Factors influencing the shape of the 2007 farm bill

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Summary

- Brief history of U.S. farm bills
- Domestic attitudes toward U.S. farm policy
- Budget considerations
- International factors
- Concluding remarks
U.S. farm bills

- Primary vehicle for setting medium-term U.S. agricultural policy
  - Range in lifetime from 18 months (1948 Act) to 7 years (1941 Act, 1996 Act)
- Scope of farm bills expanded over time
  - 1981-1990 farm bills separate titles for each commodity; 2002 single commodity title, total of 11
  - Broadened in part to create coalition to pass bill
- Margin of victory shrinking over time
  - Senate passed 1977 Act 63-8; 64-35 for 2002 bill conference report
Demographic trends

At the same time that U.S. population has been growing, the number of farmers has been shrinking. During the 20th Century,
- U.S. population grew 270 percent, while
- Number of U.S. farms fell 60 percent

Share of U.S. counties in which agriculture is a significant economic engine is declining
- In 1950, the vast majority of counties nationwide, except in NE and SW, received at least 20 percent of their income from farming
- Since 1989, most such counties are located in narrow belt between Eastern Montana and Texas panhandle
Nonmetro Farming-dependent Counties*, 1989

*Counties with 20% or more Labor and Proprietors' Income from Farming, 1987-89 Annualized Average

Rural Economy Division, Economic Research Service, USDA
using data from the Bureau of Economic Analysis
Agricultural voting impact

These demographic changes have had an impact on the farm voting bloc in Congress.

Almost all Senators represent some farmers, but not so in the House.

More than half (221 of 435) of Congressional Districts in 2002 Census of Agriculture had fewer than 1,500 farms (farms w/ >$1,000 market receipts).
Among metropolitan newspapers, the 2002 farm bill was widely panned:

- “...I am referring to the 2002 Farm Security Act, which recently emerged from the legislative process very much the way a steaming wad of processed vegetation emerges from the digestive tract of a cow,” Dave Barry, Miami Herald columnist

- “But last week, a 280-141 majority of the House voted to slide backward some 70 years, choosing socialism and abandoning market-based reforms in the nation's Stalinesque farm policy,” Las Vegas Review Journal

- “The farm bill just signed by President Bush shows all the courage of a wilted cabbage.” Providence Journal.

- “The 2002 farm bill that President Bush signed yesterday doesn't have a catchy name like the 1996 law. It also contains not so much as a nod to the idea of rolling back ag supports.” Seattle Post Intelligencer.
Budget implications
Sources: CBO budget baseline, Aug. 2005, and CBO study requested by Rep. Spratt (D, SC)
Budget outlook not rosy for farm programs

- In three years, 10-year federal budget outlook worsened by $9 trillion cumulatively
  - Tax cuts
  - Soft economy
    - Lower tax revenue
    - Higher entitlement spending
  - Higher discretionary spending (Defense, Homeland Security, etc.)

- Budget reconciliation likely to force cuts in farm programs in next few years
Farm program spending as share of Federal budget

Source: CBO, OMB, USDA budget projections and historical budget documents
International factors
Doha Development Agenda

- Uruguay Round (1993) envisioned continuing negotiations to further reform agriculture, trade in services in 1999
- Doha Round launched after WTO Ministerial meeting held in Nov. 2001
- Key issue areas:
  - Agriculture
  - Non-agricultural market access
  - Trade in services
  - Implementation issues from Uruguay Round
WTO framework agreement

- Completed in July 2004
- Covers agriculture and other key areas
- Long on principles, short on numbers
- Reflects U.S. priorities of greater cuts from higher levels (harmonization) in domestic support and market access
- No cuts committed, but likely to occur if final deal made
- Not clear if final deal possible if value of lost domestic support < value of market access opportunities gained by U.S. farmers
- Next step toward completion is `modalities’ agreement, hoped to be achieved by Hong Kong ministerial meetings in December 2005
WTO Dispute Settlement

- Crucial aspect of Uruguay Round
- U.S. frustrated with lack of enforcement mechanism under GATT
- U.S. single largest participant in WTO dispute settlement process
  - Complainant in 70 cases (21 agric.)
  - Respondent in 85 cases (13 agric.)
- Brazil cotton case pivotal for future of U.S. farm policy
  - First to call U.S. commodity programs into question
- May be similar cases to follow
Concluding Remarks

- All of these factors will shape the farm bill debate in 2006 or 2007, either directly or indirectly.
- Framers of the next few farm bills will have to embrace a broader view of agricultural policy than in the past.
- I have always said that agricultural policymaking is an `evolutionary process’ rather than a `revolutionary process’. Evolution may speed up in the next 5-10 years, but changes will still likely be based on policies we are already familiar with.