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Latest plan to cut farm subsidies likely dead

By STEVE KARNOWSKI (AP) – 1 day ago

MINNEAPOLIS — If history and the political lineup are any guides, President Barack Obama's latest effort to cut subsidies for wealthy farmers likely will fare no better than his first try — or his predecessor's attempt.

Congress twice overrode President George W. Bush's veto of the 2008 Farm Bill. When Obama tried reforming the system last year, his proposal was dead on arrival on Capitol Hill, where farm state lawmakers largely control the agriculture committees.

House Agriculture Committee Chairman Collin Peterson, D-Minn., said he'd oppose significant changes to the current Farm Bill. To Peterson, most criticism of subsidies is based more on ideology — whether it be small-farms-are-better or free trade — than sound policy considerations.

"We're not smart enough to decide how big a farm should be, even on the ag committee," Peterson said. "And that's really not our job. Our job is to make sure we have an affordable, abundant food supply in this country."

Others, though, said as federal deficits soar above \$1 trillion a year, it's time to take another look.

"Farm subsidies are America's largest corporate welfare program," said Brian Riedl, an analyst at the conservative Heritage Foundation.

Critics argue subsidies to wealthy farmers aren't justified, especially when crop prices are relatively high and farmers' incomes tend to be higher than the national average. And they ask why federal money flows primarily to growers of five crops — corn, soybeans, wheat, cotton and rice — while livestock, poultry and produce farmers get by without subsidy checks.

Peterson said he plans to hold hearings on the 2012 Farm Bill starting as early as next month, but he downplayed the likelihood of radical changes to subsidy policy.

Like most subsidy backers, Peterson said food production requires farms of all sizes, and that farmers need a safety net to protect their investments against unpredictable markets and weather.

Congress hasn't tried to significantly wean farmers off subsidies since the ill-fated Freedom to Farm bill of 1996. After commodity prices fell and caused a crisis, Congress returned to a more traditional approach with the 2002 Farm Bill, which also provided the framework for the 2008 legislation.

The 2008 bill prohibited all subsidies to anyone whose non-farm adjusted gross income exceeds \$500,000. They also ended a major "direct payments" program for anyone with more than \$750,000 in adjusted gross income from farming.

And the Agriculture Department recently said it will work with the Internal Revenue Service to stop payments to people who exceed the income limits after learning 2,702 millionaires received farm payments from 2003 to 2006 and were probably ineligible.

But critics say the 2008 bill largely maintained the status quo. Steve Ellis, spokesman for Taxpayers for Common Sense, called the lower income limits a "Swiss cheese cap," easy to avoid with accounting changes.

The 2009 crop is the first subject to the new rules, and data aren't available on whether the changes have significantly altered who gets subsidies.

The Environmental Working Group maintains a searchable database detailing how 75 percent of farm subsidies have gone to 10 percent of the beneficiaries in recent years, though the data goes only through 2007. Ken Cook, the research group's president, said he's skeptical the 2009 data will show much change.

"We thought it was a pretty phony reform," Cook said.

But Rob Joslin, president of the American Soybean Association, said the income caps affect many family farms, especially those including livestock operations.

"I think we need to let this Farm Bill run its course," Joslin said.

The Obama administration said its proposed farm subsidy cuts would save \$2.3 billion over 10 years. Its new budget proposal would lower the cap on direct payments from \$40,000 per person per year to \$30,000. It would also reduce income eligibility limits over three years to \$250,000 for non-farm adjusted gross income and \$500,000 for farm adjusted gross income.

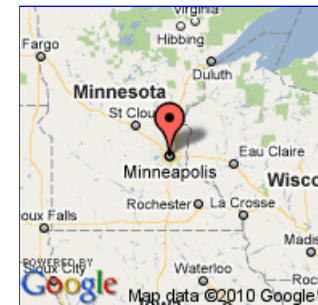
But most think the proposal is dead.

Senate Agriculture Committee Chairwoman Blanche Lincoln, D-Ark., said farmers have already based their business decisions on the existing legislation.

"Changing the rules in the middle of the game would be detrimental to their operations and would

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Map



cost us even more jobs in rural America," Lincoln said.

Still, some critics said the deficits and changing political winds could give them an opening.

Sallie James, an analyst with the libertarian Cato Institute, said it will be interesting to see whether anti-Washington sentiment, shown by the rise of the Tea Party movement, helps turn farmers against government supports.

"If subsidies were eliminated markets would adjust," the Heritage Foundation's Riedl said. "Nobody would starve and farmers would stay in business. Obviously people aren't going to stop buying food."

On the Net:

- Agriculture budget proposal:
<http://www.whitehouse.gov/omb/budget/fy2011/assets/agriculture.pdf>
- USDA information on farm and commodity policy:
<http://www.ers.usda.gov/Briefing/FarmPolicy>
- Environmental Working Group: <http://www.ewg.org>
- House Agriculture Committee: <http://www.agriculture.house.gov>
- Senate Agriculture Committee: <http://www.ag.senate.gov>

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