



FarmPolicy.com Interview
House Ag Committee Ranking Member Rep. Collin Peterson (D-Minn.)
Budget Deal and Implications for Agriculture

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Q [Keith Good]: On behalf of FarmPolicy.com readers, I want to thank you for taking time to discuss how agriculture is impacted by this recent budget deal.

A: [Rep. Peterson]: Okay.

Q: That budget deal is broken into two stages, and initial reports from earlier this week noted that the first round of cuts from that agreement included discretionary allocations, and that farm subsidy programs were not included. Is that your understanding of that initial phase?

A: That's correct.

Q: Okay.

A: Although there will be, you know, these discretionary cuts that are in this and that were in the CR are going to, I think, impact the department and how they operate. Yeah, they've got serious problems over there because of the cuts that they've had to take within the department to run things. Which could impact FSA offices and NRCS offices and stuff like that.

Q: Even though those come from the discretionary accounts, they could still have a significant impact?

A: Well, yeah, because... I met with the Secretary a week ago and he, at that point, was already having trouble making all this work because of the cuts that were in the CR. And now we're not sure how they're going to allocate these discretionary cuts, but clearly, you know, the department's going to get their share, and they've been cut so much already that it's going to have an impact. It's not going to impact the farm bill programs or the stuff that goes directly, you know, to the farmers, but it could impact the delivery system.

Q: Right.

A: It could impact the effort that we've got underway to modernize the computer system, all of which, in a way, affects producers.

Q: So even though there, as you noted, there may not be a farm bill impact, nonetheless that first stage is significant with respect to the issues you outlined.

A: Yeah, I think it could be. And we're not sure, but it's something that people should watch.

Q: Sure. Well, then with the second phase, it appears that everything may be on the table with this 12 member bipartisan bicameral group which will have the authority to kind of look at everything. How important is the composition of that joint committee for agriculture?

A: Well, I think it's...I'm pretty well resigned that we're not going to get anybody in the House that's going to have much of a connection to agriculture on the committee. I think that's probably a given. On the Senate I think we have a better chance. And what I'm hoping is that we can get either Senator Conrad or Senator Baucus appointed to that committee, so at least we'll have somebody at the table that has a good understanding of ag policy and implications.

There was a lot of what I consider wild talk in some of these other groups that were meeting in terms of what they thought they could do, you know, and they all got together and said, well, we can cut farm programs, that's not a problem. So that will be the first phase, but I don't expect it to be very positive in terms of, you know, who gets on there, but we'll see.

Q: I know there's a lot to be determined with that structure, but do you foresee any chance of any Senate Ag Committee staff potentially having input in that process?

A: Well, yeah. Well, I think the way it's been described, at this point – and we really have no idea what's going to happen – but Speaker Boehner has assured me and Chairman Lucas that we will have input into the final deal, and that they're going to go to the committees to craft whatever they end up telling us we have to meet in terms of budget cuts. Then we'll be able to apparently decide how those cuts are made. The question is who's going to decide how much each part of the budget gets cut. And that's not clear at all how that works.

They've got this process where first of all they're asking the committees to make recommendations about where we can cut things. Well, the Ag Committee's already cut twice, and we're not getting any credit for it. The cuts that they've been talking about, they're talking three times as much cuts in agriculture as they are in other areas, which I am not going to go along with. So how do they decide what the different functions within the budget, Function 300 and 350 and all these different functions that they have, which is how this is going to be determined, how do they decide how much to cut out of each of those, and is it going to be fair, or is it going to be the same percentage out of each function, or are they going to try to wack one area a lot more than another, and leave some areas completely off limits? That's completely unknown.

So first of all the committee's got to come up with a number, and then, as I understand it, if they do come up with a number, then they'll send that to the

committee in the House and the Senate, and then we will have to figure out how to meet that number. That's as much as I know about the process, and that may or may not be right. Nobody really knows how this is going to actually work.

Q: If you got a number from the committee and then you were, as you described, tasked with figuring out where to get those dollars, would nutrition programs and food stamps be an area that would be on the table with respect to your jurisdiction?

A: Well, it is. But the other aspect of this is that if this committee is not successful, then there's an automatic sequestration to meet the \$1.5 trillion number. Now, in that budget control act that they're using to run that sequestration, if it comes to that, there are a number of programs that are exempt from the sequestration. One of them is food stamps.

So the issue is if there was a sequestration, food stamps would be protected. If there isn't, then I believe that we...I don't think they're protected under the super committee power, but you'd get a lot of howling from people if you were going to try to cut food stamps during the process when, if the process didn't work, food stamps wouldn't be cut. So that could set up a scenario where they could never pass anything.

Q: Right.

A: So this is all uncharted – you know, who knows what's going to happen. But also—

Q: Right. Well, that's an interesting – go ahead.

A: Also CRP is exempt under sequestration.

Q: Okay.

A: And it has been for a long time. So those are the two major things in our jurisdiction that, if we get to a sequestration, will not be cut. And I've got my staff looking right now, and I can't give you these numbers yet because they haven't...I expect to get them maybe this afternoon. What I've asked my economist to do is to take all of the items in the budget that are not exempted from the sequestration, in other words that would have to be the programs that would...that you take this one and a half trillion dollars out of.

Q: Sure, yeah.

A: And divide whatever that number is into the 1.5 trillion and find out what percentage across the board cut would be needed to generate the one and a half trillion. And as I understand this process, if we got to the sequestration, the cuts would be across the board, and so everything would get treated the same that's not exempt.

Q: Wow.

A: You know, so we think, I think – I shouldn't tell, you know – from what I've been told, I think this number, and I could be wrong about this – I could be wildly wrong, but I think the number is around four or five percent, that the budgets would have to be reduced, the sequestration would have to be four or five percent of the remaining budget to come up with one and a half trillion.

Q: So that would be four or five percent of everything, excluding the nutrition—

A: Excluding the things that are – well, in other jurisdictions there's other things that are exempt, too.

Q: Okay, yeah, right.

A: So, you know, I can't tell you what it – but anyway, the point is that from what I know, a four or five percent sequestration would be in the range of \$5 to \$6 billion in our jurisdiction, which is much lower than anything that's been talked about. So from what I can know at this minute – and I could be wrong, this could be completely wrong – it looks to me like sequestration, for agriculture, is probably the best outcome.

Q: That's about half of what's the lower end of—

A: Right, what's being talked about, yeah.

Q: Well, that's very interesting.

A: Yeah. And then we get CRP and food stamps protected in the baseline, too.

Q: In addition to that.

A: Yeah. So I don't see, you know, if... Here's the other question about all this. How is this committee, made up of six Democrats and six Republicans, going to ever come to an agreement that can pass the House and pass the Senate? I just think it's very problematic. The argument is that because they put defense cuts in there, the defense cuts are going to force the committee to do this because people don't want to cut defense. Well, that could be with some people, but there's going to be a lot of people that look at this, and that they're trying to say they went back to 32 billion in agriculture. And the number on the sequestration is 6 billion, I don't think you're going to find many farm state folks that are going to want to do that in the Senate.

Q: Right, right.

A: Or I'm not going to want to do that. So how do you pass something? So if I had to bet today on whether they'll get anything done on that committee, I would think it's unlikely. But who knows? Maybe they will. But, you know.

Q: It's almost as if the hammer they were supposedly hanging over to incentivize an agreement is almost a disincentive, isn't it?

A: Well, in the case of agriculture it looks like it at this point, unless I'm wrong about these numbers. I haven't had them verified, and so we're working on that. But then the question becomes, you know, who cares about that. Well, probably in the House, not very many people. Maybe 40 people. So depending on how it all shakes out. But say they put a bill together that had big cuts in food stamps in order to meet the target, and the food stamp people look at this and say, well, if we just go to sequestration, we won't have any cuts. And so then all of a sudden you got, in the House, on the Democrat side, you got all kinds of people that have a disincentive to vote for this.

Q: Yeah, that 40 number ratchets up pretty quickly, doesn't it?

A: Right. And then the issue is, okay, so then in order to get it through the House you maybe have to have food stamp cuts in it for the Republicans. But that's a poisoned pill for the Democrats in the Senate that run the Senate. And you've got the same thing with defense. The Democrats will like cuts in defense, the Republicans won't. The Senate will be a little mixed on that. You're going to have Senate and the President pushing to raise taxes, the Republicans and some of the Democrats in the House are against that, so how do you get this done, you know? That's my question. But maybe miracles will happen and something will get done.

Q: Well, I certainly appreciate your time this afternoon. That's very illustrative information, and lots to unfold, I guess, in the next couple months.

A: Yeah. The bottom line is I talked to Lucas on Monday. We sat there and looked at each other and said, you know, we have no idea what's going to happen.

Q: Yeah.

A: We just have to be ready and try to work through the process.

Q: Well, Congressman, thanks for your willingness to give American agriculture the benefit of your views today.

A: Okay.

Q: And as always, we're very grateful for your outspoken leadership on agricultural issues, and thank you very much for your time, sir.

A: Okay, thank you, yep.

Q: Bye-bye.

A: Bye.

[End of recording.]