October 3, 2001
(House)

H.R. 2646 - Farm Security Act of 2001
(Reps. Combest (R) Texas and Stenholm (D) Texas)

The Administration supports forward-looking legislation that facilitates long-term prosperity for the nation's farmers and ranchers. The Administration believes it is possible to craft a policy that is better for rural America, better for the environment, and better for expanding markets for our producers than H.R. 2646. Hence, the Administration does not support H.R. 2646 and urges the House of Representatives to defer action on the bill.

H.R. 2646 would increase federal spending by more than $70 billion over the next ten years. The current farm bill does not expire until September 2002. In the context of the current state of the nation, consideration of large new financial commitments that do not require immediate action are not timely. In addition, we believe a ten-year farm bill, which is unprecedented, would limit our flexibility to address the rapidly changing agriculture sector over the next decade. As drafted, H.R. 2646 misses the opportunity to modernize the nation's farm programs through market-oriented tools, innovative environmental programs, including extending benefits to working lands, and aid programs that are consistent with our trade agenda. The Administration recognizes the essential and unique nature of our farm sector, but now is not the appropriate time for consideration of this bill.

Over the past decade, the nation's farm sector has changed significantly due to new production and information technologies, globalization, industry consolidation, and environmental concerns. H.R. 2646 does not reflect these changes. Specifically, the bill:

- Encourages overproduction while prices are low. A direct consequence of American farm policy for many decades has been excessive production and low prices. This policy began to change in the last farm bill. The Administration believes strongly that our national farm policy should not distort market signals, thereby directly or indirectly depressing farm prices. H.R. 2646 would continue to contribute to overproduction caused partially by increased production-based payments to farmers per bushel grown at above-market prices.
- Fails to help farmers most in need. While overall farm income is strengthening, there is no question that some of our nation's producers are in serious financial straits, especially smaller farmers and ranchers. Rather than address these unmet needs, H.R. 2646 would continue to direct the greatest share of resources to those least in need of government assistance. Nearly half of all recent government payments have gone to the largest 8 percent of farms, usually very large producers, while more than half of all U.S. farmers share in only 13 percent of the payments. H.R. 2646 would only increase this disparity.
- Jeopardizes critical markets abroad. We must significantly expand access to foreign markets to keep our farmers in business. Over 96 percent of all consumers now live outside the United States and 25 percent of U.S. farm income is generated by exports. The 1996 farm bill made increased trade and leveling the international playing field a high priority. H.R. 2646 would depart from this pro-trade direction by significantly increasing domestic subsidies to levels that would undermine our negotiating position in the next round of World Trade Organization negotiations. This bill would likely induce other countries to raise barriers to our products. Despite

language that would restrict future counter-cyclical payments to the World Trade Organization cap levels, this legislation calls into question the nation's commitment to free and open trade, hampers its ability to meet existing trade obligations, and reduces our ability to further expand opportunities for our producers in growing world markets.

- Boosts federal spending at a time of uncertainty. The level of spending provided in the House bill far exceeds farm spending in the past, even taking into account the record assistance payments made in recent years. For instance, if the bill had been in effect for the 2000 and 2001 crop years, the level of spending on farm programs would have been $1 billion to $2 billion higher per year than what actually occurred, even with the supplemental assistance provided by Congress.

  Moreover, today's economic uncertainty makes this the wrong time to lock in $170 billion in long-term spending. More time is needed for the fiscal picture to clear. In the near-term, the Administration is focusing on recovery and national security. During this period, spending in other important areas must be balanced against these priorities.

  The specific timing and extent of necessary offsets for this spending will require more information regarding expected farm conditions, future economic conditions, the nature of the offsets, and the anticipated obligations that will result from any new entitlements or programs. This information will become much clearer by the end of this year. This should allow plenty of time to adjust agriculture program spending or find offsets, if necessary, before a bill is marked up next year.

The Administration strongly believes that a methodical examination of all farm policy is needed at this time. The Administration believes that acting now on the significant fiscal and policy commitments of H.R. 2646 would be premature. The upcoming year will provide Congress and the Administration a valuable opportunity to take a much-needed critical review of the nation's agricultural and rural economy, examine the policy's implications for our trade relationships, and evaluate our long-term fiscal capacity. The Administration looks forward to working with Congress to develop a farm policy that better serves and balances these interests.

Pay-As-You-Go Scoring

H.R. 2646 would increase direct spending above the baseline and, therefore, would be subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The Office of Management and Budget's preliminary scoring estimates of this bill are presented in the table below. Final scoring of this legislation may deviate from this estimate.

PAY-AS-YOU-GO ESTIMATES
(dollars in millions)

	2002	2003	2004	2005	2006	Total
Outlays	2,058	7,120	9,003	8,254	7,698	34,133