FARM BILL LATEST AND THE FUTURE OF AGRICULTURAL POLICY

Presentation delivered at the Growing Michigan Agriculture Conference Lansing, Michigan January 24, 2013

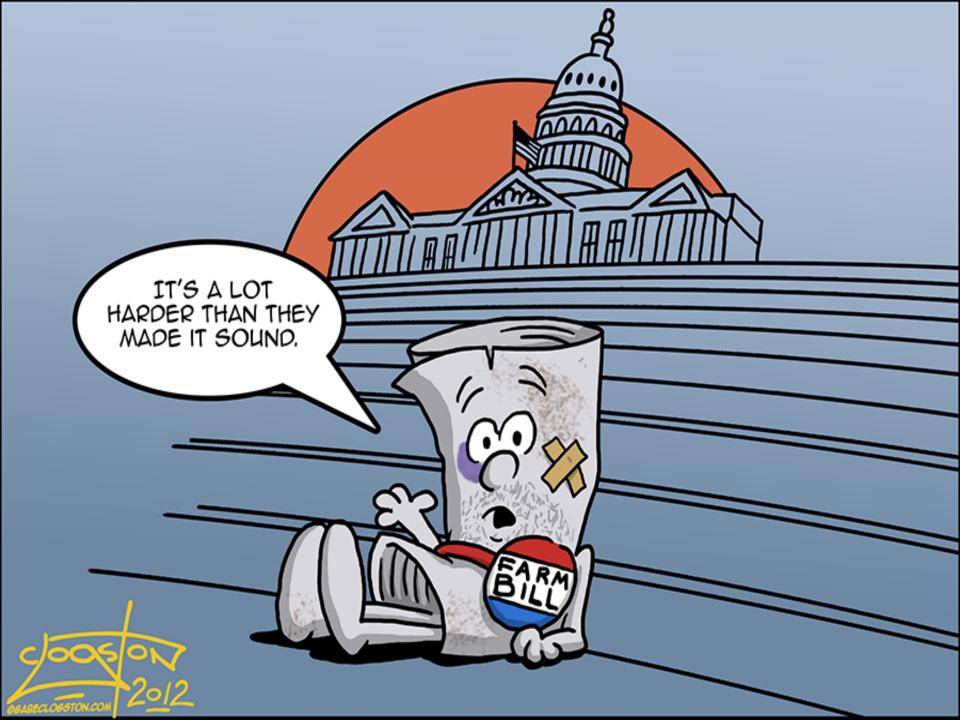
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OVERVIEW OF POLICY OUTLOOK FOR 2013

Issues driving the 2012 farm bill debate

Comparison of Senate and House farm bills

The breakdown of the legislative process

The political economy of hostage taking

Conclusions



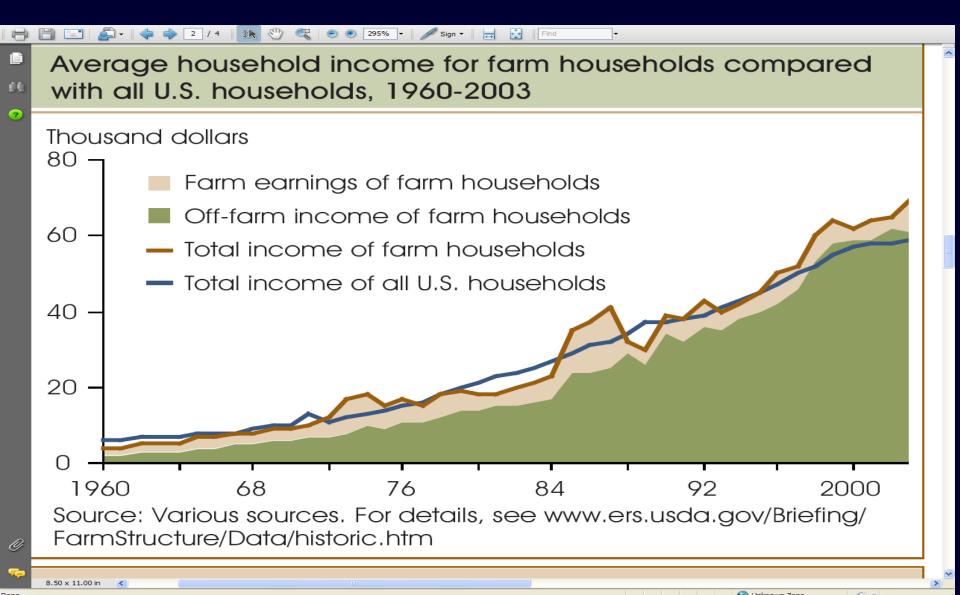
OVERVIEW OF POLICY OUTLOOK FOR 2013

Issues driving the 2012 farm bill debate

- The purpose of farm programs
- The quiet revolution in farm programs
- Budget issues
- Nutrition issues



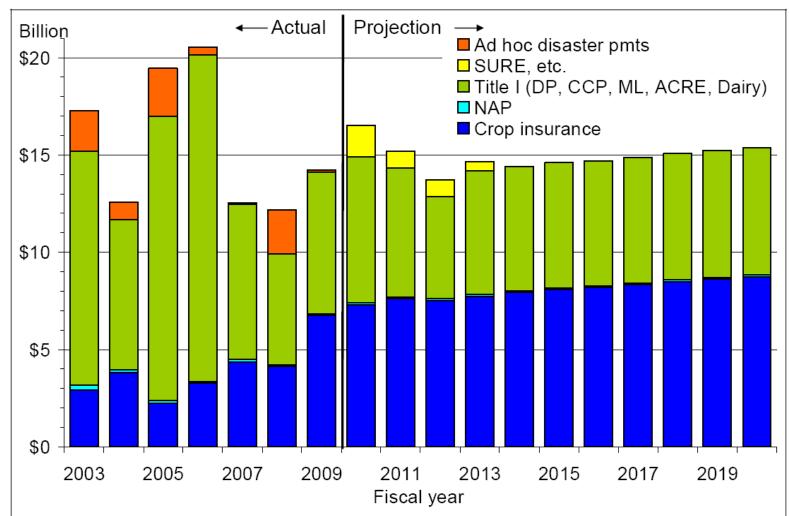
FARM PROGRAMS AND THE EQUITY ISSUE: FARM VERSUS NONFARM HOUSEHOLDS



ure 3.Actual and Projected Spending for Farm Commodity Programs, Crop Insurance, and Disaster Programs

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urce: CRS compilation, based on the August 2010 CBO baseline projections for FY2010-FY2020, and various pr-year CBO baselines for actual amounts in FY2003-FY2009.



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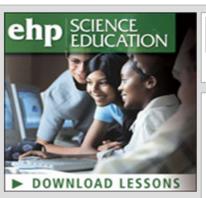
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Comparative Toxicogenomics Database™ Environmental Health Perspectives Volume 112, Number 14, October 2004



Spheres of Influence



The Fat of the Land: Do Agricultural Subsidies Foster Poor Health?

Ever since the Great Depression, American farmers have been the beneficiaries of a medley of subsidies and support programs meant to stabilize crop prices, keep farmers farming, and provide U.S. families with an affordable, reliable supply of food. But these programs may have had an unintended side effect. Rather than keep Americans healthy, critics say, these policies have contributed to today's obesity pandemic and other nutrition problems as well.

- Full (PDF)
- Related EHP Articles
- PubMed:Related Articles
- PubMed:Citation
- Cited in PMC

Writing in the 2004 Annual Review of Nutrition, James Tillotson, a professor of food policy and international



OVERVIEW OF POLICY OUTLOOK FOR 2013

Issues driving the 2012 farm bill debate

Comparison of Senate and House farm bills



Provisions of 2012 Senate & House Farm Bills

- Repeal of Direct and Countercyclical Payment Program (2008 DCP program)
- Repeal of Acreage Crop Revenue Election Program (2008 ACRE program)
- Retains Nonrecourse Marketing Loan Program
 - Corn: \$1.95
 - Soybeans: \$5.00
 - Wheat: \$2.94

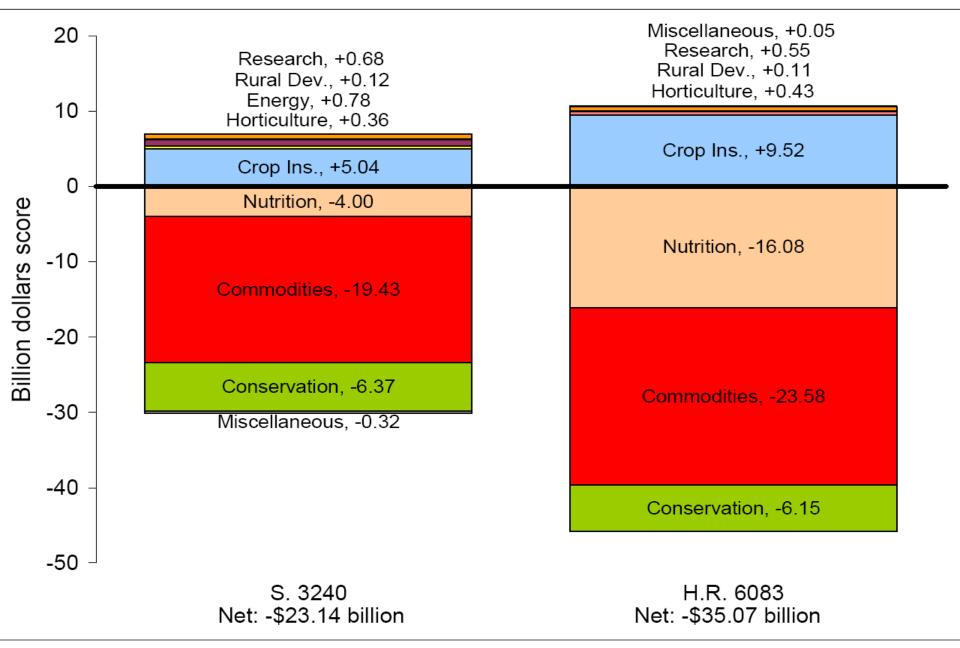


Provisions of 2012 Senate & House Farm Bills

- Both introduce Revenue-Based Payment Program (think ACRE, but not ACRE in details)
 - Senate: Agricultural Risk Coverage (ARC)
 - House: Price Loss Coverage (PLC) and Revenue Loss Coverage (RLC) Programs
 - One-time irrevocable producer decision
 - Payments made when benchmark guarantee (85-89% of benchmark revenue) less than actual revenue
- House also offers "Reference Prices" (operate as "pure" target price programs no direct payments.

Figure 1.Ten-Year Scores of the Senate and House 2012 Farm Bills

(change in outlays over FY2013-FY2022 in billions of dollars by farm bill title, relative to baseline)



OVERVIEW OF POLICY OUTLOOK FOR 2013

Issues driving the 2012 farm bill debate

Comparison of Senate and House farm bills

The breakdown of the legislative process

- The political economy of hostage taking
- So why didn't the old tactics work this time?



OVERVIEW OF POLICY OUTLOOK FOR 2013

The old tactics of passing farm bills (1973-2008)

- All politics of commodity programs are geographic, not ideological
- All farm bill politics since 1973 has been coalition politics or "the politics of accommodation"
 - Food Stamp/SNAP/WIC/Nutrition programs
 - Conservation/environmental programs
 - Specialty crop programs
 - Energy programs
 - Risk management/Disaster programs



IT'S EVEN WORSE THAN IT LOOKS

HOW THE AMERICAN
CONSTITUTIONAL SYSTEM
COLLIDED WITH THE NEW
POLITICS OF EXTREMISM

THOMAS E. MANN AND NORMAN J. ORNSTEIN

Serious mismatch of political party behavior and governing institutions

- U.S. political parties increasingly behave like the adversarial parties of a parliamentary system of government.
- U.S. governing institutions are a separation-ofpowers system of government.
- Adversarial parties have ratcheted up over time and we have now reached a position of complete gridlock in the U.S. political system.



Comparison of parliamentary and separation-ofpowers systems

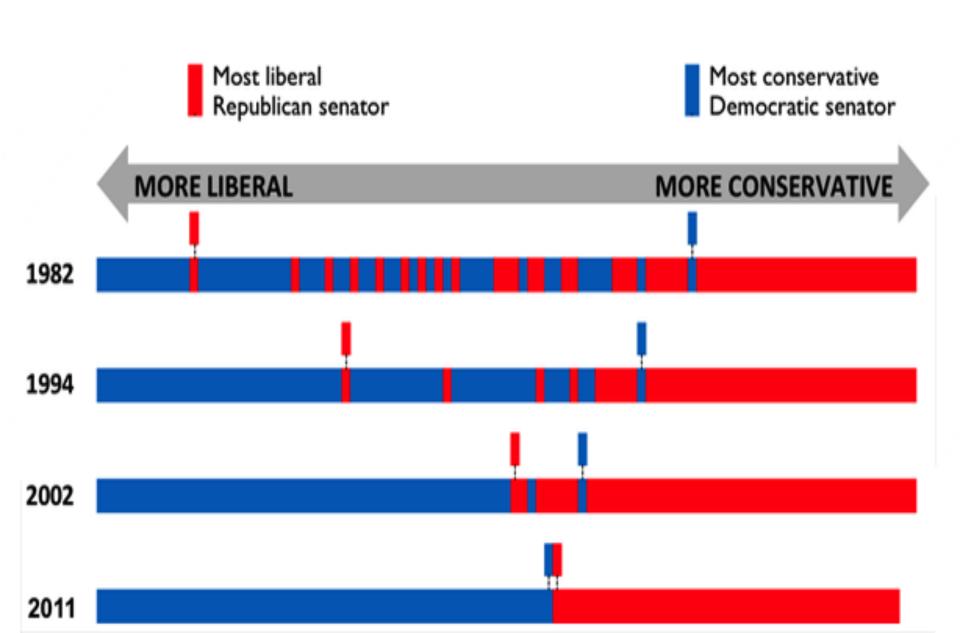
	Parliamentary System	Separation-of-Powers System					
Party control/cohesion/ discipline	Strong	Weak					
Choice of executive	Parliament/legislature	Direct election by voters					
Legislative power	Cabinet	Legislature					
Accountability	Direct by voters/ No confidence votes	Diffuse/ Non-transparent					
Balance of power within system	Promotion of majority interests/preferences	Protection of minority interests/preferences					

Serious mismatch of political party behavior and governing institutions

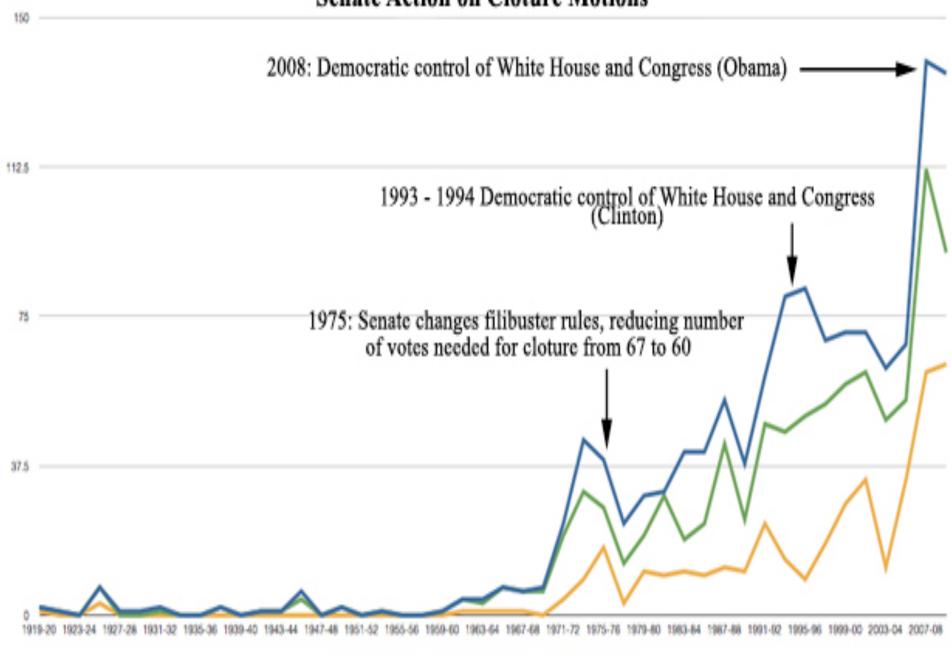
- Parliamentary parties are "ideologically coherent, internally unified, and adversarial," but majority party has power to act.
- Separation-of-powers system is designed to make it difficult for majorities to act.
- "Parliamentary-style parties in a separation-ofpowers [system of] government are a formula for willful obstruction and policy irresolution" (Mann and Ornstein).



National Journal Vote Ratings in the Senate



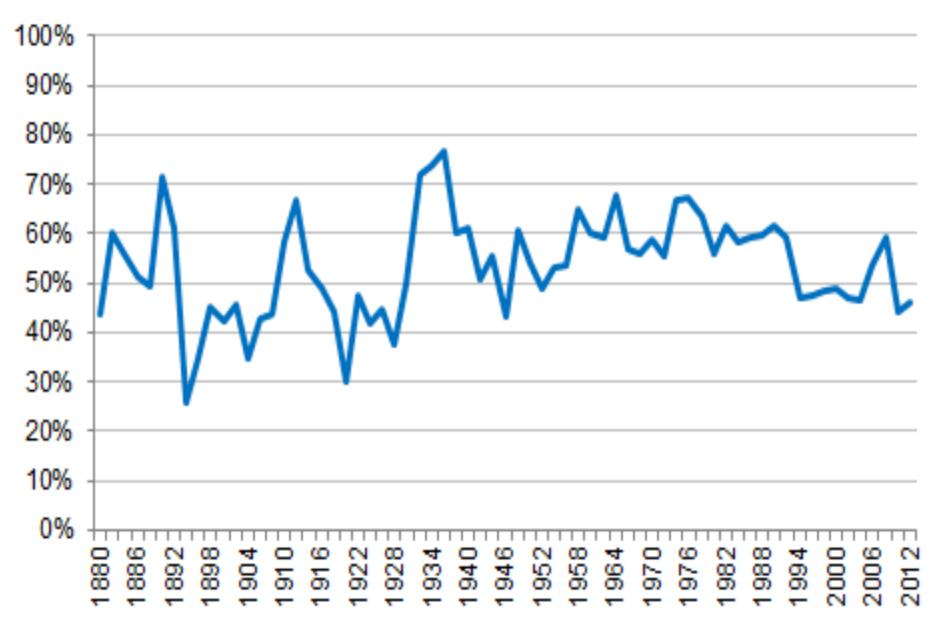




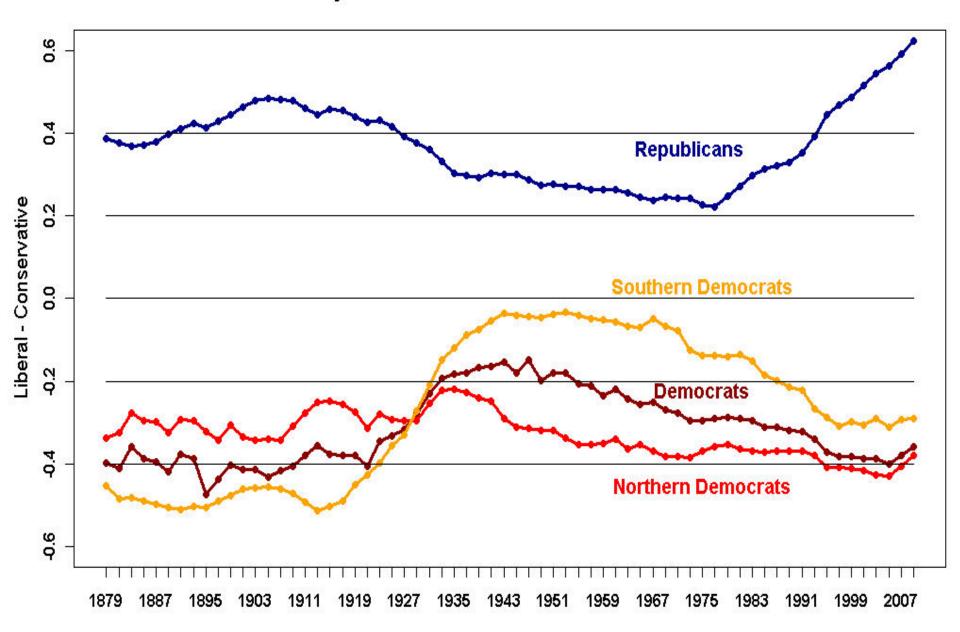
Votes on Cloture

Cloture Invoked

Share of Democratic Seats in House of Representatives, 1880-2012 Elections

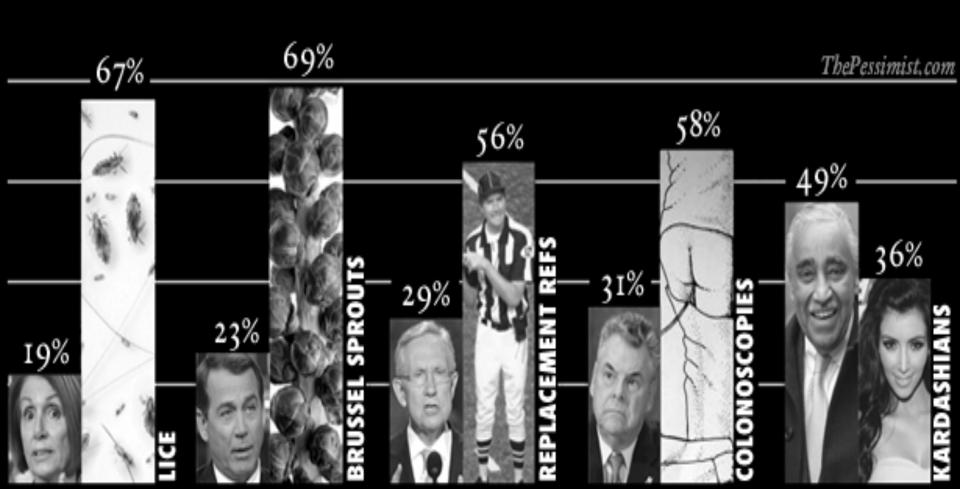


House 1879-2010
Party Means on Liberal-Conservative Dimension



PUBLIC POLICY POLLING

830 registered voters asked: "Which do you have a higher opinion of, Congress or (x)?"



Democrats expected to win easily			Democrats expected to win narrowly			Tossup seats				Republicans expected to win narrowly				Republicans expected to win easily					
District	Dem.	Rep.	% Rpt.	District	Dem.	Rep.	% Rpt.	District	Dem.	Rep.	% Rpt.	District	Dem.	Rep.	% Rpt.	District	Dem.	Rep.	% Rpt.
Ala. 7	76%	24%	100%	Ariz. 9	48%	45%	100%	Ariz. 1	49%	45%	100%	Calif. 10	47%	54%	100%	Alaska 1	29%	64%	100%
Ariz. 3	58%	38%	100%	Calif. 3	54%	46%	100%	Ariz. 2	50%	50%	100%	Calif. 21	4196	59%	100%	Ala. 1		Unc.	0%
Ariz. 7	81%		100%	Calif. 9	55%	45%	100%	Calif. 7	51%	49%	100%	Colo. 3	4196	54%	100%	Ala. 2	36%	64%	100%
Calif. 2	70%	30%	100%	Calif. 16	55%	45%	100%	Calif. 36	52%	48%	100%	Colo. 6	45%	49%	100%	Ala. 3	36%	64%	100%
Calif. 5	74%	26%	100%	Calif. 24	55%	45%	100%	Calif. 41	58%	42%	100%	Fla. 2	47%	53%	100%	Ala. 4	26%	74%	100%
Calif. 6	75%	25%	100%	Calif. 26	52%	48%	100%	Calif. 52	51%	50%	100%	Fla. 10	48%	52%	100%	Ala. 5	35%	65%	100%
Calif. 11	69%	31%	100%	Calif. 47	55%	45%	100%	Conn. 5	52%	49%	100%	Fla. 16	46%	54%	100%	Ala. 6	29%	71%	100%
Calif. 12	85%	15%	100%	Fla. 9	63%	38%	100%	Fla. 18	50%	50%	100%	lowa 4	45%	53%	100%	Ark. 1	39%	56%	100%
Calif. 13	87%		100%	Fla. 22	55%	45%	100%	Fla. 26	54%	43%	100%	III. 13	46%	47%	100%	Ark. 2	40%	55%	100%
Calif. 14	74%	26%	100%	III. 8	55%	45%	100%	Ga. 12	54%	46%	100%	Ind. 8	43%	53%	99%	Ark. 3		76%	88%
Calif. 15	52%		100%	III. 10	51%	50%	100%	lowa 3	4496	52%	100%	Mich. 3	44%	53%	99%	Ark. 4	3796	60%	100%
Calif. 17	73%	27%	100%	III. 11	58%	42%	100%	III. 12	52%	43%	100%	Mich. 7	43%	53%	100%	Ariz. 4	28%	67%	100%
Calif. 18	70%	30%	100%	III. 17	53%	47%	100%	Mass. 6	48%	47%	100%	Mich. 11	44%	51%	100%	Ariz. 5	32%	68%	100%
Calif. 19	73%	27%	100%	Ку. 6	47%	51%	100%	Mich. 1	48%	48%	100%	Minn. 2	46%	54%	100%	Ariz. 6	33%	62%	100%
Calif. 20	73%	27%	100%	Md. 6	59%	38%	100%	Minn. 8	55%	46%	100%	N.C. 11	43%	57%	100%	Ariz. 8	35%	64%	100%
Calif. 27	63%	37%	100%	N.C. 7	50%	50%	100%	N.C. 8	48%	54%	100%	N.C. 13	43%	57%	100%	Calif. 1	42%	58%	100%
Calif. 28	76%	24%	100%	N.M. 1	59%	4196	100%	N.H. 2	50%	45%	100%	N.H. 1	50%	46%	100%	Calif. 4	39%	61%	100%
Calif. 29	74%		100%	Nev. 4	50%	42%	100%	N.Y. 1	52%	48%	100%	N.J. 3	45%	54%	100%	Calif. 8		58%	100%
Calif. 30	60%		100%	N.Y. 21	50%	48%	99%	N.Y. 11	46%	53%	100%	Nev. 3	43%	50%	100%	Calif. 22	37%	63%	100%
Calif. 32	65%	35%	100%	N.Y. 25	57%	43%	100%	N.Y. 24	48%	44%	100%	N.Y. 18	52%	48%	99%	Calif. 23		74%	100%
Calif. 33	53%		100%	Ore. 5	54%	43%	100%	N.Y. 27	49%	51%	100%	N.Y. 19	4796	54%	100%	Calif. 25	44%	56%	100%
Calif. 34	85%	15%	100%	R.I. 1	52%	42%	100%	Ohio 6	47%	53%	100%	N.Y. 22	39%	61%	100%	Calif. 31		55%	100%
Calif. 35	56%		100%	Wash. 1	54%	46%	89%	Ohio 16	48%	52%	100%	N.Y. 23	48%	52%	100%	Calif. 39	4196	59%	100%
Calif. 37	86%	1496	100%	Wash. 10	58%	42%	86%	Pa. 12	48%	52%	100%	Ohio 7	43%	57%	100%	Calif. 42	39%	61%	100%
Calif. 38	67%	33%	100%	W.Va. 3	54%	46%	100%	Utah 4	49%	48%	100%	Pa. 6	43%	57%	99%	Calif. 45	4196	59%	100%
Calif. 40	60%		100%									Pa. 7	4196	60%	100%	Calif. 48	39%	61%	100%
Calif. 43	70%		100%									Pa. 8	43%	57%	100%	Calif. 49	4196	59%	100%
Calif. 44	60%		100%									Tex. 23	50%	46%	100%	Calif. 50	32%	68%	100%
Calif. 46	62%	38%	100%									Va. 2	46%	54%	99%	Colo. 4	3796	59%	100%
Calif. 51	70%	30%	100%									Wis. 7	44%	56%	99%	Colo. 5		65%	100%
Calif. 53	61%	39%	100%									Wis. 8	44%	56%	99%	Fla. 1	2796	70%	100%
Colo. 1	68%	27%	100%													Fla. 3	33%	65%	100%
Colo. 2	56%	39%	100%													Fla. 4		76%	100%
Colo. 7	53%	4196	100%													Fla. 6	43%	57%	100%
Conn. 1	70%	28%	99%													Fla. 7	4196	59%	100%
Conn. 2	68%	29%	100%													Fla. 8	38%	59%	100%
Conn. 3	75%	25%	100%													Fla. 11	36%	65%	100%
Conn. 4	60%	40%	100%													Fla. 12	33%	64%	100%
Del. 1	64%	33%	100%													Fla. 13	42%	58%	100%
Fla. 5	71%	26%	100%													Fla. 15		Unc.	0%
Fla. 14	70%	30%	100%													Fla. 17	41%	59%	100%
Fla. 20	88%		100%													Fla. 19	36%	62%	100%
Fla. 21	78%		100%													Fla. 25		76%	100%
Fla. 23	63%	36%	100%													Fla. 27	37%	60%	100%
Fla. 24	Unc.		0%	t all Mat			Dhrae									Ga. 1	37%	63%	100%

"The House has arguably <u>never been so partisan</u> — and yet there have probably <u>never been so few members</u> of the House who were <u>at risk of losing their seats</u>.

One of the firmest conclusions of academic research into the behavior of Congress is that what motivates members first and foremost is winning elections.

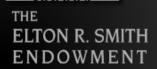
If individual members of Congress <u>have little chance of losing their seats</u> if they fail to compromise, <u>there should be little reason to expect them to do so.</u> Republican leaders like...John Boehner may conclude that there are risks to their party if they fail to reach a compromise, as during the current fiscal negotiations. But... the individual members of his caucus may bear few of those costs directly."

--Nate Silver December 27, 2012



Serious mismatch of political party behavior and governing institutions

- Parliamentary parties operating in a separation-ofpowers system "are a formula for willful obstruction and policy irresolution" (Mann and Ornstein).
- Willful obstruction becomes a form of political hostage taking.
- Ratchet effect means hostages become larger, more valuable over time.



"I think some of our members may have thought the default issue was a hostage you might take a chance at shooting. Most of us didn't think that. What we did learn is this -- it's a hostage that's worth ransoming....This is just the first step. This, we anticipate, will take us into 2013....Then we will go through the process again and see what we can continue to achieve in connection with these debt ceiling requests ...'

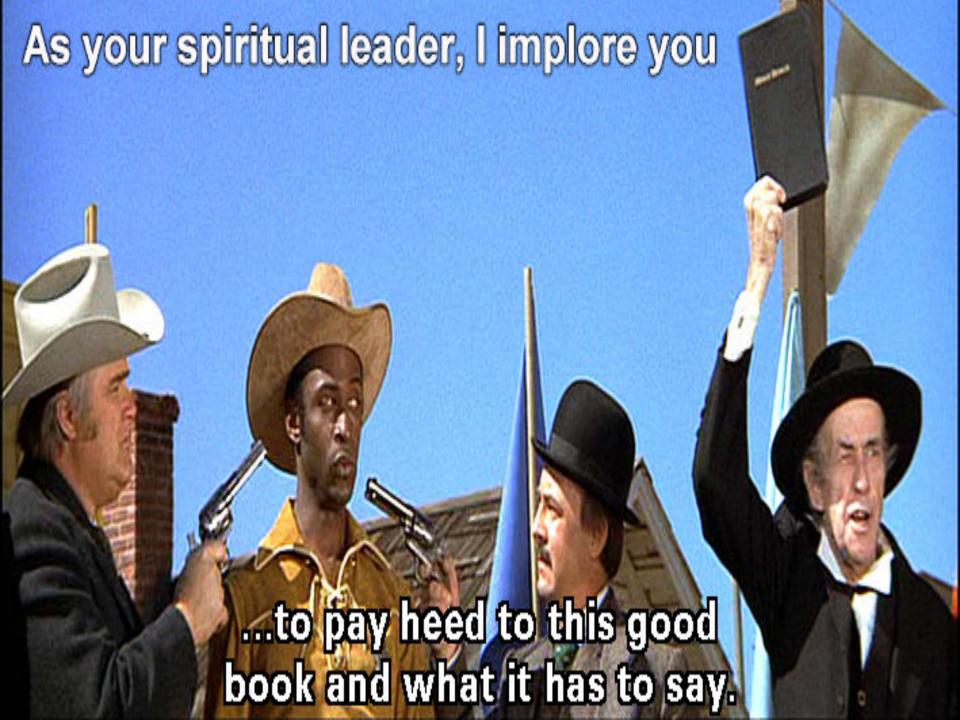
-- Sen. Mitch McConnell, R-KY



"We weren't kidding around either. We would have taken it down."

-- Rep. Jason Chaffetz, R-UT







IT'S EVEN WORSE THAN IT LOOKS: THE ECONOMIC RESULT OF HOSTAGE TAKING

"We lowered our long-term rating on the U.S. because we believe that the prolonged controversy over raising the statutory debt ceiling and the related fiscal policy debate... will remain a contentious and fitful process....We view the U.S. federal government's other economic, external, and monetary credit attributes, which form the basis for [our] rating, as broadly unchanged ... The political brinksmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable than what we previously believed."

--Standard and Poor's, August 5, 2011





The fate of the farm bill in an era of hostage taking

- Senate passed farm bill 7/20/2012, 64-35 vote.
- House Agriculture Committee passed farm bill, 7/11/2012, 35-11 vote.
- Committee bill never given vote in full House.
- 9-month extension of DCP program included in final "fiscal cliff" agreement, 1/1/2013.
- Many predictions (1) that Republicans would lose seats due to failure of passage, then (2) bill would be passed after election, then (3) bill would be included in "fiscal cliff" deal.
 None of those happened. Why?



Farm Bill Extension for 2013 Farm bill extension debacle

2 days ago LOCAL NEWS Farm bill extension stirs mixed reaction

Farm Bill Has Farmers Facing Uncertain Times New Year's Day Farm Bill Extension

'A lot of hurt feelings' on farm-bill extension

Farm Bill Extension

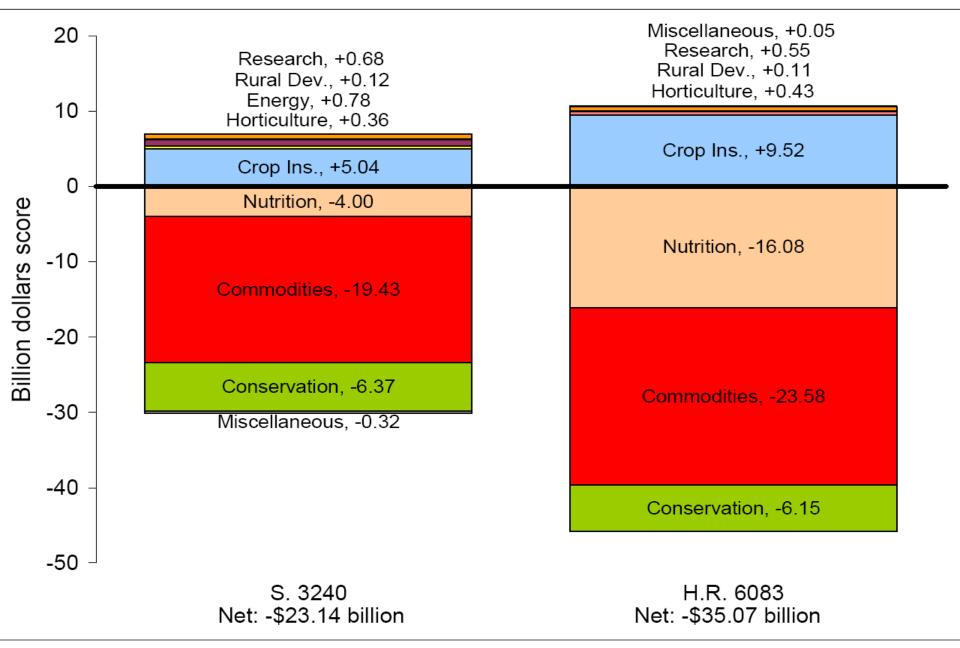
Farm Bill Extension

The Consequences Of A Short-Term Farm Bill Fix

Needing \$110 million, Congress ignored bipartisan farm program reforms and cut nutrition education instead

Figure 1.Ten-Year Scores of the Senate and House 2012 Farm Bills

(change in outlays over FY2013-FY2022 in billions of dollars by farm bill title, relative to baseline)







www.TeaPartyPatriots.org

So what now?



The Washington Post

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Obama: No negotiations with GOP over debt ceiling

By Zachary A. Goldfarb and Philip Rucker,

Published: January 14

President Obama vowed Monday that he would not negotiate with Republicans over the federal debt ceiling, warning that Social Security checks would be delayed and the nation could enter a new recession if Republicans do not agree to raise the limit on government borrowing.



New Technology Lets You Learn a Language in as Little as 10 Days



How Cruise Lines Fill All
Those Unsold Cruise Cabins



How to Improve Memory with Scientifically Designed Brain Exercises

Advertorials by How life Works

In the final news conference of his first term, Obama said Republicans were threatening to hold "a gun at the head of the American people" and that he would not trade spending cuts, as Republicans demand, for an agreement to raise the federal debt ceiling.

"If congressional Republicans refuse to pay America's bills on time, Social Security checks and veterans benefits will be delayed. We might not be able to pay our troops," Obama said, ratcheting up the rhetoric over the looming deadline to raise the \$16.4 trillion debt ceiling.

"Investors around the world will ask if the United States is, in fact, a safe bet. Markets could go haywire," he said. "It would be a self-inflicted wound on the economy. It would slow down our growth, might tip us into

Business leaders to GOP: No more debt limit hostage taking!

By Greg Sargent , Updated: January 11, 2013

Another key moment in the debt ceiling fight: On MSNBC this morning, the head of the powerful U.S. Chamber of Commerce called on Republicans to stop using the threat of default to get the spending cuts they want.

Chamber president Tom Donohue didn't do this quite as directly as he might have, but the plair meaning was clear. This is significant, because in doing this, he went further than other business leaders, who have merely issued a general call for a hike in the debt ceiling without pointing a finger at Republican debt ceiling hostage taking. Donohue, by contrast, said he wants to see a stop to the tactic of using the debt ceiling as leverage.

"When you get down to defaulting on the debt, you have a very, very serious question: What wi happen to interest rates, what will happen to our relationships around the world?" Donohue sai in an interview with Chuck Todd. "It could really hurt the economy."

Donohue said he thought mounting debt and entitlements could also damage the economy long term. Then he added: "I think we have to let the folks up on the Hill use the assets they have while at the same time trying to tell them that using the debt is the least desirable of those."

This is a key quote. The head of the Chamber, one of the most powerful GOP-aligned interest groups in the country, is essentially saying that using the debt ceiling as leverage to force spending cuts has to stop. This comes after the <u>Financial Services Roundtable</u>, the <u>Business</u>

Roundtable, and other business groups all are insisting more generally on a debt ceiling hike

The Washington Post

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House GOP freshmen present new challenges for Boehner

By Rosalind S. Helderman, Published: January 14

After two difficult years of trying to manage the tea party class of freshmen that made him House speaker in 2011, John A. Boehner (R-Ohio) now faces a new challenge: a <u>freshman class</u> potentially as rebellious as the last.



Fewer Republicans were <u>elected to the House</u> in November than in the 2010 midterm election, which ushered in 87 newcomers. Those new lawmakers promised to dramatically shrink government spending and shake up Washington, and often refused to follow Boehner's lead on contentious issues.

As Boehner begins his second term as speaker, early indications are that many of the House's 29 new Republicans could be similarly willing to buck party leaders.

The group will face a key test Tuesday when the House votes on \$50 billion in aid for victims of Hurricane Sandy. Some conservatives, including new members, are pushing to offset the emergency spending with other cuts.



Double trouble: House GOP eyes default, shutdown

By: Jim VandeHei and Mike Allen and Jake Sherman January 13, 2013 10:00 PM EST

House Republicans are seriously entertaining dramatic steps, including default or shutting down the government, to force President Barack Obama to finally cut spending by the end of March.

The idea of allowing the country to default by refusing to increase the debt limit is getting more widespread and serious traction among House Republicans than people realize, though GOP leaders think shutting down the government is the much more likely outcome of the spending fights this winter.

"I think it is possible that we would shut down the government to make sure President Obama understands that we're serious," House Republican Conference Chairwoman Cathy McMorris Rodgers of Washington state told us. "We always talk about whether or not we're going to kick the can down the road. I think the mood is that we've come to the end of the road."

(Also on POLITICO: House GOP's fiscal split looms large for Obama)

Republican leadership officials, in a series of private meetings and conversations this past week, warned that the White House, much less the broader public, doesn't understand how hard it will be to talk restive conservatives off the fiscal ledge. To the vast majority of House Republicans, it is far riskier long term to pile up new debt than it is to test the market and economic reaction of default or closing down the government.

GOP officials said more than half of their members are prepared to allow default unless

you raise any taxes," said a senior GOP aide.

The truth is Boehner is at the mercy of a Republican Conference that is far more resistant to compromise than he is. Boehner was embarrassed when he had to pull his plan for raising taxes — and then watched as three-quarters of his members opposed him on the final tax increase bill after Christmas. He might be the weakest speaker of his generation right now — and there is a fair amount of back-biting about who to blame for the recent debacles.

To pacify conservatives, he made two promises to his members that will greatly restrict his ability to craft a compromise in the spending fights ahead. The first promise was to bring to the floor only legislation a majority of his members support and do it through the committee process. The second was to increase the debt limit only in exchange for a dollar-for-dollar decrease in spending in the time period covered by that debt increase.

In a meeting between House GOP leadership and outside campaign groups at the Republican National Committee on Thursday, Boehner's chief of staff, Mike Sommers, discussed the possibility of increasing the debt limit for only one to three months — a move that would rattle markets and threaten the U.S. credit rating. The idea, which has little chance of winning Senate or White House support, shows how uncertain Republicans are about how they might avoid the white-knuckle moment of default. "Any option — including that one — is contingent on getting corresponding cuts/reforms in return," a Boehner aide said. "It depends on the White House. If they offer cuts and reforms equal to one month, that's what they get. If they agree to more cuts and reforms, they get a greater increase."

The conventional wisdom is that Obama and Congress will ultimately work out a grand spending compromise that raises the debt limit, keeps funding the government and changes the \$1.2 trillion in automatic "sequestration" spending cuts set to kick in on March 1.

Conclusions

- 1. Congressional support for the farm bill has never been so fragile.
 - Is the farm program/food stamp deal of 1973 dead? If so, how do you pass any farm bill?
- 2. No bill is too large or too small to be taken hostage. The era of hostage taking is far from over it will get worse before it gets better.
- 3. In an era of hostage taking, the rational political strategy becomes one of reverse hostage taking. Policy outcomes become much more random.



References

Congressional Research Service. *The 2012 Farm Bill: A Comparison of Senate-Passed S. 3240 and the House Agriculture Committee's H.R. 6083 with Current Law.* CRS Report R42552. August 21, 2012. Available at: www.nasda.org/File.aspx?id=35236

U.S. Senate. *Agriculture Reform, Food, and Jobs Act of 2012*. Available at: http://www.ag.senate.gov/issues/farm-bill/



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