

Program on Dairy Markets and Policy

Information Letter

The Agriculture Reform, Food, and Jobs Act of 2012 Takes One Big Step Forward

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One-third of the Way There

The Senate has just completed the process of passing a 2012 Farm Bill, or to be more precise the *Agriculture Reform, Food, and Jobs Act of 2012*¹. Despite some serious head winds and tough wrangling that left many observers doubtful that they would get it done, the Senators managed to forge ahead. The bill was passed on 21 June by a vote of 64-35. 60 votes were required to pass this bill, so it was a bit closer than it looks.

Among Democrats, 90% endorsed the final bill; 65% of Republicans opposed the final bill. Opponents of the bill tended to come from the southern states, probably, at least in part, as a protest for what they believe to be the inequitable treatment for southern crops, in particular rice and peanuts. Of all the Senators from Virginia to Texas and south, 78% voted against the bill. This is in contrast to the 91% of Senators from the agriculturally heavy Corn Belt, Dairy Belt and Wheat Belt states who voted for the bill. Negative votes also trace to ultra-fiscal-conservatives, who may oppose the bill as much for what they view as egregious assistance to farmers and more unnecessary regulation as for excessive costs of domestic food assistance. Those votes come heavily from western states; 35% of Western Senators voted against the bill. But, some negative eastern votes appear to also be protest votes against a bill that Senator Lautenberg (NJ) said in a press release: *wastes taxpayer dollars with huge, unnecessary subsidies to large agri-businesses*.² One in five northeastern Senators opposed the bill.

Along the way, there were votes on 73 amendments. Many of those votes were decided by votes of 1/4-3/4 or 1/3-2/3. It is clear that votes on amendments tended to be driven by

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¹ <http://thomas.loc.gov/cgi-bin/query/D?c112:2:./temp/~c1129D3j0k::>

² <http://lautenberg.senate.gov/newsroom/record.cfm?id=289125>

three primary motivations. First, fiscal hawks and market libertarians think this bill gives and costs too much, including too much food stamps and too much subsidies to people who don't need them. Second, votes also came from people who think the bill takes too much away. For some, it was the bill's tightening of food stamp eligibility requirements, that is projected to result in less money spent on the SNAP program. For other, the bill does not adequately provide for a couple of crops important in several Southern states. Third, there are a group of Senators who believe that the benefits of agricultural programs skew far too heavily towards people who don't need special government subsidies.

The bulk of the bill is what was crafted by the Committee on Agriculture, Nutrition and Forestry. Of the 73 amendments that were approved for debate, including a handful that had nothing to do with the subject of the bill, about 40 were accepted. Votes were tested on more dramatic changes to domestic food assistance programs and various smaller elements of the bill. In the final analysis, none of the accepted amendments challenged the basic structure of the bill. Senators did impose tougher payment limitations based on farm income and did link participation in crop insurance to conservation compliance, two measures not supported by the agriculture committee leadership.

So, What About Dairy?

The bill that was passed contains all of the dairy provisions described in [PDMP IL 12-03](#). In addition, USDA would be instructed to conduct a study of Federal Milk Marketing Orders that must include consideration of changing from the current price setting based on product price formulas and reducing the number of classes from 4 to 2. They would also be required to calculate and announce dairy product prices and stocks, covered under existing mandatory reporting law, more frequently than monthly.

What Happens Next?

The next step is the U.S. House of Representatives. The House agriculture committee has a bill ready and is prepared to vote on it and deliver the bill to the Speaker of the House for introduction to the full House. It is possible that the Committee vote will take place on 11 July, when the Committee is next scheduled to meet. The House leadership is reviewing a timetable for considering the bill when it is reported out from committee. There is some uncertainty about whether or how this will occur, but final House action in August seems the most likely.

The primary dairy provisions of the House bill are highly likely to be identical to the Senate's bill. It is quite likely that it will include something about a Federal Order study. It is not as likely that it will include the language for more frequent mandatory reporting.

Other elements of the House bill are likely to differ substantively from the Senate version. It is expected that the House bill will be less friendly to SNAP and conservation programs. In particular, it is extremely unlikely that the House will include the provision to link conservation compliance and crop insurance. The House is also much more likely to be sympathetic to the equity complaints of Southerners and include additional price protections for peanuts and rice. Senate amendments to restrict benefits to large scale farmers are also highly unlikely to be included. The House agricultural leaders believe strongly that benefits should be available to all producers proportionate to how much they grow or how large their base is (which is usually a good reflection of current size).

Beyond the legislative priorities of the agricultural committee, the Republican leadership of the House will be assessing where this bill fits into its broader legislative and political priorities. With few pieces of legislation actually making it to a vote in the waning days of this congressional session, each one is viewed as an opportunity to make a political statement and evaluated in terms of how it positions the party for the election that is only four months away.

If and when the House has passed a bill, it will go to a Conference Committee representing both the House and Senate, where differences will be ironed out. The leaders of the two agriculture committees will be the leaders of the Conference Committee, and it is widely expected that they will be able compromise on the likely differences between the two versions. Indeed those discussions have already begun informally.

The Conference report will have to go back to each chamber for their separate endorsements. It is quite likely that the compromise forged in the conference committee will lose some votes but also help gain some votes. In the final analysis, each Member will have to decide if it is possible to do something better.

Assuming all that happens, the final bill will be presented to the President for his approval. Endorsement by the President is not to be taken for granted, but President Obama will also have a very tough decision to reconcile if he vetoes a bill that was forged against the odds. He too will be weighing the political consequences of his decision, not just what is legislatively best or even doable.

Political Significance

The action in the Senate is significant primarily because it happened. Members of the agriculture committees are quick to note that their committees have historically been able to work across party lines. It is assuredly not the case that every member sees eye-to-eye on all the issues, just as it is quite clear that elected officials from a corn or wheat or cotton state support their constituents regardless of their party affiliation. There are high fives all around the Senate because they actually got something done and did so with a degree of civility that has been largely absent from the Congress these last couple of years. This is a very important and significant step, but there is still some distance to go before we actually have a new Farm Bill.