
19th November 2007

Existing Farm Bill Likely to be Extended

Context

For just on two years the US agricultural sector and legislators have been engaged in talks and planning surrounding the new 2007 Farm Bill. There have been many differing views as to the specific provisions, but whether these are reform minded or seeking greater support, it is widely recognised that US farm policy can improved, and the US hence needs a new Farm Bill.

In the ongoing Senate deliberations the debate is stalled on budgetary issues and a list of 280 amendments that are to be dealt with, many of which are not related to agriculture. Having been unsuccessful in limiting the debate using a so-called 'cloture' provision (which limits debate to 30 hours and allows only for amendments related to agriculture) the Senate debate cannot be speedily concluded through this short circuit provision and will thus continue.

Option Proposed

The Republicans introduced a bill to extend the current Farm Bill for one year to ensure stability as farmers begin planting their 2008 crops. With the 2007 Farm Bill reauthorization stymied in the Senate, farmers are already feeling nervous as they cannot make effective planning decisions, finalise land leases or negotiate lending agreements. Farmers are facing uncertainty in the absence of knowing what type of safety net will be available in the 2008 year. In particular securing future financing is exceptionally difficult without certainty of farm programs.

Without a reauthorisation, US farm policy will revert to the permanent statues established in 1938 and 1949 laws at year end. This legislation is quite different from current 2002 programmes.

Legislative Position

The so-called permanent law established by the Agriculture Adjustment Act of 1938 and the Agriculture Act of 1949 is superseded by subsequent legislation, such as the 2002 Farm Bill, and remain dormant until the subsequent legislation expires. The underlying law does not reflect current farming and marketing practices, trade agreements, or market circumstances. For example, permanent law does not authorise counter-cyclical payments or decoupled direct payments and imposes acreage allotments and marketing quotas for wheat and cotton. The permanent law also excludes some commodities like rice, soybeans and peanuts; sets some support prices much higher than current levels; and prevent new enrolment in various conservation programs. It is for this reason that renewal of the 2002 legislation will likely be preferred to a complete expiry of the legislation when the posturing reaches a point when the decision must be taken. Renewal is thus expected as the likely outcome of the November/December legislative process.

The acting Agriculture Secretary expressed frustration at this 'lack of direction' position recalling that the legislative lacuna retains trade barriers, sends specialty crop growers a message that they have not earned more equitable treatment in farm policy and conservation, nutrition and renewable energy would all be shelved without a new Farm Bill. In his view there is technically still time for Congress to pass a new farm bill, if the Senate acts quickly to engage in an honest debate and to deliver legislation that does not raise taxes.

Concluding Comment

There is growing scepticism that a Farm Bill will reach the President for signature before the 2007 Christmas recess, even in the unlikely event that the Senate completes its work in early December. After the Senate completes its work, a 'conference committee' between the House and the Senate will have to reconcile the two bills. House and Senate conferees will need at least a week to draft the final text which will then have to be voted on again by both chambers. The Administration has now made it official that the President will veto the bill because it contains significant tax increases. We have observed that to date both the House and Senate bills are over budget, requiring additional taxes to be

raised. *The Economist* magazine commented in its 1 November edition that 'A presidential veto might blow the farm debate wide open', again lending credence to an extension of the 2002 law.

The following statement from the acting agriculture secretary imbibes a sense of the process at this stage. His plea it seems is however unlikely to be heeded soon:

"I urge Congress to demonstrate its commitment to farmers and other farm bill stakeholders by delivering a new farm bill that serves farmers and America well."

[US Acting Agriculture Secretary –Chuck Connor 16 November 2007]

IDEAS Centre offers policy advice services to developing and transition country governments in the areas of international trade, development and economic governance. In relation to the World Trade Organization (WTO), IDEAS Centre helps low-income countries defend their trade interests and thus use their WTO membership in a way that supports their development.

Our previous newsletters are posted on our website: www.ideascentre.ch

IDEAS Centre, 10, rue de l'Arquebuse, 1204 Geneva, Switzerland
T +41 22 807 17 40, F +41 22 807 17 41