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U.S. House of Representatives

Committee on Agriculture

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The Honorable Paul Ryan, 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 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 2015 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 continues to face 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 worked diligently over the past three years to reform all programs within its jurisdiction, culminating with the passage of the Agricultural Act of 2014 and resulting in \$23 billion in spending reductions.

The Committee's main focus will now shift to ensuring proper implementation of the Agricultural Act of 2014. The Committee will also continue focusing on its oversight role, ensuring that the U.S. Department of Agriculture is administering its programs in a fiscally responsible manner. Additionally, the Committee will reauthorize the Commodity Futures Trading Commission (CFTC) while continuing its vigorous oversight of CFTC regulations.

The Agricultural Act of 2014 makes historic reforms to farm policy, eliminating Direct Payments that were made to farmers over the last 17 years regardless of market conditions. By contrast, the new risk-based policies will provide assistance only when producers see significant drops in market prices or revenue. The Agricultural Act of 2014 also authorized livestock disaster assistance, which is vital given the extreme

weather conditions that have gripped livestock producers across the country—from exceptional drought in California to historic blizzards in South Dakota. These and many other substantial reforms to farm policy produced approximately \$13 billion in net savings, including a historic 30 percent reduction to traditional farm policy spending.

In addition, we reaffirmed that crop insurance, which is distinct from traditional farm policy, has become the cornerstone of risk management in agriculture for a great many producers. At numerous hearings, both in the field and in D.C., the Committee heard about the importance of the federal crop insurance program and how it must not be weakened, particularly since it has already experienced billions of dollars of cuts in recent years. The prolonged drought has exemplified exactly how important crop insurance is to producers and the rural economy. The Agricultural Act of 2014 makes additional improvements and investments in crop insurance, the cost of which were more than offset by reductions to traditional farm policy.

The Agricultural Act of 2014 also made significant reforms to our nation’s conservation programs while reauthorizing cost-share and technical assistance for farmers, ranchers, foresters, and landowners through voluntary, incentive-based conservation programs. Through these programs, producers protect and restore water quality and quantity, air quality, wildlife habitat as well as address regulatory requirements while providing a safe, abundant, and affordable food supply. These programs had grown in size and significance over the last 25 years. The Agricultural Act of 2014 emphasizes working lands programs that help producers comply with burdensome regulations or at times even avoid the need for regulations in the first place. Through bipartisan consensus, the Committee identified reforms that would maintain the core functions and goals of the conservation programs while eliminating or combining 23 duplicative and overlapping programs into 13 to allow for simplified and streamlined delivery, while also providing over \$6 billion in savings.

The largest program under the Committee’s jurisdiction—the Supplemental Nutrition Assistance Program (SNAP)—comprises the portion of the agricultural budget that has seen the most dramatic spending increase, tripling over the last ten years. While the Congressional Budget Office (CBO) forecasts SNAP participation and spending to decline over the next 10 years because economic expansion will allow spending to recede to more historic levels, the program is still expected to account for almost 80 percent of farm bill spending.

The Agricultural Act of 2014 includes the first reforms to SNAP since passage of the 1996 welfare reforms. Of significance, the Act reduces mandatory spending, establishes pilot work-based incentives for states to reduce dependency on SNAP, stops USDA from carrying out unnecessary advertising and recruiting, prevents states from using the “Heat-and-Eat” loophole with only nominal Low-Income Heating Assistance Program (LIHEAP) payments, and requires USDA to take a number of actions to prevent and stop retailer fraud. The act also includes other reforms to improve the program’s integrity such as preventing lottery winners and traditional college students from receiving benefits. The Committee will monitor the implementation of these reforms while continuing to look for ways to more efficiently administer the federal nutrition programs, ultimately

ensuring that every American has food on their table while we continue to be good stewards of taxpayer funds.

Beyond the \$23 billion in savings from this year, it is important to note the budget reductions that programs under our jurisdiction have experienced over the past several years and will continue to face going forward. For example, the 2008 farm bill reduced crop insurance by an estimated \$6.8 billion at the time; the renegotiation of the Standard Reinsurance Agreement further reduced the CBO baseline for crop insurance by more than \$6 billion; and a recent re-rating of crop insurance led to even further reductions in crop insurance spending. While the Agricultural Act of 2014 made significant spending reductions, it is important to note that all of the programs under the jurisdiction of the Committee that were not explicitly exempted by the Budget Control Act of 2011 will continue to be subject to sequestration, achieving further savings.

Another way to reduce the deficit is to grow the economy. To that end, the Committee will continue its oversight of regulations that affect economic growth and job creation. For example, regulations finalized after the MF Global and PFG BEST bankruptcies have highlighted the need for continued oversight of the CFTC and a review of the customer protections authorized under the Commodity Exchange Act. There is also concern that implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act has had a direct impact on non-financial participants in CFTC-regulated markets. The Committee will act to re-authorize the CFTC this year with these concerns in mind in order to strengthen futures customer protections and ensure producers and end-users have access to effective and cost-efficient tools to best manage their risk and grow our economy.

Some may argue that the current agricultural economy and farm prices are strong and, therefore, our agricultural policies should be cut even further. This conclusion ignores lessons from history. 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 costly, risky business. It bears mentioning that during some of the worst economic times in the last 50 years, production agriculture served as a catalyst for economic growth. The farm safety net now constitutes less than one quarter of one percent of the federal budget, but it underpins this vital segment of the American economy.

Recognizing the dire fiscal situation this country is in, we passed a bipartisan farm bill that contributes substantially to deficit reduction while simultaneously reforming policies and providing risk management tools for the nation's agricultural producers. The Committee looks forward to monitoring the implementation of the Agricultural Act of 2014 to ensure that these reforms are implemented in a timely manner.

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
Chairman

Collin C. Peterson
Ranking Minority Member

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