

Senate Ag Committee- Farm Bill Mark up

Thune Amendment, Target Prices

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Note: This is an unofficial transcript of a portion of the Senate Ag. Comm. 2013 Farm Bill Mark Up



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Sen. Thune: What this amendment would do—and this is Thune No. 5 for those of you who are following—what this does, Madame Chair, is the adverse market payment program does not exist in current law. It's an iteration of the target price and countercyclical program. It's currently in the current farm policy. And the chair's mark includes that the AMP program for all commodity crops and rice and peanuts.

AMP leaves target prices, now called reference prices, the same for all commodity crops, the same as they were in the 2008 Farm Bill, but does substantially increase rice and peanut target prices from the 2008 Farm Bill levels. Under AMP the rice reference price is \$13.30 per hundredweight and the peanut reference price is \$523.77. Also under the AMP provisions in the chairman's mark peanut bases and yields are allowed to be updated and only the rice yields are allowed to be updated. Rice bases are kept at the 2008 Farm Bill levels because rice has been under planted for the past five years.

What the amendment does, very straightforward, very simple, it just leaves rice and peanuts in the AMP program and removes the other crops. A target price countercyclical program, in my view, is a step backwards to an old, outdated policy that we removed in last year's Senate passed farm bill. Nearly all producers of crops other than rice and peanuts have taken a position that they do not support a target price countercyclical program, and so this is simply, I think, giving the producers, the growers what they want, in many cases.

And this, by the way, saves, according to the CBO \$897 million over ten years, but almost a billion dollars in savings by simply backing out, from the target price program included in the base bill, crops other than rice and peanuts. And so again, it's very straightforward. It just removes those from the AMP program and saves us almost a billion dollars over ten years.

Chair Stabenow: Is there any further discussion on the Thune amendment?

Sen. Cochran: Madame President?

Chair Stabenow: Senator Cochran.

Sen. Cochran: Madame Chairman, I'm constrained to oppose the amendment. We worked hard to reach a compromise on the commodity programs. This would be a disruptive influence in the process of commodity programs that are presented to the committee for its consideration today, so I urge a no vote on this amendment.

Chair Stabenow: Thank you very much. Senator Roberts.

Sen. Roberts: Thank you, Madame Chairperson. And thanks to Senator Thune for introducing this amendment. Time and again some of us have expressed our concerns with target prices and the WTO. This...throughout this entire farm bill we, everybody knows, are giving up a direct payment, which were considered in a green box, okay? For a new adverse market payment program, a new subsidy program that is best in an amber box and slowly growing red as I speak.

At the levels the target prices for rice and peanuts have been set above the cost of production on average world price, I'm afraid the WTO will consider the high target prices as trade distorting, and thus put us in the red box. That's a big red flag for me and my producers. Why should the two commodities dictate that all others have to have target prices when we don't want them? Just leave wheat and corn and soybeans and everybody else alone. We don't want to open up ourselves for retaliation.

Let me remind the committee that in the House bill the target price for wheat is 5.50. It used to be six bucks. In the third year of a drought, guess what my farmers are going to do? We used to have 12 million acres to wheat. That's gone down to eight to other crops. This really, I think, is going to be a situation where farmers will farm for the government.

It accommodates rice and peanuts. I know that. We have worked very hard to accommodate rice and peanuts. There is a feeling that, fine, if rice and peanuts want a target price, fine, put it in the bill. But it isn't prudent to take that same risk with other commodities when we already know the pitfalls. It would save 897 million that could be used for deficit reduction or whatever purpose the committee would find. So I would respectfully request my colleagues vote yes for this amendment.

Chair Stabenow: I would urge a no vote on the amendment. We have already accepted the manager's amendment, a change that will create a rolling average for all of the commodities outside of rice and peanuts that saves \$400 million in the mark and I believe focuses, in a more market-oriented way, on this provision. I appreciate the concerns that have been raised, but I do think we have a balance that really strikes the right set of issues and brings it together. I would urge a no vote from colleagues. Senator Boozman?

Sen. Boozman: I would just echo that. I think everybody's really worked hard to actually produce a farm bill. The House is not going to accept this. And again, I think this is the kind of stuff that's going to get us another extension versus a five-year farm bill, which is so important for all of us.

Chair Stabenow: Thank you very much. Further discussion. Senator Thune.

Sen. Thune: If I could just respond to that. I don't think this in any way derails or makes problematic passage of a farm bill. I mean, what I'm simply saying here is—and these are crops that...these are programs that would benefit my state. All I'm saying is this is the old way of doing business. We need to move to a new way of doing business. And this farm bill ought to be about reform and it ought to be about savings.

And this amendment, which doesn't do anything to affect Southern crops, it's not attacking the Southern crops, it's simply saying that those crops that in our region of the country don't want this program, we want reform, and we can save a billion dollars by doing this.

I agree that the House is going to have target prices, probably fixed target prices. I appreciate what the chair has done in trying to at least create a rolling average. I think that's an improvement. I credit the managers for including that in here. But it still maintains a system that really is something that we ought to be moving away from, and so I just had to respond to that particular comment. I yield.

Chair Stabenow: Thank you. Senator Chambliss.

Sen. Chambliss: Madame Chair, just quickly. You know, this is a balanced approach that we've taken in this bill versus the bill that was up back in December. And while I appreciate what the senator's saying, all his farmers have to do is opt—they don't have to opt in to this. They've got the choice. If they want to go onto purely crop insurance as a safety net, so be it, they can do it. They ought to be able to do it. I may have some farmers in my state that want to opt to do that.

But as we discussed last year, the crop insurance provision does not work as a safety net for rice and peanuts, and my farmers are most likely to accept the AMP program. But if farmers in some other part of the country don't want to go into that program, they don't have to. And I think that's a smart choice on the part of the chair and the ranking members as a way to approach this.

Chair Stabenow: Thank you very much. Senator Johanns.

Sen. Johanns: Thank you, Madame Chair. Let me speak in favor of the Thune amendment. I had an opportunity, as Secretary of Agriculture, to spend many, many hours with the Brazilians. They are the individuals who brought the cotton case. They made it very, very clear to me that their case was not about cotton, it was about the entire approach to farm policy that the United States had. We are exacerbating the situation with rice and peanuts and applying it to other commodities—corn, wheat and soybeans.

I couldn't agree more with Senator Roberts. Take soybeans and corn and wheat out of this. I think there's going to be a WTO challenge to this. I think if history is any guide, and it almost always is with the WTO, that challenge will be successful. We're already paying Brazil, every year, tens of millions of dollars because of the defeat of the cotton litigation that they had. I think this is just begging for additional litigation. So I speak in favor of the Thune amendment. I think it's absolutely the right approach.

Chair Stabenow: Thank you. We want to make sure—this is an important discussion—I do want to indicate we are within sight of completing the bill. I'm going to ask everyone to hang in there with us for another few minutes and we will, I believe, be at a point to have a final vote. Senator Roberts.

Sen. Roberts: I understand that we want to get a fair and balanced bill. I understand that peanuts and rice had a lot of difficulty with the previous bill that passed the Senate last year. I understand that the chairwoman and myself worked hard on that. We didn't cross the finish line. You have now, in giving rice and peanuts what they feel is a responsible way to treat them as long as they're under the budget. That is a philosophy that's been present for some time.

But then you extend that with regards to target prices—and let's just call it what it is, it's a government subsidy—for a certain target price. And then you say, well, wait a minute, we don't want to interfere with the market, we want to make it more market-oriented, and I'm going to be one of the persons who introduces the five-year rolling average.

But the thought occurs to me that the reason we have a five-year rolling average is because it'll never take place. So why on earth would we be extending a target price program that we don't want at a level that will never provide any income protection? Why? It's cover so that we can say that everybody is covered with target prices, when in fact we don't want it. It's sort of like a sore thumb amendment.

Now, I will do the five-year rolling average so we can get to be market-oriented, but I have a lot of mixed emotions about it. And let's not really kid ourselves. We know exactly where the House is going with higher target prices.

And that really gets down to the basic issue that when people, after a third year of a drought, say okay, here's a \$6 target price, or 5.50, what do you think they're going to do? Well, out of protection, they're going to go ahead and sign up. Now, I don't blame them for that. My distinguished colleague and friend from Georgia indicated they don't have to sign up. Well, with a five or six dollar [buck] you're going to, and that's what's going to happen in conference.

Now, I can't determine who's on the conference, I can't determine what that vote's going to be, but that is where we're headed. So I think that this is a thinly veiled, disguised amendment to go back. That's why I call it a rearview mirror policy of going back to target prices. We might as well go back to loan rates and the same kind

of argument that we've had before. I've said too much. Well, no, I haven't, really, but I'm going to not say any more.

Chair Stabenow: Thank you. Senator Brown.

Sen. Brown: Thank you. I'm going to oppose the amendment because I want a five-year bill. I think some of the concerns have been addressed in the management amendment, but I just want to thank Senator Thune and associate myself with many of his comments. Ohio producers, as I think they do in South Dakota, want a market-oriented safety net. And he and I have worked together on this for some time. I think we're much of the way there. I hope we can figure out how to move forward.

Chair Stabenow: Thank you very much. Any other discussion on the Thune amendment? If none, all those in favor say aye.

Group: Aye.

Chair Stabenow: Those opposed, nay.

Group: Nay.

Chair Stabenow: The nays have it.

[End of recording.]