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Farm Bill Hearing Offers Valuable Insights

US Senator and Senate Ag Committee Chairman Saxby Chambliss (R- GA) today hosted, along with Senator Pat Roberts (R- KS), the first of several upcoming Farm Bill Regional Hearings. The meeting held today in Albany, GA was the only one to be held here in the Southeast. Therefore, it was an important opportunity to share and hear issues and concerns related to Southern agriculture.

I will not attempt to recall any precise dialogue that took place-- that would be dangerous, and transcripts will likely be available later. But I would like to use this week's newsletter to share with you what I considered to be reoccurring themes and main points that I took away from the Hearing... *these are my recollections of the meetings and my interpretation of what I heard and thus I alone am responsible for the following content.*

The Diversity of Southeast Agriculture. The Southeast region has a diverse agriculture. While this is a blessing, it is also a challenge in crafting agriculture legislation. The Southeast produces many crops and is considered a major producer of important "program crops" such as cotton, peanuts, tobacco, and sugar. Southern farmers need a farm bill that supports the diversity of crops.

The Political Arena For the Next Farm Bill Will Be Different. The purposes of the farm bill include providing a safety net for farm income and improved access to markets. In crafting the next farm bill, major background issues will include trade and the federal budget deficit. This will be a vastly different environment than was the case for the 2002 farm bill.

Support For Continuation of the Current Farm Bill, But ... There is strong support among producers for continuation of the current farm bill. There was little if any disagreement on this. Farmers like the policies and payments of the 2002 farm bill and see no reason to throw out what has worked so well. But the reality is that it's very likely going to change for the following 2 reasons.

Trade-- Cotton and WTO. The Step 2 provision was only the first target. The DCP (Direct and Countercyclical Payment) program of the 2002 farm bill has worked well but also faces challenges from WTO (because eligibility for payments requires restriction on planting of fruits and vegetables). How can the DCP program be changed to be WTO-compliant and still provide an effective safety net? Can a WTO-compliant alternative to Step 2 be developed? What would be the impact on the producer and other segments of the industry if changes are made?

Federal Budget Appropriations. The farm bill will be shaped by limitations on spending. If spending (payments or provisions) were increased in one area they may have to come at the expense of another area. So what are our priorities? Which programs and payments are most important? The cotton program has 3 components, for example-- the marketing loan (LDP), Direct Payment (DP), and Countercyclical Payment (CCP). How would you prioritize these? Another example-- if conservation program spending is increased, should this come at the expense of commodity programs?

Payment Limitations and Support For "Production Agriculture". There will continue to be political and budgetary pressures to reduce payments and payment limitations. Do payment limits need to be modified? Farms have increased in size over time due to high cost and economic necessity. Larger farms produce

the majority of production output and since payments are tied to production and/or land (base) will obviously receive large payments. The consensus among the panel was that the farm bill should provide a safety net for all farms but not discriminate against "production agriculture".


Improving the "Safety Net". The safety net is made up of a combination of marketing loan, DCP payments, crop insurance, and disaster programs. Is the safety net working effectively? Can it be improved, how?

Conservation Programs. Conservation and wildlife programs are "green" (non-trade distorting). Should DCP programs be reduced in favor of increased funding for conservation and wildlife incentives? Would a shift of this type or increased conservation programs, in general, provide an adequate safety net?

The Role of Ag in the Energy Situation. Where should Congress concentrate efforts to get agriculture involved in energy? All generally agree that ag-based or bio-fuels need to be developed. Efforts should provide both incentive for producers and protection for businesses investing in the processing. How can the southern farmer best become involved in producing for energy (what crops or by-products)? What would be the impact of ag-energy program incentives and production on land use for trees, conservation, and wildlife?

The 1996 farm bill decoupled payments (AMTA) from production. The 2002 farm bill continued this (DCP) and initiated the countercyclical payment. The 2002 farm bill also provided the opportunity to update crop bases and program payment yields (much needed in the case of southeast cotton producers). Until recently, I believed that the 2008 farm bill may contain only minor tweaking from the 2002 bill. Although this is still a possibility, after this Hearing it seems more likely that more significant changes could (could) be on the way. As you can see, there are certainly many issues to be resolved and questions to be answered.

The energy situation that has developed over the past 2-3 years (and the increased importance of the role that agriculture could play), the disputes/discussions over trade (WTO, etc.), and the budget deficit all provide a complex environment within which the next farm bill must be developed. Should Congress decide to address all these issues, the new farm bill could have a significant, far-reaching impact.



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