

# Farm Programs: What Changes Can be Expected?

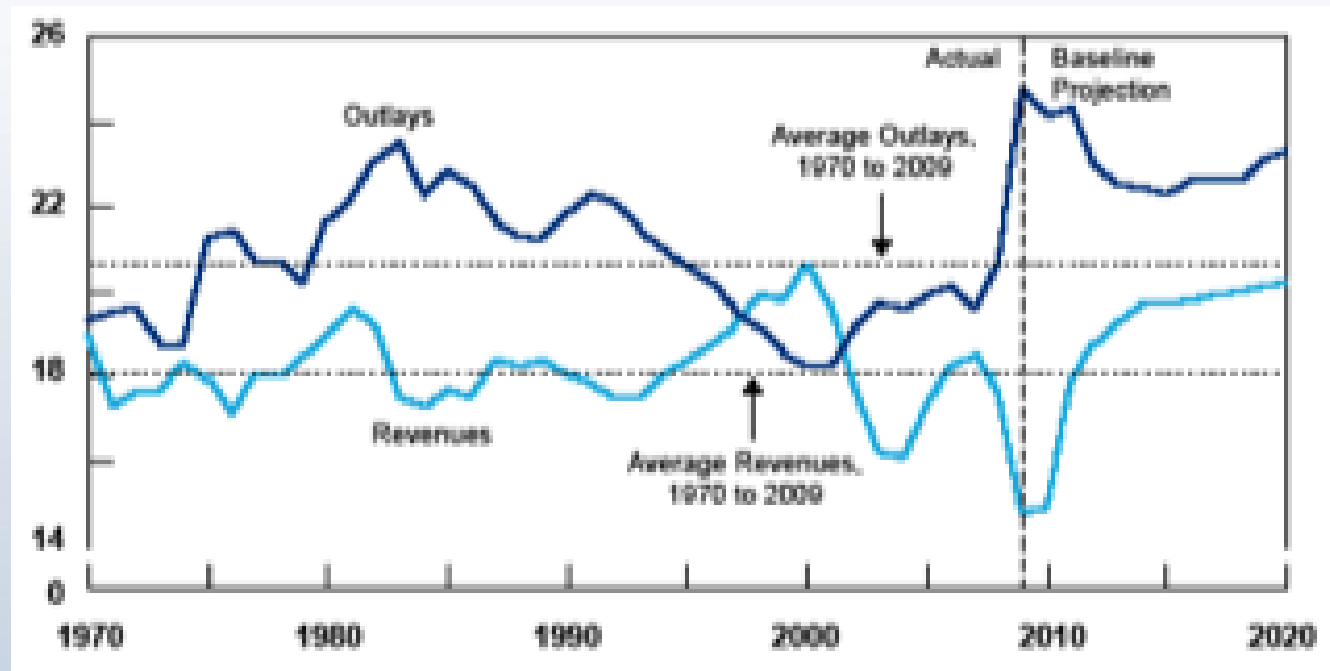
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# Outline

- ① Government budget situation
- ① Changes in House and Senate leadership
- ① Policy Options

# Government Budget



# Government Budget

- ⦿ Large structural deficit
- ⦿ Impending entitlements that are almost certainly underestimated
- ⦿ State and local budgets that are also under severe pressure

# Government Budget

- ⌚ Changes in House leadership likely to dramatically change budget outlook:
  - ⌚ Boehner floated trial balloon of rolling back spending to 2008 levels
  - ⌚ Others believe reconciliation is a real possibility next year
- ⌚ “Debt Commission” has released initial recommendations
  - ⌚ Slashing mortgage interest deduction
  - ⌚ Reductions to Social Security
  - ⌚ **Reducing direct payments to farmers by \$5B**

# Changes in Leadership

- ⦿ Republican control of Congress
  - ⦿ Frank Lucas (R-OK) Chair of House Ag Committee
  - ⦿ Mike Conway (R-TX) Chair of Ag Programs Subcommittee
- ⦿ Whole bunch of incoming freshman—real need for policy education on the hill; very little institutional memory
- ⦿ Expect a slower process...perhaps even 2013...for a new farm bill

# Changes in Leadership

- ⌚ Stabenow or Conrad in the Senate???
- ⌚ Stabenow more organic and F&V orientation, but likely to lean heavily on Chamblis' staff for recommendations and analysis (like Lincoln)
- ⌚ Conrad more of traditionalist, but Chair of Budget Committee and hard-pressed to give that up

# Policy Options

- ④ **Maintain the *status quo***—defend direct payments and marketing loan program, and maintain some type of counter-cyclical program
  - ④ Very regionalized—Midwest prefers to sacrifice direct payments; South prefers direct payments
  - ④ Expense??—Current baseline would suggest lower overall cost, but will the lower apparent cost lead to “robbing” the program for other priority areas?



# Policy Options

- ⌚ Developing a **workable revenue insurance product** and **dismantling existing programs**
  - ⌚ Favored in the Midwest; uncertain in the South
  - ⌚ Has appealing risk management properties, but can easily suffer from moral hazard issues
  - ⌚ Crop insurance already under fire for budgetary cost
- ⌚ Cotton poses a unique problem with loss of loan
  - ⌚ Cotton marketing system is intricately tied to loan program

# Conclusions

- ⌚ ???—Slate is pretty clean right now
  - ⌚ Budget will be tighter
  - ⌚ Brazil and others will be pressuring through threats of retaliation
  - ⌚ Different Congressional make-up that in the recent past