

CRS Report for Congress

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Agriculture: Prospective Issues for Congress

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Summary

A number of issues affecting U.S. agriculture could receive attention during the 109th Congress. Some are related to new initiatives or to unfinished legislation from the 108th Congress; others have been the focus of ongoing congressional oversight. Although the current (2002) farm bill (P.L. 107-171) generally does not expire until 2007, the agriculture committees could begin hearings on a new measure as early as 2005. The farm bill spells out the types and levels of benefits provided to producers and landowners under commodity price support and conservation programs, both of which could receive close scrutiny in the coming year as lawmakers seek ways to control federal spending. The farm bill also authorizes many other U.S. Department of Agriculture (USDA) activities, such as export, food aid, agricultural research, energy, rural development, and domestic nutrition programs. However, other issues of importance to agriculture could attract national attention during the 109th Congress, including concerns about agroterrorism, food safety, and animal and plant diseases (e.g., “mad cow” disease); interest in multilateral and bilateral trade negotiations; the rising cost of energy on farms; environmental issues; and a number of agricultural marketing matters. This report will be updated if significant developments ensue.

Farm Production Support

Exceptionally large harvests for major crops and unusually high prices for livestock and milk have generated two years of record earnings for the farm sector. Net farm income set records of \$59.2 billion in 2003 and \$73.7 billion in 2004. For 2005, moderate declines in commodity prices and lower cash receipts for both crops and livestock could pressure farm income. Moreover, farm production costs have been increasing and are likely to continue upward, with energy prices, including the price of natural gas, an essential element of nitrogen fertilizers, a driving force.

Commodity Support Programs. Farm income and price support programs are dictated primarily by Title I of P.L. 107-171, which expires in 2007. Observers expect that the House, and possibly the Senate, Agriculture Committees could begin hearings in 2005 on a new farm bill, with more intensive deliberation likely in 2006. If the coming year brings falling commodity prices, higher input costs, or widespread natural disasters,

Congress could be asked for more support before the current bill expires. (See CRS Report RS21999, *Farm Commodity Programs: Summary, Issues, and CRS Products.*)

Budget and Spending. Pressures for more support could be counterbalanced by efforts, in the face of record budget deficits, to curb federal spending. Mandatory commodity support payments have averaged \$10.6 billion per year over the past five years, amounting to 17% of farm net cash income. These payments mostly go to the biggest producers of food grains, feed grains, and oilseeds, and are based on historical and current output, and on market prices. Federal budget deficits may cause a reexamination of program payment rates and rules in order to reduce spending; this debate initially might occur during deliberations over a congressional budget resolution setting overall spending for FY2006 and beyond.

Although most commodity program spending is determined by authorizing legislation (and thus is “entitlement” spending), lawmakers can, and do, use the annual appropriations measures to adjust other USDA spending. P.L. 108-447 provides USDA and related agencies with \$85.28 billion in new budget authority for FY2005. The next appropriations cycle will begin for Congress with release of the Administration’s FY2006 budget in early February. (See CRS Report RL32301, *Appropriations for FY2005: U.S. Department of Agriculture and Related Agencies.*)

Payment Limits. Most crop payments are subject to annual per-person limits. Past efforts to reduce the maximum amount of payments that producers can receive, and to count certain benefits (i.e., the value of commodity certificates producers receive) toward the limits, could be revived in a budget-minded 109th Congress. (See CRS Report RS21493, *Payment Limits for Farm Commodity Programs: Issues and Proposals.*)

Dairy. Bills could be reintroduced to extend the Milk Income Loss Contract program, which in FY2003 and FY2004 provided more than \$2 billion in countercyclical payments to producers. It expires September 30, 2005; an extension is supported by small to medium-sized dairy farmers but generally opposed by larger ones because of a limit on eligible annual production. (See CRS Issue Brief IB97011, *Dairy Policy Issues.*)

WTO Cotton Case. The World Trade Organization (WTO), on September 8, 2004, released a dispute settlement panel’s findings against the United States on several key complaints brought by Brazil that elements of the U.S. cotton program are not consistent with trade commitments. The United States announced that it will appeal the findings, which could extend the dispute settlement process into 2005. Final resolution of the WTO cotton case in Brazil’s favor could ultimately affect U.S. program provisions not only for cotton, but possibly also for other major field crops. (See CRS Report RL32571, *U.S.-Brazil WTO Cotton Subsidy Dispute.*)

Conservation Programs. Spending for conservation programs, which help producers protect and improve natural resources on some farmed land and retire other land from production, have grown rapidly since the 2002 farm bill, and will reach a total of more than \$4.2 billion in FY2005. This growth in spending reflects the expanded reach of conservation programs, which now involve many more land owners and acres. For example, under the land retirement programs, nearly 40 million acres (almost 9% of total U.S. cropland) have been retired from production. However, most of these acres are not retired permanently, and the environmental benefits being sought may be lost

after the contract (usually 10 years) ends. Some critics question whether program costs are merited for the benefits they provide. Farm interests question whether all these lands should remain out of production given the current farm economy, especially if they could be cropped using proper conservation and land management practices. If budget pressures force a look at funding for conservation programs, the 109th Congress could be asked to weigh these arguments against farm and environmental supporters of the programs. Another topic that may attract congressional interest is implementation of the 2002 farm bill's Conservation Security Program. Some stakeholders have expressed concerns that USDA has implemented the program in only a few watersheds, and that current funding has been limited even though the program was enacted as a true entitlement. (See CRS Issue Brief IB96030, *Soil and Water Conservation Issues*.)

Energy. Although not as energy-intensive as some industries, agriculture is a major consumer — directly, as fuel or electricity, and indirectly, as fertilizers and chemicals. International petroleum and natural gas market prices have experienced substantial volatility and been trending significantly higher in recent years, leading to concern about longer-term impacts on farm profitability. Agriculture also is viewed as a potentially important producer of renewable fuels such as ethanol, although farm-based energy production remains small relative to total U.S. energy needs. Any work on energy legislation could include discussions of agriculture's energy needs and contributions. (See CRS Report RL32677, *Energy Use in Agriculture: Background and Issues*.)

Agricultural Trade Policy

Building export market opportunities for U.S. farm products remains a priority for Congress. USDA notes that U.S. agricultural exports account for 20-25% of farm income. Their value reached a record \$62.3 billion in FY2004. However, recent forecasts indicate a decline to \$56 billion in FY2005, and a zero agricultural trade balance, not seen since the late 1950s. Some Members of Congress express concern about growing competition from major producers and exporters like Brazil; they note that the U.S. share of world agricultural exports declined from 17% in 1980 to 11% in 2003, according to the WTO.

Trade Negotiations. U.S. trade policy seeks to improve market access for U.S. agricultural products through multilateral, regional, and bilateral trade agreements. U.S. officials also seek to hold countries to commitments made under existing agreements, and to resolve disputes impeding farm exports. The Administration is participating in the current Doha round of multilateral trade negotiations and also negotiating free trade agreements with the Americas and with the Southern African Customs Union. In 2005, Congress is expected to consider implementing legislation for the Dominican Republic-Central America-U.S. free trade agreement. It is of particular concern to the U.S. sugar industry because those countries would gain increased access to the U.S. market. Trade promotion authority (TPA, formerly termed "fast track"), which provides authority for Congress to consider implementing bills under expedited procedures, covers trade agreements signed before June 1, 2005. A two-year extension is possible if the President requests one, and the Congress does not disapprove, so this matter could arise in the coming months. Current TPA contains extensive negotiating objectives for agriculture. (See CRS Report RL32053, *Agriculture in WTO Negotiations*, and CRS Report RL30935, *Agricultural Trade in the Free Trade Area of the Americas*.)

Other Trade Issues. Other ongoing issues of interest to Congress include commodity trade disputes (for example, U.S. pork producers are seeking punitive tariffs on Canadian live hogs; see CRS Report RS21985, *The Canadian Hog Trade Dispute*); the rules of trade for the products of agricultural biotechnology (see CRS Issue Brief IB10131, *Agricultural Biotechnology: Overview and Selected Issues*); the scope of restrictions that should apply to agricultural sales to Cuba (see CRS Issue Brief IB10061, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*); and funding for U.S. agricultural export and food aid programs (see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs*).

Protecting the Food Supply

Agroterrorism. Border inspections have been the first defense against livestock and plant diseases and, more recently, the threat of terrorist attacks against agricultural targets. Such an attack could inflict large economic losses and incite public fear. The Homeland Security Act of 2002 (P.L. 107-296) transferred USDA border inspectors to the Department of Homeland Security (DHS). The agriculture committees remain concerned whether DHS is devoting enough attention to agricultural inspections, staffing, and training; they note that controlling a disease outbreak depends on quick and coordinated responses. Appropriators have funded some preparedness programs, but health experts request more. Elsewhere, under the Bioterrorism Preparedness and Response Act (P.L. 107-188), the Food and Drug Administration (FDA) has implemented rules for registration of food processors, record-keeping, and prior notice of imports. Food importers are concerned about administrative costs and delays at border crossings. (See CRS Report RL32521, *Agroterrorism: Threats and Preparedness*.)

Food Safety. Approximately 76 million people get sick and 5,000 die from food-related illnesses in the United States each year, it is estimated. Congress frequently conducts oversight and periodically considers legislation on food safety, and could do so again. For example, past bills have focused on: controlling animal diseases that also could threaten the human food supply and/or human health; new enforcement authorities for the FDA and USDA; the safety of school lunches; and methylmercury in fish. Some Members also continue to be interested in the regulation of bioengineered foods, human antimicrobial resistance (which some link partly to misuse of antibiotics in animal feed), the safety of fresh produce, and the reorganization of the federal food safety structure. (See CRS Report RL31853, *Food Safety Issues in the 108th Congress*, and CRS Issue Brief IB10082, *Meat and Poultry Inspection Issues*.)

BSE. Bovine spongiform encephalopathy (BSE or “mad cow disease”) has attracted intense interest, after two BSE cases were discovered in North America in 2003. (A possible third case was found in Canada in late 2004). Authorities continue to characterize the risk to human health from these two cases as extremely low. However, the beef industry can suffer economically if foreign borders remain closed to U.S. beef. In 2004, Congress held hearings, increased funds for BSE prevention, and considered bills addressing various aspects of BSE. Such bills might again attract interest, e.g., legislation to prescribe mandatory animal ID and/or meat traceability rules; to require BSE tests on more cattle; to require additional safety measures in feed manufacturing or meat processing, and to support research on BSE and other prion diseases. (See CRS Issue Brief IB10127, *Mad Cow Disease: Agriculture Issues for Congress*.)

Soybean Rust. Asian soybean rust (ASR), a fungal disease that can reduce soybean yields by 10-80%, was detected in the United States in 2004. Some are concerned that ASR may become more dispersed and established here before USDA, the states, and the U.S. soybean sector have made adequate preparations. Widespread ASR infection in the United States could have significant regional and national effects on domestic and international commodity markets; soybeans rank second only to corn as the most important U.S. field crop, both in terms of planted area and value. In Congress, oversight hearings on the disease and mitigation efforts are possible, as are proposed bills. (See CRS Report RL32225, *Asian Soybean Rust: Background and Issues*.)

Marketing

Commodity Check-Off Programs. Congressionally-authorized assessments are being collected to fund national research and promotion ("check-off") activities for 17 commodities. Some producers have challenged the mandatory aspects of check-offs, which, they contend, are "taxes" for activities they would not underwrite voluntarily. The U.S. Supreme Court heard arguments on December 8, 2004, in an appeal of a lower court ruling, which determined that the beef check-off violates free speech protections under the First Amendment. The final Court decision (likely in early 2005) could affect the future of other check-offs, and spur Congress to re-examine their statutory basis. (See CRS Report 95-353, *Federal Farm Promotion ("Check-off") Programs*.)

Country of Origin Labeling (COOL). Mandatory COOL for fresh meats, produce, and peanuts is scheduled to take effect September 30, 2006. Some Members continue to support mandatory COOL, and a few of them would prefer that it take effect sooner (as once provided in the 2002 farm bill). Others have sought to replace it with voluntary labeling programs, and interest in the issue is expected to continue. (See CRS Report 97-508, *Country-of-Origin Labeling for Foods*.)

Livestock Marketing. Continuing concentration and other changes in business relationships within livestock markets (such as contractual relationships between producers and processors) have raised concerns about the impacts on farm prices and on smaller operations. USDA currently is conducting an in-depth examination of livestock marketing, including issues surrounding proposals to ban packer ownership of animals. Congress expects to receive reports on this work in 2005. Also, Livestock Mandatory Price Reporting expires on September 30, 2005. It was originally passed in 1999 to address some producers' concerns about low prices, price transparency, and industry concentration. While the system generally has found acceptance among industry players, any effort to extend it likely will generate discussion of possible changes. (See CRS Report RS20079, *Livestock Mandatory Price Reporting*.)

Dietary Guidelines. Revised dietary guidelines are published jointly every five years by the Department of Health and Human Services and USDA; the next version is expected in 2005. The guidelines (along with the so-called Food Guide Pyramid) are designed to provide authoritative advice about healthy eating; they also serve as the basis for Federal food and nutrition education programs. Agriculture and the food industry always takes an interest in this effort because it can affect demand for their products. Oversight hearings are a possibility in Congress.