

WEEKLY UPDATE
SUSTAINABLE AGRICULTURE COALITION
March 12-16, 2007

TWO URGENT ACTIONS

1. House Budget Committee Mark-up Next Week! Farm Bill Priorities at Stake!! As discussed in last week's update, the Senate and House Budget Committees are working on their versions of the 2008 U.S. budget which has critical implications for how much money will be available for the 2007 Farm Bill and FY08 agriculture appropriations. The Senate completed mark-up this week (see below for details and outcome analysis) and the House is scheduled to mark-up this coming week Tuesday (March 20) and/or Wednesday (March 21).

It is of utmost importance that people contact their Representatives this coming Monday, March 19th. Those who have a member on the House Budget Committee are especially critical!!

Our "ask" is simple and urgent: we want the Budget Committee to include no less than \$20 billion in additional spending for the 5-year farm bill and enough funding for appropriations for the agricultural spending bill to gain \$1 billion over the 2006 levels.

Again, an action alert template is posted to our website – www.msawg.org. As always, we encourage you to tailor it to your audience and make it specific to your Members of Congress. Please be in contact with SAC Grassroots Organizing and Outreach Coordinator Aimee Witteman if you need any help or have any questions, and please also report back to her to tell her what you have done and who you have contacted – awitteman@sustainableagriculturecoalition.org or (202) 547-5754.

2. Grassley-Dorgan "PAYMENT LIMITS" Amendment to be voted on this coming week! On Tuesday, Senators Grassley (R-IA) and Dorgan (D-ND) will introduce a commodity program payment limitations reform amendment to the federal budget. In addition to expressing the Senate's intent to restrain the negative impact that large uncapped payments have on beginning, small and mid-sized family farmers by establishing a farm payment cap at \$250,000 and closing existing loopholes, the amendment would recommend moving the \$1.1 billion in budgetary savings to the conservation, food stamps, and rural development/ renewable energy accounts that are at serious risk of being unfunded in the 2007 Farm Bill (more analysis of the amendment below in the This Week section).

Passage of this legislation is critical to securing funding for our sustainable agriculture policy goals! If you live in one of the following key states: **California, Colorado, Connecticut, Delaware, Indiana, Kentucky, Minnesota, Missouri, Montana, Oklahoma, Pennsylvania, South Dakota, Virginia, Wisconsin, Washington, or Vermont**, one or both of your Senators are swing votes on the Grassley-Dorgan amendment, and we are asking that you contact Aimee Witteman on Monday at awitteman@sustainableagriculturecoalition.org or (202) 547-5754 for an action alert template that you can use to make calls yourself and that you can adjust and send to other constituents in your state.

THIS WEEK

House Committee Approves War Supplemental with Ag Provisions: Amidst major controversy over provisions relating to withdrawal of US troops from Iraq, the House Appropriations Committee on Thursday approved by a vote of 36-28 a \$124 billion emergency supplemental appropriation to fund the war in Iraq and Afghanistan. This coming week, the measure will be considered on the House floor while the Senate Appropriations Committee will mark-up its version of the bill.

In addition to war issues, the bill also contains a change in the minimum wage, Katrina relief, veterans benefits, low income heating assistance, children's' health care funding, and several farm provisions.

The House bill includes about \$4 billion for agricultural disaster relief, covering a three-year period. The measure also includes a \$74 million extension of the peanut storage program and a \$25 million bailout for spinach producers and handlers hurt by the contaminated spinach recall.

In a strange development, the bill also includes a year and a half extension of the MILC dairy payment program, at a cost of \$283 million. The original plan – to fund MILC for the month of September 2007 and thereby create a nearly \$2.5 billion funding baseline for dairy in the 2007 Farm Bill – fell apart when the Committee was informed that budget rules would require them to offset the \$2.5 billion in cuts to other programs. So the substitute measure provides \$31 million for the month of September, and then adds provisional discretionary funding of \$252 million for the following year and a half. If the farm bill reauthorizes the program, those provisional funds would not be used.

Senate Next on Supplemental, with CSP Funding: As the Senate version of the war supplemental bill heads to mark up next week, we expect there will be another attempt to lock in the dairy budget baseline for the full farm bill term. SAC was one of many farm groups signing a letter to Congress last week asking for the full baseline treatment. We also expect the Senate bill to include emergency funding for the Conservation Security Program to restore earlier cuts, though at press time the exact amount is unknown. Less certain is whether the bill will carry any funding for the Wetlands Reserve Program, a program with little remaining budget baseline as the new farm bill approaches.

Senate Budget Committee Approves FY08 Budget Resolution: On Thursday, the Senate Budget Committee approved its version of the FY08 Budget Resolution by a straight party line vote of 12-11. The \$2.9 trillion five-year budget plan crafted by Budget Chairman Kent Conrad (D-ND) fully funds the President's defense requests, increases FY 08 domestic discretionary appropriations limits by a very modest \$7 billion relative to the Bush request, re-establishes "pay-go" budget rules requiring that any new tax cuts or increases in entitlement spending be paid for by offsetting savings elsewhere in the budget, and contains an all-time record high 23 unfunded "reserve funds" -- including one for the 2007 Farm Bill. The budget resolution does not include any "budget reconciliation" instructions to any committee requiring them to reduce entitlement spending.

For FY 08 agricultural appropriations, the proposed \$7 billion increase in total domestic discretionary spending is not very re-assuring. The budget assumes major increases in spending on education, veterans' benefits, first responders, renewable energy, and other areas. While the ultimate disposition of the funding priorities is up to the Appropriations Committee, not the Budget Committee or the budget resolution, the competing priorities and pending Bush request to actually decrease spending on the agricultural appropriations bill may not bode well for our spending priorities for 2008. Mark-up of the appropriations bill will likely occur in May.

The situation for the Farm Bill is murkier still. The Senate budget resolution contains a \$15 billion reserve fund for the new farm bill. A reserve fund allows a committee to adjust its funding allocation to accommodate new or expanded programs, provided the legislation is accompanied by spending cuts or revenue increases to fully pay for (offset) the costs of the new program. Reserve funds are thus deficit neutral and optional, with unspecified new funding and unspecified offsets. They feel and sound like real increases, but are more like an IOU with the details to be negotiated at a later date.

Until just days before the Senate committee markup, the farm bill reserve fund was rumored to be \$20 billion, the same number that SAC has been requesting as the minimum figure necessary to get a farm bill enacted. At the last minute, however, the number was reduced by 25 percent. On top of the uncertainty

about whether the war supplemental will create a dairy payment baseline and a significant increase in the conservation baseline, this lower reserve fund amount and the great uncertainty over whether offsets can be found to fund it leave the prospects for completing a farm bill this year suddenly very open to question.

The specific language for the reserve fund suggests that the \$15 billion be used to reauthorize the farm bill, strengthen agricultural and rural economies, provide agriculture-related tax relief, and expand production and use of alternative fuels. This language is not binding on the Agriculture Committee, but it does express the assumptions of the Budget Committee in creating the reserve fund. The reference to tax relief relates to suggestions by Finance Committee Chair (and Ag Committee member) Max Baucus (D-MT) that there be a farm-related tax bill this year that coincides with the farm bill. Just exactly how that would work, and whether the tax measure would provide any loophole-closing tax revenue increases that the farm bill could use as its reserve fund offsets, is perhaps the biggest unanswered question of the Senate budget proposal.

The House Budget Committee will mark-up its version of the budget resolution this coming Tuesday and Wednesday, while the Senate Committee bill heads to the floor at the same time.

Payment Limit Amendment on Tap: Senators Chuck Grassley (R-IA) and Byron Dorgan (D-ND) will reprise their long-standing attempt to move commodity program payment limitation reform forward during Senate floor debate on the budget this week. We expect the amendment to be discussed on the floor on Tuesday, with a vote on the proposal sometime between Wednesday and Friday.

As an amendment to the budget resolution, the Grassley-Dorgan proposal is essentially a “message” amendment, putting the Senate on record as to what it would like the Agriculture Committee to do. The amendment would cut the commodity program budget function by \$1.1 billion, with the assumption that the Agriculture Committee would achieve this by cutting the per farm payment cap to \$250,000 and closing all the major existing payment cap loopholes. The savings would be used to increase the budget functions that provide for conservation programs, food stamps, and renewable energy and rural development. More specifically, the amendment (at press time at least; details may change) assumes increases for the Conservation Security Program, Wetlands Reserve Program, Value-Added Producer Grants, Renewable Energy System grants (Section 9006), Initiative for Future Agriculture and Food Systems, and an increase in the child care deduction for food stamp recipients.

This was not an amendment that SAC encouraged to have happen at this point in the process, but given the sponsors’ decision to move ahead with it, it is one we cannot afford to lose. We need to win it and win it by a comfortable margin. Please refer to the swing list in the Urgent Action Needed section above. If you are from one of those states, or can help get out messages to those states or help make calls, please contact us Monday. Not unlike the budget resolution itself, the ultimate success of our farm bill campaign may well be riding on this vote.

Kind-Menendez Bill Introduced: On Thursday, Representative Ron Kind (D-WI) and Senator Bob Mendendez (D-NJ) introduced their “marker” bill for farm bill consideration (HR 1551; Senate version not available yet). According to the sponsors, the bill would increase farm bill spending by about \$3 billion a year, with a third of that total in just one program, the Environmental Quality Incentives Program (EQIP). The EQIP provision would leave in place existing provisions passed in 2002 allowing EQIP to subsidize the building and expansion of industrial livestock feeding operations and related waste treatment facilities and to increase the per farm payment limitation to \$450,000 from its pre-2002 limit of \$50,000. SAC has consistently urged the bill’s sponsors to reform EQIP rather than just double its spending level, but has not to date been successful in those efforts.

Rep. Kind led a floor amendment effort during consideration of the 2002 Farm Bill, proposing to shift funding from commodity programs to conservation. That effort came close, but did not pass. The new bill does not include commodity cuts, though it is widely assumed that if the bill becomes a floor amendment again during consideration of the new farm bill that the offsetting commodity spending reductions would be added.

The bill includes several SAC priorities, including a lifting of the multi-year funding caps for the Conservation Security Program, mandatory funding for the Farmers Market Promotion Program, renewed funding for the Organic Certification Cost-Share Program, and a new Organic Conversion and Stewardship Payment program. The bill also contains a large increase and new authority for the Community Food Grants program that tracks closely the recommendations of the Community Food Security Coalition.

The lead co-sponsor of the House bill is Jim Gerlach (R-PA). The bill has 74 co-sponsors, including 36 from the Northeast and Mid-Atlantic States and 17 from the 3 West Coast states. The co-sponsors include 10 Republicans, 3 Democratic members of Agricultural Appropriations, and no members in either party from the Agriculture Committee that will write the farm bill. The Senate bill, which has not actually been officially introduced, will be co-sponsored by Sen. Barbara Boxer (D-CA).

House Agriculture Committee Chairman Collin Peterson held a conference call with the media right after Rep. Kind finished his bill release press event. Peterson suggested that a floor amendment along the lines of the Kind bill is unlikely to be needed this time around, while also suggesting he is more interested in the conservation proposal from the hunting, fishing and wildlife-oriented Teddy Roosevelt Conservation Partnership than in the Kind bill which has been promoted most heavily by Environmental Defense. Both proposals suggest very large increases for the Wetlands Reserve Program, Wildlife Habitat Incentives Program, and Farm and Ranch Lands Protection Program, while the TRCP would include a big increase in the Conservation Reserve Program but not EQIP while the opposite is true for the Environmental Defense proposal.

Other marker bills with substantial conservation sections expected in the coming weeks or month include a specialty crop bill promoted by the Specialty Crop Farm Bill Alliance and is expected to be introduced by Rep. Dennis Cardoza (D-CA) and Senators Debbie Stabenow (D-MI) and Larry Craig (R-ID) and a so-called "northeast" marker bill which has been promoted by American Farmland Trust and is expected to be introduced by Rep. Rosa DeLauro (D-CT) and Senators Chuck Schumer (D-NY), Arlen Specter (R-PA) and Bob Casey (R-PA).

House Ag Appropriations Hears from Deputy Secretary Conner: On Tuesday, the House Agriculture Appropriations Subcommittee heard testimony on the USDA budget proposal from Deputy Secretary Chuck Conner. The testimony called particular attention to spending plans for avian flu, food "defense," food safety, and energy. Chair Rosa DeLauro (D-CT) concentrated her questioning on the National Animal Identification program and re-iterated, in the strongest possible terms, her intent to restrict funding for the program unless USDA can clearly articulate what its plan is for the program and can document what the results of program spending to date. She also had questions on trade with Cuba and on renewable energy funding. Rep. Sam Farr (D-CA) made comments and asked questions about organic farming research and about the *e coli* problems with green leafy vegetables from his district. Rep JoAnn Emerson (R-MO) blasted the Administration's farm bill proposal to limit farm program benefits to individuals with adjusted gross incomes of less than \$200,000, while Rep. Tom Latham (R-IA) blasted USDA for once again requesting an end to formula funds for land grant universities.

USDA NEWS

Remember that the requests for proposals for the Farmers Market Promotion Program and the various Risk Management education proposals are open for business (see previous Weeklies). Also, we expect the request for proposals for the Value-Added Producer Grant program to be published within the next two weeks – stay tuned!

DULY NOTED

World Trade Organization Chair for agricultural negotiations, Crawford Falconer, says he plans to distribute new “reference papers” on the key negotiating issues after the Easter break in order to focus the next round of talks in Geneva. In the meantime, EU and US negotiators are planning to meet several times before the end of March and they may also attend the ministerial meeting of the G-33 group of developing countries next week in Jakarta, Indonesia. US Trade Representative Susan Schwab met with her counterparts from India and Brazil in early March to discuss the ag trade talks, but with no public indications of any advances being made. With congressional “fast track” authority expiring this summer, time is running out on the Doha Round of talks absent a major, rapid breakthrough.