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**U.S. House of Representatives**  
**Committee on Agriculture**  
Room 1301, Longworth House Office Building  
Washington, DC 20515-6001

(202) 225-2171  
(202) 225-0917 FAX

March 5, 2004

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The Honorable Jim Nussle, Chairman  
House Committee on the Budget  
309 Cannon House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), we are including below the recommendations of the Committee on Agriculture with respect to agriculture programs within the Committee's jurisdiction.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies that will keep American agriculture and rural communities strong and our citizens healthy and safe. An important objective—and accomplishment—of the Farm Security and Rural Investment Act of 2002 was to fully restore the counter-cyclical safety net that was substantially reduced in the 1996 farm bill. The 1996 reductions were justified by the belief that such a safety net was no longer needed—that then-current high prices, record farm income, and record export value signaled fundamental changes in agricultural markets. The subsequent (and unexpected) declines in prices, income, and exports led to four successive years of ad hoc market loss assistance payments totaling more than \$30 billion.

Aggregate indicators of the farm economy in 2003/2004 are stronger than in recent years. In many ways they parallel those of 1996. The USDA estimate of net farm income for calendar 2003 is \$54.9 billion—exceeded historically only by the \$57.8 billion for 1996. USDA forecasts that the value of U.S. agricultural exports for FY 2004 will be \$59 billion—also exceeded historically only by the \$59.8 billion for 1996. Income and export gains for 2003/2004 can be attributed to the weaker U.S. dollar which makes our exports cheaper relative to those of our competitors, strengthening U.S. and global economies that increases food demand—especially in lower-income countries, production shortfalls by some of our competitors, the recovery of U.S. production levels from last year's weather reduced crops, increased industrial demand for agricultural products such as ethanol, and low global stocks for most major field crops.

Despite the significant improvements in the U.S. farm economy of the past year, we have learned the hard way that when it comes to commodity markets, these short-term gains simply cannot be assumed to be long term gains. U.S. agriculture faces many continuing and new challenges. U.S. producers continue to compete on an uneven playing field, facing much higher tariffs on our exports to other countries than other countries face on their exports to us. Exports from non-traditional

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competitors such as Argentina and Brazil for soybeans, China and the Former Soviet Union for coarse grains, and India and the Former Soviet Union for wheat have exploded during the last 10 years—up 800% since 1994. Brazil alone is estimated to have more potential farmland than combined current U.S. acres of wheat, corn, and soybeans. Furthermore, we are in the middle of ongoing and critical trade negotiations. We cannot diminish our bargaining power by unilaterally disarming.

The farm safety net as restored by the 2002 farm bill is robust. It works in times of high prices by reducing support that is not needed and it works in times of low prices by increasing support at the very times it is needed the most. It is working as designed.

With the higher-than-expected commodity prices that have occurred, the costs-to-date of crop commodity programs have been substantially lower than expected when the 2002 farm bill was passed. Let's look at counter-cyclical payment for major field crops. Just for fiscal years 2002 through 2004, the first years of the 2002 farm bill, CBO's current January 2004 baseline shows actual and projected costs \$5.5 billion lower than CBO's official farm bill score (against the April 2001 budget resolution baseline) and \$7.1 billion lower than CBO's best guess of costs (against their March 2002 baseline) at the time the farm bill was passed. No counter-cyclical payments were made for 2002 crops of wheat, corn, sorghum, barley, oats, and soybeans. None are expected for these crops for 2003 and, based on USDA's latest price forecasts, none are expected for these crops for 2004.

And it's not just for counter-cyclical payments where we have seen actual costs lower than expected when the farm bill was passed. For example, marketing loan benefits have been substantially lower, too. Even with actual costs for some other farm bill programs (such as milk income loss contract payments) higher than expected and additional costs added by subsequent legislation (such as disaster assistance), a simple comparison shows that actual and current-year forecasts of the costs of commodity, conservation, trade, disaster assistance, and other programs funded by the Commodity Credit Corporation (CCC) for fiscal years 2002 through 2004 are \$3.6 billion lower than CBO's official farm bill estimate and \$12.7 billion lower than CBO's best guess when the farm bill was passed.

So the 2002 farm bill is working and, so far, at substantially less than expected costs. We need to let the programs operate as designed to provide the stable farm income safety net that allows our producers (and their lenders) to do the long-range planning and make the investments needed to compete in an increasingly global economy.

Mr. Chairman, we appreciated very much the support of the Budget Committee in our successful efforts to pass the 2002 farm bill and we ask your continued support for the farm safety net and other important farm bill provisions including those for conservation and the environment, food and nutrition, trade, rural development, research, and energy programs. Any budget reconciliation instructions to cut spending for programs under our jurisdiction would need to be shared equitably among all of these programs.

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We also recognize what a difficult task you and your committee have in putting together this year's budget resolution. We want very much to work with you and to do our part both in addressing the serious budget issues we face and in furthering the excellent relationship that our two committees have established and maintained over the years.

Sincerely,



Bob Goodlatte  
Chairman



Charles W. Stenholm  
Ranking Minority Member

COMMITTEES:  
AGRICULTURE  
  
SCIENCE  
  
RESOURCES

**Congress of the United States**  
**House of Representatives**

March 3, 2004

The Honorable Jim Nussle  
Chairman  
House Budget Committee  
309 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Nussle:

I fully support the Views and Estimates letter that the House Agriculture Committee approved unanimously and is sending to your committee. I also wanted to share these additional views regarding programs under the jurisdiction of the Agriculture Committee.

I believe we need to reduce the deficit and move toward a more balanced budget. At the same time, I want to ensure that programs that are effectively and efficiently serving agriculture are maintained and that offsets come from programs that are not performing as well.

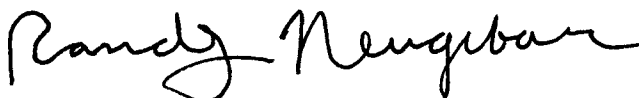
While the budget your committee produces is an outline rather than a detailed report, I ask that sufficient agriculture funding be provided to continue conservation and research programs, especially those directed toward agriculture water resources. We have been fortunate in West Texas with federal assistance for research to improve water conservation and to develop more drought resistant crops, as well as with conservation and rural development assistance. These forward-looking initiatives will help keep our farmers competitive for years to come.

I also ask that your committee not support changes to farm program payment limits that were agreed to in the 2002 Farm Bill. The Senate Budget Committee has included further payment limits in its FY 2005 budget, and I strongly oppose this effort. Changes in payment limits affect more than one or two commodities; such changes would have a negative impact the entire agriculture economy. I believe Congress needs to maintain the commitment we made to producers, allowing them to follow through on investment decisions they made based on a multi-year farm policy.

The U.S. farm economy has improved during the past year, and our farm programs are working as intended. Outlays are running well below what the Congressional Budget Office predicted when the 2002 Farm Bill was approved and even well below the spending predictions made as recently as August. I am pleased that our farmers are experiencing better market conditions, and I am pleased with the savings this provides to taxpayers as well.

Thank you for your support of agriculture and your efforts to craft a budget that is fiscally conservative while maintaining commitments Congress has made.

Sincerely,



Randy Neugebauer