January XX, 2016

The Honorable Tom Price, M.D., Chairman
Committee on the Budget
U.S. House of Representatives
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 mission areas within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for fiscal year 2017.

The Committee recognizes the difficult task the Committee on the Budget faces each year in establishing a fiscally responsible framework for Congress to work within, particularly in an environment where annual deficits are forecast by the Congressional Budget Office (CBO) to once again exceed $1 trillion by fiscal year 2022, adding more than $9 trillion to a national debt already standing at more than $18 trillion.

While the Agricultural Act of 2014 (the farm bill) comprised just 2 percent of the total Federal budget, with support to farmers and ranchers under the Commodity Title and Crop Insurance constituting only 0.29 percent of the overall budget, the Committee on Agriculture is proud to have made a significant contribution to deficit reduction with the passage of the farm bill, which CBO estimated at the time would save $16 billion over 10 years or $23 billion when including sequestration from the May 2013 baseline. When comparing the CBO baseline used during the farm bill with CBO's January 2016 baseline update, we estimate that anticipated taxpayer savings have increased. These savings are in addition to the almost $5 billion that agricultural policies have been sequestered since fiscal year 2013, accounting for a disproportionate 30 percent of the non-defense, non-Medicare mandatory sequester in fiscal year 2016.

Nevertheless, while the contribution to deficit reduction already made by the Committee on Agriculture is very significant, exclusive or overreliance upon savings from our Committee in the future will greatly undermine important mission areas while failing to seriously move the needle in meeting the fiscal objectives that our Committees share. We appreciate that the Budget Committee recognized this during the development of the fiscal year 2016 budget resolution, directly acknowledging the importance of maintaining a strong safety net for farmers and ranchers. While additional, responsible savings might be achieved by our Committee in the future depending upon the outcome of an examination of the policies within our jurisdiction, truly meaningful deficit reduction will necessarily depend on contributions from beyond the jurisdiction of the Committee on Agriculture, where more than 98 percent of Federal spending resides. In fact, if the rest of the federal budget was reduced by the same percentage as the Commodity Title as estimated at passage of the 2014 Farm Bill, the entire federal budget would balance within the next 10 years with the surplus paying down debt held by the public by almost 50 percent.

As you know, economic conditions for many farmers and ranchers have changed dramatically since the farm bill debate, with commodity prices plunging—for example, the price of corn, the nation's largest cash crop, has fallen almost 47 percent since 2012. Milk prices have also collapsed, falling approximately 40 percent over the last year. While cattle prices had been one of a few remaining bright spots, they, too, have fallen precipitously over the past 6 months. Drought and other natural disasters also resulted in disaster declarations for 57 percent of counties in 46 states across the country last year. The net effect is an estimated 55 percent decline in net farm income from 2013 to 2015, the largest 2-year percent decline since the farm crisis of the 1920s. Yet, despite this economic turbulence in rural America, CBO's January baseline projects that the Commodity Title of the farm bill is still slated to save taxpayer money relative to the repealed Direct Payment Program over the next 10 years. Had the 2014 reforms not been enacted and the 2008 Farm Bill remained in effect, the Food and Agricultural Policy Research Institute (FAPRI) estimates that farm policy spending would be $17.7 billion higher than it is today. In other words, the 2014 Farm Bill reforms are achieving far greater savings than would have been realized had the status quo under the previous farm bill been maintained.

However, as much as the Committee is pleased with successful efforts to achieve greater efficiencies in the farm bill, it is important not to gloss over the current difficult economic conditions in farm country, especially in parts of the country that have faced both sharply lower crop prices and natural disasters. A good many farmers are struggling to demonstrate to lenders that they can cash-flow in order to secure credit and farm for another year. Nowhere is this more evident than among U.S. cotton farmers. As the Committee learned through several hearings over the past year, while the U.S. worked to reform domestic cotton policy, bringing it into conformance with our international obligations, China and India—the world's largest cotton producing nations—were busy increasing domestic support to record levels in what many believe to be in direct violation of their WTO commitments. As a result, while all parts of the agricultural economy are facing significant stress, U.S. cotton farmers are in serious jeopardy. As farmers continue to work through these issues, both economic and policy, it is important that Congress not harmfully change the rules of the 5-year farm bill. It is equally important for the Administration to use all of the tools at its disposal to help farmers mitigate the tremendous risks they face.

Despite considerable reforms to farm policy, including the elimination of Direct Payments, there are still frequent calls for even more cuts, often from those unfamiliar with or indifferent to the unique market and weather risks of agriculture. We expect that farmers and ranchers would gladly walk away from Washington were they able to purchase crop insurance without Federal involvement and to freely market their commodities without interference by foreign countries' subsidies, tariffs, and non-tariff trade barriers, which have always been high, but which are rising to record levels. However, this is not the case, so farmers and ranchers have little choice but to add an unpredictable Washington and media ridicule to the long list of challenges they must manage. To this Committee, the criticism farmers and ranchers routinely face seems a strange thanks to those who put clothes on our backs and food on our tables, while creating jobs and contributing toward a positive balance of trade.

While agriculture's contribution to the economy is felt even in the nation's largest cities, it is often the very lifeblood of our rural communities. Recent calls for cuts to crop insurance are especially ill-timed and unwise given falling crop insurance costs and Washington's requirement on farmers to rely more upon risk management tools that they must help pay for under crop insurance. Despite the importance of crop insurance, 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.

Anticipated savings from the highly successful Conservation Title are also intact, according to CBO, with the January baseline actually projecting some additional savings relative to what was forecast during the farm bill debate. The 2014 Farm Bill achieved significant budget savings when consolidating the number and better targeting the resources of conservation initiatives under Title II. Over the years, these voluntary conservation initiatives have made inestimable strides in effectively combatting soil erosion and protecting and enhancing water and air quality and wildlife and wildlife habitat in ways that a regulatory approach could never hope to accomplish. Here again, the Committee believes we have thread the difficult needle of achieving budget savings without retreating from the profound mission our nation's conservation policies serve.

The Nutrition Title contains programs that compose a critical piece of the social safety net for millions of children, disabled, and elderly Americans. While Committee Members hold widely differing views on these programs, particularly the Supplemental Nutrition Assistance Program (SNAP), we all understand the full weight of our responsibility in creating effective policy as well as conducting careful, ongoing oversight. The Committee is in the midst of a thorough review of SNAP to ensure components of the program are efficiently working across jurisdictions. As we continue our comprehensive evaluation of SNAP, which accounts for the largest share of farm bill expenditures, we acknowledge that CBO is projecting greater savings than anticipated at passage of the 2014 Farm Bill. However widely the views of Members of the Committee vary on the subject of SNAP, we all share a common conviction in the dignity of every person and in the importance of creating economic opportunity so each and every person is able to live the American dream. On this, we are all agreed.

Finally, on the full range of other mission areas within the jurisdiction of the Committee, be they trade, international food aid, credit, rural development, research, forestry, energy, horticulture, or any of the other many important facets of United States agricultural policy, these, too, underpin the rural economy, benefit consumers, and are being thoroughly reviewed in advance of the next farm bill debate.

As the Committee looks forward, we expect to build on the bipartisan achievements of the 2014 Farm Bill in reauthorizing the Commodity Futures Trading Commission and moving legislation to lift arbitrary, costly, and counterproductive regulatory burdens placed upon farmers and ranchers by the Federal Government, monitoring farm bill rulemakings to ensure full and proper implementation, and in conducting vigorous oversight to make certain that both taxpayers and those for whom farm bill policies are established are well served.

Therefore, we respectfully request that the Committee on the Budget give careful consideration to the significant contributions toward deficit reduction already made by the Committee on Agriculture, the substantial reforms these savings entailed, the troubled economic conditions facing farm country that are exacerbated by regulatory burdens and trade and tax uncertainties, as well as our Committee's work ahead, when determining from which congressional committees and mission areas any future budget savings should come. From our perspective, we believe the Committee on Agriculture has done its duty for now with respect to deficit reduction and that areas constituting the other 98 percent of the Federal budget ought to be looked to first for any additional savings being sought this Congress.

Thank you for this opportunity to present the budget views and estimates of the Committee on Agriculture.

Sincerely,

K. Michael Conaway	Collin C. Peterson
Chairman	Ranking Minority Member