

March 18, 2011

The Honorable Paul Ryan  
Chairman  
House Budget Committee  
207 Cannon House Office Building  
Washington, DC 20515

The Honorable Chris Van Hollen  
Ranking Member  
House Budget Committee  
B-71 Cannon House Office Building  
Washington, DC 20515

Dear Chairman Ryan and Congressman Van Hollen:

As you develop a budget resolution for fiscal year 2012, the undersigned organizations representing U.S. agriculture and rural America write to express our concerns and offer some perspectives we believe merit consideration.

We support the need for deficit reduction and tackling the nation's rising debt. In fact, U.S. farm policy has already led the way, establishing a fiscal record that is unique among federal policies in three ways:

1. In contrast to other policies, the cost of farm policy has sharply decreased over the past 10 years, and now accounts for less than one quarter of 1 percent of the federal budget;
2. Farm policy is consistently under budget; and
3. Farm policy has been the subject of three separate rounds of cuts in the past six years, totaling roughly \$15 billion in savings.

In the most recent five years (2007-2011), the average funding for farm policy, including crop insurance, was \$12.9 billion per year. This is 28 percent less than the previous five-year average of \$17.9 billion (2002-2006), and 31 percent less than the average of \$18.8 billion incurred in the preceding five years (1997 to 2001). We would strongly note these are reductions from real funding levels, not theoretical projections. Conservation funding has also consistently come in under budget, and has been the subject of additional reductions through the appropriations process.

Moreover, as we have noted in previous letters, policies authorized by the Agriculture Committee and funded by the Appropriations Committee have recently been singled out for disproportionate cuts.

The silver lining is that, according to the Federal Reserve, strong market prices and production (with some notable exceptions) have enabled U.S. agriculture and rural America to lead national economic recovery.

The downside is these favorable conditions will not last.

The agricultural economy is highly cyclical. Extremely volatile weather and global markets result in extremely volatile farm gate prices, yields, and costs of production. As such, failure to anticipate an imminent downturn in the agricultural economy by not maintaining farm policies through the farm bill and crop insurance that provide adequate risk management tools for U.S.

producers would, in time, prove penny wise and pound foolish, not only for federal budgeting purposes but for U.S. producers and the national economy.

In making risk management tools available to producers through the farm bill and crop insurance, farm policy serves a vital function. Without these tools, producers who often borrow more money each year to plant and harvest a crop than most Americans will borrow in a lifetime would not have access to a tool as basic as insurance, which is a precondition for most operating loans and something few property owners could do without, especially on this level of investment.

Beyond weather, farm policy also acknowledges the competitive disadvantages U.S. producers face due to governmental actions, both here and abroad. U.S. environmental, energy, and tax policies, as examples, are increasingly adding burdensome costs, regulations, and uncertainty for U.S. producers while trade barriers erected by the governments of foreign competitors lock domestic producers out of global markets. While the first set of challenges has been attracting increased attention lately, the last challenge we cite above often goes unnoticed: foreign subsidies and tariffs far and away outstrip any U.S. support. Ironically, in the World Trade Organization (WTO) Doha Round negotiations, an offer to cut existing U.S. support by 70 percent in exchange for meaningful market access has gained little traction from foreign competitors committed to maintaining and even increasing barriers to U.S. farm goods. In some cases, U.S.-imposed trade sanctions add yet another barrier to entry for U.S. producers.

Aside from agriculture's contributions to deficit reduction, its importance to the U.S. economy, and the unique and serious challenges U.S. producers face, there is another issue that warrants the committee's attention. Within 40 years, there will be 9 billion people sharing this planet and agriculture production will have to double in that time to feed us all, using fewer inputs, less water and less land. Thus, even as we now read more and more reports that remind us of food security's rising importance to global security, agriculture's importance has yet to be fully realized.

In closing, we acknowledge current fiscal conditions may result in the Budget Committee calling upon authorizing committees to achieve specified savings. In this event, we strongly urge the Budget Committee to provide each authorizing committee with one aggregate savings target and defer to each committee as to how that specified level of savings is to be achieved. The mission areas of the House Agriculture Committee, for example, are wide-ranging, important and complex. Beyond farm policy, the committee is responsible for critical priorities advancing trade, conservation, nutrition, rural development, food aid, financial credit, agricultural research, forestry, energy, commodity futures and food safety, to name a few. As such, how to achieve any required savings within this suite of policies should be reserved to the expertise of the Agriculture Committee.

Agriculture has always contributed to deficit reduction in the past when called upon. However, we do feel strongly that any contribution must be commensurate with our effect on the budget. As noted above, disproportionate contributions have already been exacted from the agriculture sector. We are optimistic that in the development of the budget a much more equitable methodology will be utilized.

We hope you will carefully consider these perspectives in ongoing budget deliberations.

Sincerely,

American Association of Crop Insurers  
American Farm Bureau Federation  
American Society of Farm Managers and Rural Appraisers  
American Soybean Association  
American Sugar Alliance  
Crop Insurance Professionals Association  
Crop Insurance and Reinsurance Bureau  
Farm Credit Council  
Independent Insurance Agents and Brokers of America  
National Association of Conservation Districts  
National Association of Wheat Growers  
National Barley Growers Association  
National Corn Growers Association  
National Cotton Council  
National Council of Farmer Cooperatives  
National Farmers Union  
National Milk Producers Federation  
National Sorghum Producers  
National Sunflower Association  
Rain and Hail, LLC  
South East Dairy Farmers Association  
Southern Peanut Farmers Federation  
Southwest Council of Agribusiness  
US Canola Association  
US Rice Producers Association  
USA Dry Pea and Lentil Council  
USA Rice Federation  
Western Peanut Growers Association  
Western United Dairymen