THE FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996: REFLECTIONS ON THE 1996 FARM BILL

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with
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I. INTRODUCTION

By any measure, the 1996 farm bill passed by Congress on March 28th, and signed into law on April 4th, represents the most fundamental change of farm policy in the past sixty years. The genesis of this change can be traced to the 1994 congressional elections. The Republican leadership of both the Senate and House of Representatives ushered a new spirit into Washington characterized by the desire to diminish the influence of the federal government, balance the budget, and reform many long standing programs. These themes influenced most all the legislation considered in the 104th Congress, including the farm bill. At the same time, family farmers and others in the agricultural community recognized the importance of expanding foreign markets and the need for a new way of doing business on the farm.

II. THE BALANCED BUDGET DEBATE

The 1996 farm bill debate actually began in early 1995 with the Chairman of the Senate Agriculture Committee, Senator Richard Lugar (R-IN), posing a list of questions challenging the justification and efficacy of the present program. It was clear from the outset that this was not to be a typical farm bill debate. The possibility of significant reform though was not apparent until the beginning of the budget reconciliation process.

During the Spring of 1995, the Senate Budget Committee drafted legislation that would have resulted in the first balanced federal budget in twenty-seven years. Virtually every program faced either substantial spending cuts or at least reductions in spending growth. Spending on farm programs was cut $13 billion over the next seven years. Although critics of the proposal argued that farm spending already had declined by two-thirds compared to the $26 billion paid to farmers in 1986, the agriculture committee was left to develop a farm program with substantially less money to spend than in the past.

The Senate Agriculture Committee attempted in September to reconcile the existing farm program with the mandated spending reductions, but the committee had trouble finding consensus on exactly how this was to be accomplished. Representative Pat Roberts (R-KS), the House Agriculture Committee Chairman, took an innovative approach to the problem and developed a program he called "Freedom to Farm." Freedom to Farm eliminates the supply controls that were the essence of past farm bills and provides for guaranteed payments to farmers regardless of market prices. These provisions appealed to reform-minded freshman in the House and, most importantly, to many farmers at the grassroots level. Initially though, Freedom to Farm was not readily accepted by the Washington farm lobby or most members of Congress. In September, the Senate Agriculture Committee approved a modified version of the 1990 law, while the House Agriculture Committee failed to approve Roberts' own proposal.

At this point, I introduced a version of Freedom to Farm in the Senate and began to work with Chairman Roberts to include the proposal in the 1995 Balanced Budget Act. The Iowa Farm Bill Study Team already had developed a similar plan, called "Revenue Assurance," and the Food and Agriculture Policy Research Institute released a favorable analysis of the bill. The concept had the support of most Iowa farm groups, and I liked the fact that it locked in certain payments and provided substantial regulatory reform. By late fall, the House leadership embraced the proposal and insisted that it be part of the budget bill. This bill, the first to balance the federal budget since 1969, was approved by Congress but vetoed by President Bill Clinton in December.

III. 1996 FARM BILL DEBATE

Because the farm bill provision was vetoed along with the Balanced Budget Act, further action was held over until 1996. With growing grassroots support, Republicans by now were committed to the Freedom to Farm concept, but it faced stiff opposition from most of the Congressional Democrats. Senate debate began again in early February, but was subject to a Democratic filibuster. Finally, the filibuster was relinquished after two narrow-margin votes to limit debate, and the bill moved toward final passage.

Three significant events shaped the week of debate and negotiations that ultimately led to the Senate approving Freedom to Farm. First, a group of Senate Democrats, led by Senator Patrick Leahy of Vermont, agreed to support the bill if provisions on conservation and nutrition programs were added. This undermined the filibuster being conducted by their Democratic colleagues. Then when the Republican and Democratic leadership appeared to reach an agreement to limit the guaranteed payments, I initiated a letter signed by fourteen Republicans to the Majority Leader, Senator Bob Dole (R-KS), disapproving the compromise. Finally, the Democratic Caucus also rejected the deal negotiated by their leaders. In the end, a bipartisan Freedom to Farm based bill passed the Senate with sixty-four votes.

Subsequently, the House approved a limited version of the Senate bill. After the conference committee reconciled the two versions of Freedom to Farm, now renamed the Federal Agriculture Improvement and Reform Act of 1996, the reconciled version passed both the Senate and the House on March 28th. In the Senate, the vote for final passage was a remarkable seventy-four to twenty-six.

IV. COMMODITY PROVISIONS

The commodity title is the heart of any farm bill. This title governs the planting restrictions and payments made relative to "program crops," including feed grains, wheat, and cotton. Since the 1930s, federal policy focused on controlling supplies of commodities in an attempt to increase market price and, ultimately, net farm income. Most recently, crop acreage base restrictions, annual acreage idling programs, and conservation programs were used as supply controls. Put simply, growers of program crops were required to plant the same amount of program crop that they had in the past. Furthermore, in any year farmers could be required to idle a portion of their productive acres, pursuant to the Acreage Reduction Program (ARP).

The 1996 farm bill eliminates both crop bases and the ARP. For the first time, farmers will be allowed to make their own planting decisions, free of government regulation. Farmers also will not be required to set aside productive farmland in order to participate in the farm program. Early in the farm bill debate, individual farmers, the Washington farm lobby, and agribusiness interests coalesced behind these policy changes for several reasons. First, it is essential to ease regulations and red tape on farmers. Farmers must be given the opportunity to earn more income from the marketplace, because less federal money is earmarked for farm programs. Second, the agriculture economy continues to change rapidly. Increasingly, U.S. farmers rely on overseas markets to sell their products. Domestic consumption of many commodities either has leveled or is growing at a very slow rate. But the diets and lifestyles of people in areas such as the Pacific Rim are changing dramatically. Consumption of beef, pork, and other "value-added" products is increasing as people in Asia improve their diets and spend a higher percentage of their income on food. The outlook for trade in U.S. agricultural commodities to China, South Korea, Japan, and other Asian nations is enormously positive.

These encouraging developments come at a time when Congress recently has approved the North American Free Trade Agreement (NAFTA) and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The full impact of GATT will not be realized until early in the next century. Congress recognized that reform in federal farm policy must include measures to move agriculture toward the global economy that will dominate the 21st century.

One of these measures was the elimination of ARP authority. The rest of the agricultural world reacts to United States farm policy. In the past, for example, large acreage idling programs in the United States were followed by massive plantings on marginal acres in South America. As a result, we lost many markets in Europe to crops grown in Argentina and Brazil. The new farm program sends a signal to the world that the American farmer is ready and willing to compete for every sale in every market in the world.

In addition to planting regulations, the commodity title also provides the mechanism for making government payments to farmers. Historically, these payments were based on the difference between the market price of a commodity and a "target price." This target price was determined more by farm bill politics than an economic analysis of the relationship between commodity prices and farm income. The new farm bill breaks the linkage between target price and market price when determining payments. During the next seven years, farmers will receive an annual payment based roughly on the payments they received in the past, regardless of market price.

The guaranteed payments prompted most of the controversial debate on the Senate floor. Some senators referred to the payment as "welfare" for farmers. These payments though are a legitimate transition to a free-market oriented agriculture policy. Although it is clear that U.S. farmers can compete and thrive in this free market, it is necessary to provide a safety net during this transition period. Seven years of guaranteed, fixed payments will allow farmers and their lenders to change their business practices to prepare for this new environment. This is anything but welfare. The payments are a recognition of what farmers in this country have given to the public in terms of an inexpensive and bountiful food supply.

V. CONSERVATION PROVISIONS

Senator Patrick Leahy (D-VT), the ranking minority member of the Senate Agriculture Committee, called this farm bill the "largest commitment to voluntary conservation ever." The bill authorizes the Secretary of Agriculture to enroll land into the Conservation Reserve Program (CRP) through the year 2002. The CRP began in 1985 as a supply control measure, as well as a conservation program, but the benefits have been enormous. On CRP acres, soil erosion is virtually non-existent, water quality has improved and wildlife has flourished. Such divergent groups as the American Farm Bureau Federation, Pheasants Forever, the Audubon Society, Ducks Unlimited, the National Corn Growers, and the National Association of Wheat Growers all enthusiastically support the CRP. In recent years, the CRP has been targeted more carefully to environmentally-fragile land, so more environmental benefits are achieved per dollar. This targeting will continue under the 1996 bill.

The bill also extends the Wetlands Reserve Program (WRP) with some important modifications. Land is typically enrolled in the WRP through the use of permanent easements. Although easements have been useful in protecting fragile land, farmers remain reluctant to bind their land for generations. The new program will not only allow permanent easements but also thirty-year contracts and cost–share funds for restoring wetlands. These options will give the farmer more choices and make the program more cost effective.

Several new conservation programs are authorized by the new farm bill, including a Conservation Farm Option and a crop base buy-out program. All of these programs use voluntary, incentive-based measures to protect natural resources. Congress has realized that it is too expensive and inefficient to attempt to regulate every acre of farmland in America. Due to the fact that so much of the land in this country is in the hands of private ownership, farmers and other land owners must participate, on a voluntary basis, in programs to protect this country's most valuable resource: its farmland.

The new farm bill also retains, but reforms, two important regulatory programs established in the 1985 farm bill: swampbuster and conservation compliance. Put simply, swampbuster prohibits the conversion of wetlands for agricultural use and conservation compliance prohibits the farming of highly erodible land absent a conservation plan. For the most part, farmers have accepted these programs and compliance rates are remarkably high. However, in some cases there has been an effort by the federal bureaucracy to extend the regulations beyond the language of the law or the intent of Congress.

The changes made in this farm bill are an effort to bring some common sense back to the regulatory process and renew the historical partnership between the farmer and the soil conservationist. Too often, onerous regulations have pitted the farmer against the Natural Resource Conservation Service (NRCS) (formerly the Soil Conservation Service). This bill will help the farmer and government official to once again work in concert to address environmental concerns.

Specifically, the agency is given more discretion on assessing penalties. No longer will farmers lose all their benefits for good faith or other minor violations. Also, if an NRCS official is invited on the land to render technical assistance, the farmer will have one year to correct any deficiency cited by the official. These provisions will encourage farmers to seek agency advice.

The swampbuster program will place more emphasis on mitigation of wetland conversions so farmers have the same opportunity as land developers to address "trouble-spots" on their land. The bill also provides regulatory relief to farmers by eliminating the regulatory concept of "abandonment," ending bureaucratic "creep," and instituting common-sense into federal agency decision making.

VI. MISCELLANEOUS PROVISIONS

Although most of the coffee shop talk regarding farm bills focuses on commodity programs, farmers are impacted by many other federal programs administered by the Department of Agriculture. This farm bill authorizes and streamlines programs such as agricultural research, farm credit, rural development, commodity promotion, and various trade programs, including the Export Enhancement Program and the Market Promotion Program. All of these are vital to the future of U.S. agriculture.

VII. FARM BILL AS "SAFETY NET"

The opponents of the new farm bill argue that it does not provide an adequate safety net for family farmers. All the elements of a successful safety net though remain intact. Seven years of guaranteed, fixed payments is the most important component of the safety net because it provides a certain cash-flow for family farmers. This will allow farmers to make long term business decisions. Also, the loan program remains in place as a protection against low commodity prices. The most encouraging aspect though is a pilot program for a new concept known as revenue insurance. This program forms a public-private partnership to deliver a new insurance product to protect farmers against the risk of low prices as well as low yields. Revenue insurance will become an essential part of farmers' risk management plans.

VIII. CONCLUSION

American agriculture is on the threshold of a sustained period of growth and prosperity. World population continues to grow so there will be more people to feed. Even more importantly, the eating habits of those living in developing nations continue to change. The American farmer is uniquely poised to capitalize on the changing nature of the global economy. American agriculture is already the most efficient system in the world and the new farm program will further unleash our productive capability. Farmers will make their own planting decisions and will not be required to idle productive acres. This new policy is appropriate for meeting the challenges of a global economy.

Policy makers have not forgotten the importance of the "family farm" in this new environment. Those of us from rural states understand the importance of maintaining the family farm as the cornerstone of American agriculture. The family farm is interdependent with the businesses and institutions of local communities. They are vital to the social structure of the rural landscape. The new farm bill fosters the integral role of the family farm in meeting the demands of the world marketplace.