U.S. House of Representatives
Committee on Agriculture
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March 15, 2011

The Honorable Paul Ryan, Chairman
House Committee on the Budget
309 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the suite of policies within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the Fiscal Year 2012 budget cycle.

The Committee on Agriculture is dedicated to ensuring that the Federal Government continues to promote policies and risk management tools that will keep American agriculture and rural communities strong and our citizens healthy and safe. We also know that this country is facing a fiscal crisis that if not addressed will not only harm the agricultural sector and rural America but the country as a whole. The Committee on Agriculture wants to be part of the solution.

A majority of the Committee's agenda this year will fall into two categories, oversight of regulations that affect jobs and the economies of rural communities and preparation for writing the 2012 Farm Bill. The main component of the farm bill preparation will be an "audit" or inventory of all policies under the Agriculture Committee's jurisdiction, including those relating to nutrition, commodities, conservation, crop insurance, trade promotion, rural development, credit, research, forestry, and energy. This audit along with field hearings and hearings in Washington with affected groups will establish the framework with which the Committee will make decisions on which programs to prioritize and which programs need to be eliminated or consolidated.

In addition to the inventory of existing policies, the Committee is planning aggressive oversight of a number of Federal actions, proposed rules and regulations. Potential rules dealing with Atrazine, spray drift, and dust regulation—to name only a few—may adversely affect production agriculture and the communities and businesses they support. Regulations appear to be promulgated in spite of negative real-world economic consequences which will undermine U.S. producers in providing the world's safest, most abundant, most affordable food and fiber supply in the world.

As the Budget Committee prepares the budget resolution for FY12, the Committee thinks it is important to note the budget reductions that programs under our jurisdiction have experienced both recently and over the past several years. For example, an administrative renegotiation of the Standard Reinsurance Agreement reduced the CBO baseline for agriculture by $6 billion. Additionally, we now know that these cuts relative to 2011 alone will result in more savings than original estimates because of what appear to be record crop insurance sales that are occurring right now for the upcoming spring crop season. The Agriculture Committee believes these cuts should be taken into account in the context of budget reconciliation or other deficit reduction actions.

The Appropriations Committee also has cut mandatory agriculture spending over the last seven years. These cuts have come largely to conservation, rural development, trade, research, and energy policies, and total $7.5 billion from Fiscal Years 2003 to 2010. Though these cuts did not go to deficit reduction, it is important to note that again the agriculture budget was cut substantially.

In contrast to many other Federal mandatory programs, spending on farm policy has actually declined significantly. Funding for farm policy, including crop insurance, over the last five years averaged $12.9 billion per year, a 28 percent reduction from the 2002-2006 average of $17.9 billion, and a 31 percent reduction from the 1997-2001 average of $18.8 billion. It is also important to note the traditional Title I commodity programs have consistently come under their projected CBO budgets since 2002.

One part of the agriculture budget that has seen increases is the Supplemental Nutrition Assistance Program (SNAP) where spending has tripled over the last ten years. Given the economic downturn and high unemployment which has left many Americans with few options, an increase in nutrition assistance spending is to be expected. In fact, in 2001 there were 17.3 million SNAP (called Food Stamps at the time) recipients. That figure rose to 23.8 million in 2004, 28.2 million in 2008 and stands now at 44.3 million recipients for 2010.

But much of the cost increase has come through government action as opposed to the kind of macroeconomic forces that naturally result in increased subscription. The 2008 Farm Bill made a number of changes that increased benefits and participation at a cost of nearly $10 billion over ten years. Also, the American Recovery and Reinvestment Act of 2009 (ARRA) included an across the board increase in benefits provided under the SNAP, which effectively replaced the increase in SNAP benefits that occurs based on annual food price inflation indexing at a cost of $60 billion. SNAP accounts for approximately 74 percent of USDA's budget.

These stimulus-related SNAP benefits have seen cuts as they were utilized as a pay-for in the last Congress to fund such varying programs as education jobs, Medicaid and childhood nutrition. SNAP funding was reduced by $11.9 billion in P.L. 111-226 and by $2.5 billion in P.L. 111-296. The remaining added benefits created by ARRA will terminate on November 1, 2013. The Committee will review whether this added benefit should continue or should go toward deficit reduction.

As noted earlier, environmental regulations have become extremely costly and burdensome. Many of our conservation programs are designed to help producers come into compliance with those regulations. If this Congress is successful in lowering the cost of compliance by reining in the overzealous EPA, the Committee will review conservation programs to see if conservation benefits are being administered as efficiently as possible under current fiscal and regulatory conditions.

In closing, some may argue that the current agriculture economy and farm prices, are strong and therefore now would be a good time to cut our agriculture policies even further—but this conclusion ignores lessons from history. The agriculture economy is highly cyclical. When record-high prices fall—which they inevitably will do—having sound farm policy in place is vital not just for producers but for the entire national economy. In addition, it is important to note that while high prices have lead to a 51 percent increase in gross cash income in agriculture over the past nine years; this has been met by an increase in cash expenses of 57 percent. In sum, recent high prices have not made the family enterprises that make up our farm sector any less vulnerable—indeed it has just raised the stakes in what is still an exceptionally risky business.

It bears mentioning that during some of the worst economic times in the last fifty years, production agriculture served as a catalyst for economic growth. As was reported by the Federal Reserve, "rural America is leading the U.S. economic recovery," just as it did through the last recession. Last year alone, U.S. farmers and ranchers produced $354 billion of goods after spending $195 billion to purchase inputs, made $60 billion in rent payments, paid $25 billion in wages to employees, and spent $15 billion in interest and financing. In addition to these direct contributions to the economy, over 21 million jobs are rooted in U.S. agriculture, with 8,000 jobs relying on every $1 billion in agricultural exports.

While agriculture and its related industries constitute 4.6 percent of U.S. Gross Domestic Product (GDP), the farm safety net now constitutes less than one-quarter of one percent of the Federal budget and roughly 13 percent of USDA's budget.

Addressing the current budget crisis is of utmost importance. It is important to note, however, that there will be an estimated 9 billion people on the planet by the year 2050. To meet worldwide demand for food, we will need to double production while using less water and land. Farmers and ranchers support our economy and help keep us healthy and secure. While worldwide food prices have continued to climb and in spite of high farm prices, Americans on average still spend less than 10 percent of their disposable income on food.

We realize the dire fiscal situation this country is in and we hope this Committee does not see the current budget situation as a burden, but instead as an opportunity to make our agriculture programs more efficient while allowing farmers and ranchers access to risk management tools. The audit, field hearings, and hearings here in D.C. will give the Committee the information needed to write a farm bill that is more efficient, streamlines and consolidates programs that are duplicative, and makes signup for producers less burdensome.

We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,

Frank D. Lucas

Frank D. Lucas
Chairman

Collin C. Peterson
Ranking Minority Member

Congress of the United States
Washington, DC 20515

March 17, 2011

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

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

Dear Chairman Ryan and Ranking Member Van Hollen,

As Members of the Committee on Agriculture, we write to provide additional views to the Committee's Views and Estimates that were considered and adopted by the Committee on March 15, 2011. We appreciate the opportunity to provide these additional views.

We recognize the fiscal challenges facing our nation and the need to focus on long-term solutions to reducing the nation's deficit. Although there are significant mandatory programs that fall within the jurisdiction of the Committee on Agriculture, the fact is that most of the deficit reduction solutions do not fall within the Committee's jurisdiction. The Views and Estimates filed by the Committee correctly make the case that cuts absorbed by the Committee over the past years should be taken into account as the Committee on Budget begins its work. However, we are concerned that the nutrition discussion included in these Views and Estimates predetermines the Committee on Budget's actions and that these views may erroneously advocate for cuts in the Supplemental Nutrition Assistance Program (SNAP). As the Committee on Budget begins work on the Fiscal Year 2012 budget resolution, we hope you will consider all of the programs that fall within the jurisdiction of the Committee on Agriculture, including the need for and the fiscal impact of these programs. Singling out SNAP for cuts, whether for deficit reduction or not, is not only bad policy, it is harmful to our economy and to those who rely on SNAP for assistance with feeding their families during difficult economic times. Deficit reduction should not result in increased hunger and poverty and we believe that any budget framework the Committee on Budget pursues should incorporate the basic principle of improving our budget outlook while protecting our most vulnerable citizens from harm.

SNAP is a safety-net program that allows low-income individuals and families to purchase food for themselves and their families. As a true safety-net program, SNAP literally has saved millions of lives over the life of the program. Like other farm programs, including the Title I programs, SNAP is counter-cyclical. This means that SNAP usage increases during times of need. In other words, SNAP usage increases when wages fall or unemployment rises and it decreases when wages rise and unemployment falls.

The increase in the number of SNAP beneficiaries over the past ten years means there has been an increase in SNAP spending over that period. As the Committee's Views and Estimates points out, the number of people relying on SNAP nearly tripled from 2001 to 2010. Specifically, 27 million more people relied on SNAP in 2010 than in 2001. Put another way, the increase in number of people relying on SNAP over that ten year period was more than the number of people using SNAP in 2001 alone. However, we know that an improving economy will result in reduced unemployment and increased wages, leading to a reduction in SNAP participation. The Congressional Budget Office (CBO) projects that unemployment will continue to fall, reaching 5.4% in 2016. Further CBO projections show that, with a 5.4% unemployment rate, SNAP enrollment will drop from 44 million people now to 40 million individuals in 2016 and, by 2021, will drop by another almost 10 million people to 30.5 million. If the economy rebounds faster than CBO projections, the counter-cyclical design of SNAP will result in a faster reduction of SNAP enrollments.

Unfortunately, the economy has not yet fully recovered from the recent downturn and millions of individuals and families continue to struggle, often with hunger and poverty. According to the Census Bureau, 43.6 million people lived in poverty in 2009, an increase of 3.7 million over 2008. Most experts expect that poverty figures will be even higher for 2010 and may take several years to improve given the sustained high rates of unemployment.

Despite these increases in poverty, we did not experience similar rises in hunger and food insecurity from 2008 to 2009. While overall hunger has been at unacceptable levels for far too long, we attribute the stable rates of food insecurity during a period of rising poverty to the important investments made through ARRA in SNAP and other programs. Those critical investments helped to buffer some of the negative impacts of the recession. The SNAP provisions under ARRA provided a boost of 13.6% in the maximum SNAP benefit. As a result, individuals on the program received about $20 more per month in 2009 as a result of the increase provided in ARRA. This means families who were struggling with losing their jobs or saw their incomes reduced through no fault of their own had a little more money for groceries because of ARRA. In addition, these provisions were among the most, if not the most, effective forms of stimulus included in ARRA. Approximately 80 percent of SNAP benefits are used within two weeks of receipt and 97% are spent within a month. Economist Mark Zandi, an advisor to Senator John McCain's presidential campaign, said that an increase of one dollar in SNAP results in $1.86 in economic activity.

The temporary improvements enacted under ARRA will be terminated on November 1, 2013 because of provisions included in P.L. 111-226 and P.L. 111-296. This termination means that, according to the CBO baseline, a family of four will see their monthly SNAP allotment reduced by $86 on November 1, 2013 simply because these ARRA funds were arbitrarily terminated. Such an arbitrary and abrupt reduction in the monthly allotment, especially when combined with rising food prices, means families will struggle with their food budgets and may be forced to eat less nutritious food, eat less food overall, and in some cases go without food altogether. Any further reductions in the remaining ARRA funds allocated to SNAP will exacerbate the challenges low-income families will face with the upcoming November 1, 2013 reduction in the SNAP allotment.

In addition to the temporary investments made in SNAP through ARRA, important improvements to SNAP were made in the 2008 farm bill. The farm bill included $2.3 billion over five years in improvements to SNAP, primarily aimed at partially restoring benefit cuts enacted in 1996, as well as improving the program for seniors and working families. It is important, however to assess these investments in context. The important improvements made in the program came after the deep and devastating benefit cuts enacted in 1996.

Even with the investments in SNAP from the 2008 farm bill, household benefits for a typical family once the temporary ARRA increase has expired will be lower than they would have been had the 1996 cuts not been enacted. Given the extraordinary need in our country and the incredible success of the SNAP program, SNAP should not be singled out for cuts, whether for deficit reduction or for other purposes.

It is also important to note that SNAP is one of the most efficiently run programs in the federal government. The Government Accountability Office (GAO) has found that the national payment error rate reported for SNAP – a combination of states' overpayments and underpayments – is at a record low of 4.36%. This is a 56% decline over the ten-year period of 1999 to 2009. It is unquestionable that SNAP is more efficient and better run than at any other time in the history of the program. We recognize the need for further improvement and we look forward to working within the Committee on Agriculture's structure toward continued improvement in SNAP oversight and a further reduction in national payment error rates. We would like to see a further reduction in the national rate of food stamp trafficking, which has declined from 3.8 cents per dollar in 1993 to 1 cent per dollar during the years 2002 to 2005, and we look forward to working with both USDA and the Committee on Agriculture to further reduce both the national payment error rate and the national rate of food stamp trafficking.

Again, we recognize the need to focus on reducing the deficit and the need for vigorous oversight of all programs that fall under the jurisdiction of the Committee on Agriculture. Like other programs in the Committee's jurisdiction, SNAP has not been immune from spending cuts. We remain concerned that the Committee on Budget may inaccurately interpret that the Committee on Agriculture's Views and Estimates are directing the FY 2012 Budget Resolution to reduce SNAP benefits and to use those reductions for deficit reduction. We believe this is a matter best left to the Committee on Agriculture, the committee of jurisdiction.

Thank you for your attention to these additional views. We look forward to working with you and with the Members of the Committee on Budget on these important issues.

Sincerely,

James P. McGovern
Member of Congress

Joe Courtney
Member of Congress

Peter Welch
Member of Congress

Chellie Pingree
Member of Congress

Joe Baca
Member of Congress

David Scott
Member of Congress

Gregorio Sablan
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