduced. FARRM does the exact opposite. The House of Representatives must lead a full and open legislative debate on the Farm Bill reauthorization. Taxpayers can afford nothing less.

For more information please contact Josh Sewell, Taxpayers for Common Sense at 202-546-8500 x116 or josh@taxpayer.net.

Sincerely,

American Commitment
Americans for Prosperity
Americans for Tax Reform
Competitive Enterprise Institute
Council for Citizens Against Government Waste
FreedomWorks
Heritage Action for America
R Street
National Taxpayers Union
Taxpayers for Common Sense
Taxpayer Protection Alliance