

Congress of the United States
Washington, DC 20515

February 28, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232 U.S. Capitol
Washington, DC 20515

The Honorable John Boehner
Republican Leader
U.S. House of Representatives
H-204 U.S. Capitol
Washington, DC 20515

The Honorable Collin Peterson
Chairman
House Agriculture Committee
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Bob Goodlatte
Ranking Member
House Agriculture Committee
1305 Longworth House Office Building
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader Boehner, Chairman Peterson, and Ranking Member Goodlatte:

As you move forward with final Farm Bill negotiations, we encourage you to include additional reforms to farm subsidy programs. The negotiating process has been held up by disagreements over the bill's spending level, with various parties arguing for more or less money given the status of American agriculture today. Fortunately, there is a way out of this funding standoff. A number of options still exist to reduce Farm Bill spending without raising taxes or increasing subsidies. Utilizing various combinations of these options would easily free up \$10 billion or more.

Farmers today do not need the same level of government subsidies to succeed. America's farmers are enjoying record income and record wealth. According to USDA, net farm income in 2007 was \$87 billion, up \$28 billion from 2006 and \$30 billion above the average for the previous ten years. Farm household income was \$87,000 in 2007, up 8 percent from 2006 and nearly double the national average.

It simply does not make sense to raise taxes during a time of record farm commodity prices to increase subsidies – including large subsidies for wealthy landowners living in New York City, Chicago, and San Francisco.

We have identified ten common sense proposals that would allow conferees to develop a Farm Bill that makes needed investments yet still provides an important safety net to family farms when they need it through reasonable reforms of existing commodity programs. These reforms would realize a budget savings of at least \$10 billion over 10 years. Incorporating some or all of the following reforms, we can all agree on a Farm Bill that does not raise taxes or increase overall spending. Specifically, the Farm Bill should:

- 1) **Roll Back Subsidy Increases** – Rolling back higher loan rates and target prices in the commodity title of the House Farm Bill would generate \$2.3 billion in savings over ten years. (Partially included in House proposal)
- 2) **Reduce Direct Payments** – This Farm Bill could reduce Direct Payments to corn, which will cost more than \$20 billion over the next five years. Created to wean farmers off subsidies, Direct Payments have instead become a costly entitlement that flow to farmers regardless of market conditions, or even whether they produce a crop at all. These payments can be dialed down to produce savings anywhere up to a full \$10 billion over 10 years.
- 3) **Reduce Direct Payments for Corn and Soybean Farmers** – Thanks to the renewable energy mandate, corn and soybean farmers are enjoying record prices. At a minimum, we should lower

direct payment rates for corn and bean farmers. Simply reducing the direct payment rate from 28 to 20 cents for corn farmers would generate \$6 billion in savings over ten years.


- 4) **Means Test Farm Subsidies** – The Farm Bill should deny subsidies to those farm households that clear more than \$200,000 – roughly four times the income of an ordinary American household. Ending subsidies to wealthy landowners would generate \$1.4 billion in savings over ten years. (House proposal sets the hard limit at \$900,000)
- 5) **Means Test Direct Payments** – At a minimum, the bill should deny Direct Payments to farm households that clear more than \$200,000, generating \$1.1 billion in savings over ten years.
- 6) **Place Real Caps on Farms Subsidies** – Closing loopholes and placing real caps on subsidies so that no farmer could collect more than \$250,000 annually in subsidy payments would generate \$1.1 billion in savings over ten years.
- 7) **End Insurance Agent Windfalls** – The Farm Bill should lower reimbursement rates for crop insurance agents and end unjustified windfalls. For example, lowering the reimbursement rate to 15 percent would generate \$1.7 billion in savings over ten years. (House proposal reduces rates to 21.1 percent)
- 8) **End Insurance Company Windfalls** – The bill should also include provisions to more fairly share the risk of crop insurance with insurance companies – and generate \$1.1 billion in savings over ten years.
- 9) **Create a Revenue-Based Safety Net** – Creating a true safety net that is linked to revenue – not simply prices – would support farmers when farm revenues fall and would be less susceptible to challenge by our trading partners. This could save \$1.8 billion. (House proposal creates an optional program)
- 10) **Reject Costly New Entitlement Programs** – Farm Bill negotiators should reject a Senate proposal to create a permanent disaster entitlement program and should instead encourage farmers to purchase crop and revenue insurance. (Permanent disaster provision not included in House proposal)

Total Possible Savings – \$10 – \$25 billion over 10 years

American families do not want the government to spend more of their money; rather, they want responsible leadership and good governance. Therefore, we urge the Farm Bill negotiators to look at the realities of our farm programs and the robust marketplace today, and agree on a plan that is less market distorting and would support family farmers without raising taxes on hard working Americans or increasing unnecessary subsidies.


Ron Kind

Sincerely,


Paul Ryan


Earl Blumenauer


Jeff Flake

CC: President George W. Bush

Senate Majority Leader Harry Reid and Republican Leader Mitch McConnell
Senate Agriculture Chairman Tom Harkin and Ranking Member Saxby Chambliss
House Ways and Means Chairman Charles Rangel and Ranking Member Jim McCrery
Senate Finance Chairman Max Baucus and Ranking Member Chuck Grassley

Gwen Moore

Pat DeFazio

Tom Tancredo

John Sisk

Steve Chabot

Pete Stark

Glynn S. Slaughter

Jim McDermott

John Murtha

Jim Leach
