Kent Conrad

Rhetoric vs. Reality

Administration Claims Not Supported by Facts

Administration Claim: "At a time of record farm income, Congress decided to further increase farm subsidy rates, qualify more people for taxpayer support, and move programs toward more government control."

Facts:

- **Commodity program spending is reduced, not increased, in this farm bill. Commodity spending goes down $1.7 billion.**
- **For example, the bill cuts direct payments by $300 million.**
- **In addition, crop insurance spending, which supports farm income, is cut $5.7 billion. Even after accounting for the disaster program, the farm safety net is cut by $3.5 billion.**
- **Commodity programs under this farm bill will account for only 0.25% of the federal budget, down significantly from 0.75% in the last farm bill.**
- **Moreover, the ethanol production tax credit, which provides an incentive for producing corn, is cut by $1.2 billion.**
- **The bill does include modest rebalancing of loan rates and target prices. This reduces market distortions compared to current law, and helps address high food prices by reducing incentives to switch from growing wheat to growing corn for ethanol.**
- **Although some commodities received increases, others were reduced in the rebalancing effort.**
- **Despite the Administration's claim, marketing loan and target price adjustments do not increase government expenditures at a time of record income. They only pay producers if prices collapse or when there is a loss of production.**
- **For example, wheat prices are currently about $8/bushel. The bill modestly increases the wheat loan rate from $2.75 to $2.94 and the target price from $3.92 to $4.17. So at current prices, farmers would not receive either a loan deficiency payment or a countercyclical payment.**
- **In sharp contrast, the Administration actually proposed to INCREASE direct payments by $5.5 Billion. These payments would certainly be paid out at times of record farm income – a direct contradiction to the Administration's public rhetoric.**

Rhetoric vs. Reality

Administration Claims Not Supported by Facts

Administration Claim: This farm bill increases spending by nearly $20 billion.

Facts:

- **These are fictional numbers based on made-up scorekeeping that the Administration has never applied to its own legislation or budgets.**
- **Under CBO scoring, our farm bill spends $10 billion above baseline over the budget window. That's not my number. That's the number from CBO, which is Congress' nonpartisan, independent, professional budget agency.**
- **That $10 billion is offset with $10 billion in outlay reductions from Customs User Fees. Every penny of new spending is fully paid for.**
- **On the tax side, we are paying for agriculture tax relief with agriculture tax reforms like a reduction in the ethanol credit and Schedule F reforms to limit the use of farming losses to shelter off-farm income. There is no tax increase.**
- **The Administration argues that the Farm Bill contains timing shifts. That's true. But it's also true of most major legislation dealing with revenues or mandatory spending.**
- **The simple fact is, when you do major reform like we are doing in this bill, you change programs and payment schedules.**
- **These changes have real world consequences for farmers. They are making crop insurance payments earlier and getting farm program payments later. That has a real cost: farmers will need financing for longer periods of time.**
- **The Administration has repeatedly used timing shifts in legislation it has proposed. In fact, the timing shifts in this bill pale in comparison to the costs of sunsetting tax cuts.**

Rhetoric vs. Reality

Administration Claims Not Supported by Facts

Administration Claim: **The Farm Bill Conference Report does not have reform.**

Facts: **The Farm Bill Conference Report does have significant reform – the most in over 30 years.**

- **Adjusted Gross Income (AGI) Limitation – For the first time ever, the Farm Bill will include an income cap for farm program payments to farmers. And the current law $2.5 million income cap on non-farmers will be significantly tightened. The new Farm Bill includes hard caps on adjusted gross income of $750,000 on farm income (with farmers losing all direct payments over that amount). It also includes a hard cap of $500,000 on non-farm income (with all farm program benefits lost over that amount). And a separate AGI limit will apply to conservation payments – another first designed to stop abuse of these programs by wealthy urbanites.**
- **Farm Program Payment Limits – For the first time ever, farm program payments have to be attributed to an actual, living breathing individual. This will prevent slick operators from hiding behind numerous entities to access program payments. Further, the bill eliminates the so-called "three-entity rule" that, in combination with creative legal structures, allowed easy manipulation of existing limitations.**
- **Beneficial Interest – Reforms the marketing loan program to avoid abuse by establishing a 30-day moving average for the posted county price (PCP), and gives the Secretary flexibility to deal with market aberrations that arise when a natural disaster temporarily depresses commodity prices, such as Hurricane Katrina.**
- **Direct Payment Cut – Direct payments will be cut by $300 million because farmers do not need full payments when prices are high.**
- **Schedule F Reform – The bill saves hundreds of millions of dollars by placing a limit on using farming losses to offset non-farm income. This tax reform measure complements the payment limits and will stop the practice of creating paper farming losses to shelter non-farm income.**
- **Crop Insurance Reform – Reduces the Administrative and Operating (A&O) reimbursement provided to agents by 2.3 percentage points and increases catastrophic (CAT) and non-insured assistance program (NAP) insurance fees. Also provides for a renegotiation of a new Standard Reinsurance Agreement (SRA) by 2011 to further address needed crop insurance reform.**
- **Decrease in Corn Ethanol Support – Responding to the increase in corn-based ethanol production, the Farm Bill reduces the production tax credit from 51 cents/gallon to 45 cents/gallon to reduce the incentive to shift corn production from feed to fuel.**
- **Cowboy Starter Kits – Eliminates payments to cropland subdivided for housing developments. In addition, payments on tracts of 10 acres or less of commodity crop base will be restricted.**
- **Standing Disaster Program – Establishes a paid for and reform minded disaster program that will avoid inefficient and ineffective payment schemes commonly associated with ad hoc programs. Only producers who have a loss on their entire farm will collect.**
- **Administration Has Failed to Act – For nearly 8 years, the Administration had within its administrative authority to tighten rules on farm program payment eligibility. And for 8 years, they have taken no action that could have resulted in disqualifying those who have little or not active participation in farm operations, but who are still qualified as actively engaged producers.**

Rhetoric vs. Reality
Administration Claims Not Supported by Facts

Administration Claim: "Congress decided to include a new permanent disaster program. This program represents a return to outdated farm policy and questions the government's investment in crop insurance which was designed to protect farmers against low commodity prices and crop failures. This action will discredit farm programs and jeopardize public support for future farm bills."

Facts:

- The disaster program contained in the Farm Bill represents reform from past ad hoc packages, and is a better use of taxpayer funds.

- This disaster program encourages participation in the crop insurance program. In fact, the Congressional Budget Office score indicates this program will result in producers obtaining more of their protection from crop insurance than ever.

- Abuses identified by published stories have been corrected in this program. In reality, it will add credibility to the federal response in disaster situations.

- Why is this a better approach than just relying on ad hoc assistance?
  - It is more fiscally responsible. Instead of making emergency payments that add to the debt, this disaster program is budgeted and paid for.
  - It is better targeted. The program will only pay farmers who had "whole farm" losses. Ad hoc payments have gone to farmers who had losses on one commodity or one unit, even if overall farm income was above average.
  - It protects other farm programs, like conservation. In the past, disaster payments have sometimes been paid for by cutting other farm program payments. By budgeting for disaster spending up-front, we will not have to rob Peter to pay Paul when disaster strikes.
  - It will be more predictable and timely. This program will get payments to farmers when disaster strikes. Ad hoc assistance sometimes takes years to make its way through Congress.
  - Improved livestock protection programs helps level the playing field between grazing use and crop production.

- Suggestions that the disaster proposal questions the government's investment in crop insurance, if accurate, would also be true of the Administration's own "GAP" coverage proposal. Unfortunately, their proposal did not cover all producers, did not focus on the farmer's actual production, and did not anticipate wide participation.

Rhetoric vs. Reality
Administration Claims Not Supported by Facts

Administration Claim: The Farm Bill Conference Report does not address Administration demands

Facts:

- The Conference Report addresses these Administration Demands:
  - New Spending is limited to $10 billion, and is offset with spending cuts.
  - The non-farm income AGI is reduced to Administration's requested level of $500,000.
  - For the first time ever, an AGI hard cap of $750,000 in farm income is established for direct payment eligibility.
  - Reforms marketing loan beneficial interest to avoid abuse.
  - Includes a revenue counter-cyclical program.
  - Provides requested flexibility in key areas:
    - Planting flexibility pilot program that allows fruits and vegetables to be planted on base acres.
    - Food aid flexibility to allow local purchase.
  - Removes miscellaneous provisions opposed by the White House including OCS lease fees, limitations on privatizing food stamps, and Cuba trade provisions.

- The Farm Bill Conference Report also includes additional important reforms not asked for by the Administration:
  - Cut in direct payments, which are hard to justify during times of high prices.
  - Schedule F tax reform that places a limit on using farming losses to offset non-farm income.
    - This tax reform measure complements the payment limits and will stop the practice of creating paper farming losses to shelter non-farm income.
  - Decrease the corn ethanol production tax credit by 6 cents to reduce the incentive to shift corn production from feed to fuel.
  - Eliminates payments to so-called "cowboy starter kits," or cropland subdivided for housing developments. In addition, payments on tracts of 10 acres or less of commodity crop base will be suspended.
  - Reforms disaster assistance so it is budgeted and paid for, avoiding the inefficient and ineffective payment schemes commonly associated with ad hoc disaster programs. Further, only producers who have a loss on their entire farm will collect assistance. Requires crop insurance to qualify.

Rhetoric vs. Reality

Administration Claims Not Supported by Facts

Administration Claim: "A provision to make it easier for some people to qualify for food stamps 'makes no sense' because there are already people who are eligible for food stamps who have not enrolled."

Facts:

- The Farm Bill's provisions to increase eligibility are based on the Administration's Farm Bill proposals.
- The Administration's Farm Bill proposal expands eligibility in three ways.
  - It expanded eligibility among the working poor and elderly by excluding retirement savings accounts from resources when determining eligibility for the program.
  - It expanded eligibility by excluding education savings accounts from resources when determining eligibility for the program.
  - And it expanded eligibility among military families by excluding combat pay when determining eligibility.
- The Administration's own proposal said that these changes were needed specifically to address the lack of participation among the working poor and elderly and to help the families of our brave soldiers serving in combat zones.
- It is the height of hypocrisy for the Administration to now criticize the Farm Bill because it contains the changes the Administration asked for.

Rhetoric vs. Reality

Administration Claims Not Supported by Facts

Administration Claim: It is not necessary to increase food stamp benefits because food stamp recipients on Oct. 1 "already would get a food stamp increase for food price inflation."

Facts:

- It is simply misleading to suggest that food stamp recipients are protected against inflation.
- As a result of benefit cuts enacted in 1996, a typical working parent with two children in 2008 receives about $37 less in food stamps each month than she would have without the 1996 cuts. Under current law, this cut grows larger each year because of inflation. The Farm Bill would stop this benefit erosion.
- Additionally, the minimum monthly benefit has not been increased since 1979. As a result of the freeze and food cost inflation, families receiving the minimum benefit can only buy 1/3 as much food in 2008 as they could purchase in 1979. Our farm bill stops this benefit erosion by increasing the minimum benefit from $10 to $14 a month and indexing the minimum to inflation.
- Moreover, many of these proposals are based on the President's own recommendations. For example, the President's Farm Bill increased benefits by eliminating the child care deduction cap. Our Farm Bill follows this recommendation.
- Finally, the President's own farm bill proposal in 2002 increased the standard deduction. We made a slight adjustment in 2002, and this Farm Bill now finishes doing what the President proposed then.