
20th December 2007

The Farm Bill Passes in the Senate

The Issue at Hand

The US Senate finally passed its version of the 2007 Farm Bill on 14 December. The Senate's debate has been stalled for the past month mainly on budgetary issues and a list of 280 amendments that were tabled to be dealt with as part of the legislative process. On 7 December Senators finally agreed to limit the vote on amendments to 40 issues, being 20 each by the Republicans and Democrats respectively. Despite this the debate has not been conducted easily, as was evidenced for instance by the temporary blocking of the process by Republicans unhappy with the exclusion of an estate tax amendment. However on Friday 14 December 17, 2007 the Bill passed by 79 votes to 14. In all material respects the Bill is very much in line with what was tabled by the Senate Agriculture Committee.

Activity to Date

The reform orientated proposal by Senators Lugar and Lautenberg was one of the amendments that have been tabled for debate. Recall that the 'L-L' proposal aimed to change traditional crop subsidies that are focused on a narrow section of crops and farmers, and introduced a more market related insurance program which would act as and when needed and not regardless of market conditions. Unlike current programs, this measure would protect against unforeseen risks, but would not provide automatic payments to farmers when unneeded, and would not continue to distort foreign agricultural markets. Basically the measure would have transferred most of the countercyclical payment programme funding to a less trade distorting farm insurance programme. This proposal was however defeated by 58 votes to 37. This follows the trend of its passage in the Senate Agriculture Committee where it was previously defeated by 17 votes to 4. This

proposal would have had a particularly negative impact on cotton and grain farmers.

The other reform minded amendments that were defeated are the amendment limiting total farm payments to US\$ 250 000 annually per household (currently the limit is US\$ 360 000). This amendment has thus far been opposed by southern states (rice and cotton) that have particularly high production costs. The other is one preventing farmers who earn over US\$ 750 000 from receiving any government subsidy payments.

The Cotton Response

In their response the National Cotton Council welcomed the Senate Farm Bill, especially as there were last minute procedural rejections of amendments that would have provided for significant improvements and reform by curtailing cotton subsidies. The NCC particularly complimented Senators Chambliss and Lincoln for their efforts in 'convincing their colleagues' to develop legislation that will continue to provide the cotton industry with the same budgetary structure and a so-called 'safety net' which traditionally allows producers who would otherwise farm at a loss from remaining in production. The NCC correctly noted that the approval of the legislation at 79 votes to 14 was an approval by the widest bipartisan margin in recent history. The NCC was pleased that the legislation included provisions that make only cursory changes to payment limitations, and reject efforts to change those provisions by significantly lowering the limits. In addition there is no reform to the value of the non-recourse loan as a controlled marketing tool, and no modifying of the Adjusted Gross Income test in a way that would have denied benefits to any full time farmers. The NCC also welcomed the Senate's rejection of the proposed 'L-L' amendment mentioned above.

Status of Current Law

The expiry of the 2002 Farm Bill and the avoidance of reverting to the so-called Permanent Law have begun to attract attention as the year begins to close out. The House Agriculture Committee has now suggested that Farm Bill programmes continue on a short-term basis as a tag-on to omnibus legislation that Congress is planning to pass before year end. This move would provide breathing space and 'protect the budget' for the Farm Bill that Congress is currently writing. The

House proposal will provide for the short term continuation of the current legislation until 15 March 2008 for most of the current subsidy programmes. However it would stop short of extending the present commodity support programs to the 2008 crop year, and the intention would still be for new 2008 legislation to cover the provisions for the 2008 crop year.

A USDA administrative process will follow the Congressional approval in advance of the Farm Bill's promulgation. According to the USDA this begins with a costing analysis that takes approximately 120 days. Thereafter administrators review the analysis and draft the required regulations. A host of USDA departmental heads reviews the proposal which takes a further 90 days. Then the regulations then go to the Office of Management and Budget at the White House for review, which can takes another 90 days. Then only are the programme regulations posted in the Federal Register.

Concluding Comment

The Christmas recess will commence on Friday 21 December and the text will thus not reach the President for signature before the Christmas recess. The House Agriculture Chairman, Colin Peterson, has commented that he anticipates that a final version of the Farm Bill can be crafted in January 2008. This will involve debate and drafting through a 'conference committee' between the House and the Senate who will have to reconcile the two bills before it is voted on again by both chambers. It is increasingly evident that the Senate will converge on the already crafted House version of the Farm Bill with only very minor changes only to the current legislation. The conference activity is likely to be non-contentious [an exposition of the legislative flow is attached at the end of this newsletter].

In addition there are now some voices within the Republican caucus that starting to soft talk the prospects of the, to date much vaunted, Presidential veto. The change in tone is premised upon the notion that a veto could do damage to Republicans in the running for re-election. In another softening action Democrats have backed away from an amendment which would facilitate US agricultural sales to Cuba, an amendment which has been vehemently opposed by the Administration. This gesture is also aimed at diluting the President's need to veto the Farm Bill. The Administration's official line however remains that the

President will exercise his veto. The New Year will no doubt be telling in this regard as drafters work on the conference text over the Christmas break.

The following statement from the acting Agriculture Secretary is indicative of the fact that the Senate Farm Bill is morphing more and more to the semblance of the 'business as usual' version of the text adopted by the House in September:

"Let me just say a farm bill that raises our trade-distorting supports above the already-established levels in the 2002 bill that has already been challenged and been successfully challenged I believe is destined to bring about problems for American agriculture. It is destined to bring about even greater challenges from the international community – again, challenges where there is already a precedent for foreign nations being able to win successful cases against our current programs, to raise them even higher. We have described this as painting a bull's eye on the back of the American farmer. This is not, again, the area that we need to go."

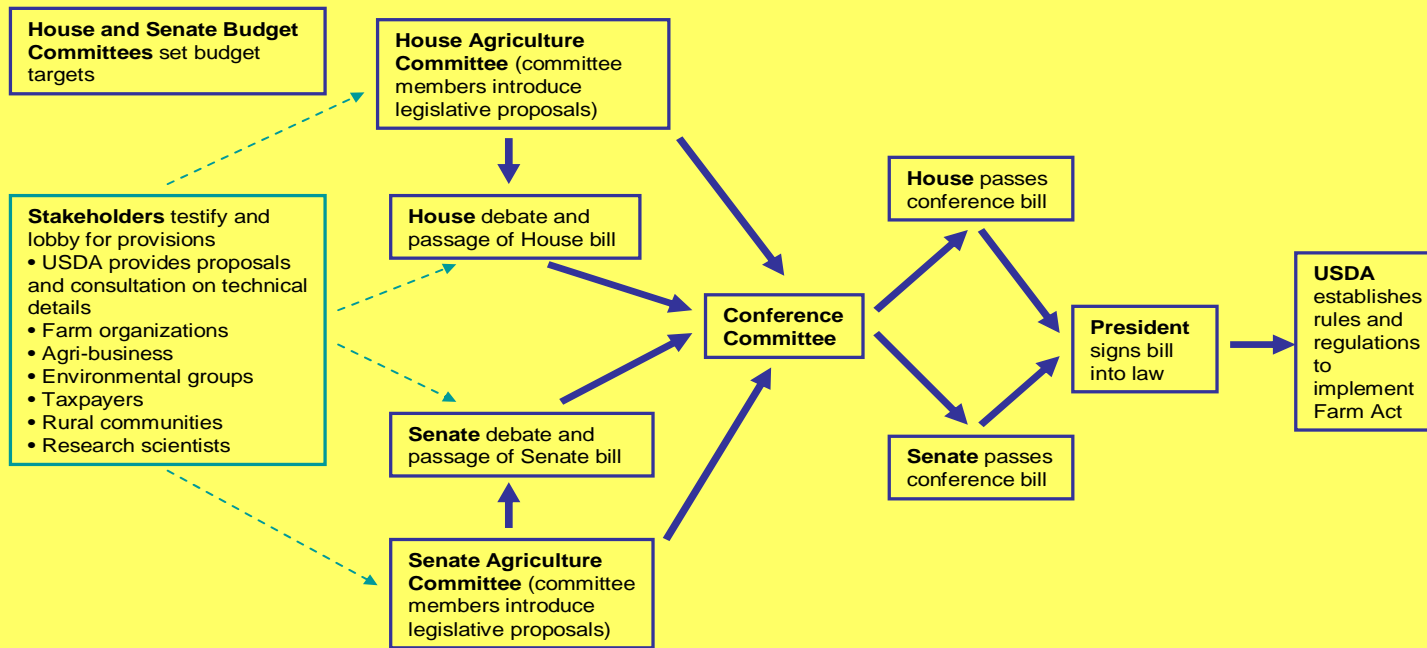
[US Acting Agriculture Secretary –Chuck Connor 5 December 2007]

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Farm Act Legislative Process



1995 Farm Bill => 1996

2001 Farm Bill => 2002

2007 =>?

