

# Capitol Hill Update

TEGMA

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## Issues to Discuss

- The current political turmoil
- Deficit reduction
- Energy bill/climate change
- Tax Policy
- Trade Policy (or lack thereof)
- 2012 Farm Bill---Already?



## One Year Ago: Obama Agenda

- Steady the economy
  - \$787 Billion Stimulus package
  - Troubled Asset Relief Program
- Afghanistan and other National Security issues
- Health care reform



## Obama's Rural Agenda

- **Strong Safety Net for Family Farmers-tighter payment limits**
- **Prevent Anticompetitive Behavior Against Family Farms**
- **Regulate CAFOs**
- **Support Small Business Development**
- **Improve Healthcare**
- **Upgrade Rural Infrastructure**



## But, first years rarely go as planned

- Little trust in stimulus, bailouts
- Unemployment remains high
  - 10% despite federal spending
- Federal Deficit hits whopping new levels
  - \$1.4 trillion in 2009
- Dems lose in VA, NJ Governor's races
- Massachusetts stunner/41<sup>st</sup> GOP vote
  - The 'Scott' heard round the world



## 2010 Elections: Back to 1993-94?

- All House seats, third of Senate up for grabs
- Democrats' current 258-177 majority in the U.S. House gives them a 41-seat cushion
- In Senate, Republicans defending 18 seats and the Democrats defending 18
- The party holding the White House typically loses seats in midterm elections
- A lot can change by next fall



## Will Obama move to the center?

- Too early to tell, but troubling signs
- Rep. Marion Berry on his discussions with the White House about their agenda:
  - “They just kept telling us how good it was going to be. **The president himself, when that was brought up in one group, said, ‘Well, the big difference here and in ‘94 was you’ve got me.’** We’re going to see how much difference that makes now.”
- Difficult to pass major legislation in years divisible by 2
- More focus on regulation, than legislation



## Deficit reduction

- Deficit hits an all-time high of \$1.42 trillion
- CBO projects a \$1.3 trillion deficit in 2010, or 9.2% of the nation's GDP.
- ‘In sum, the outlook for the federal budget is bleak,” says Elmendorf.
- Obama will focus on deficit reduction, freeze on discretionary spending, saving \$250 B over 10Y
- Drop in the bucket compared to what's needed.



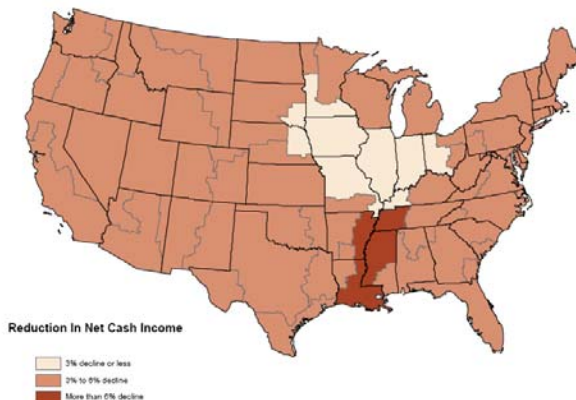


## Energy bill/Climate Change

- Waxman/Markey H.R. 2454---more impact on farmers and agribusiness than previous farm bills
- USDA analysis: More land to forests, less for feed & exports
- Possible to see comprehensive energy bill, focused on job creation instead

# Reductions in Net Cash Income

Figure 4-Reduction in farm business net cash income by resource region, EIA-based results, 2014, with EITE rebates



## Estimated energy impacts by crop

Crop	Short term (with rebate)	Medium term (without rebate)	Long term (without rebate)
CORN	\$1.19	\$12.02	\$25.19
SORGHUM	\$ 1.26	\$5.45	\$11.30
SOYBEANS	\$0.45	\$2.50	\$5.19
OATS	\$0.57	\$4.12	\$8.66
WHEAT	\$0.66	\$4.94	\$10.34
BARLEY	\$0.70	\$5.00	\$10.44
UPLAND COTTON	\$1.46	\$7.90	\$16.44
<b>RICE</b>	<b>\$3.09</b>	<b>\$13.48</b>	<b>\$28.08</b>
		% change from baseline \$ @ 2005	Estimated impact per acre on variable costs

## Estimated impact on exports

Forest and Agriculture Sector Optimization Model

*Exports (millions), Change from FASOM Baseline*

	2030	2040	2050
Corn (bu)	-519	-639	-980
Soybeans (bu)	-248	-354	-428
Wheat (bu)	-1	-46	-88
Cotton (bales)	-0.3	-0.9	-2.2
Rice (cwt)	-84	-124	-156

## Tax issues

- Estate tax ended in 2009, comes back with a vengeance in 2011 (\$1M exempt & 55%)
- Biodiesel \$1/Gal. tax incentive: Promises to address in 2010
- Payroll tax holiday?
  - any private-sector employer that hires an unemployed worker will not have to pay its 6.2% Social Security payroll tax on that employee for 2010



## Trade Agenda???

- Unions do not want a repeat of Clinton years
  - “In 1992, workers voted for Democrats who promised action on jobs, who talked about reining in corporate greed and who promised health-care reform. Instead, we got NAFTA, an emboldened Wall Street -- and not much more.” AFL-CIO President Richard Trumka on Jan. 11.
- Thus far, Obama Administration has not embraced trade as a job creator
- DOHA Round going nowhere
- Slim chance of FTA's: Panama, South Korea, Colombia



## SOTU: New Trade Pledge

- Third, we need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America. To help meet this goal, we're launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security.
- We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores. But realizing those benefits also means enforcing those agreements so our trading partners play by the rules. And that's why we'll continue to shape a Doha trade agreement that opens global markets, and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia.

## 2012 Farm Bill

- If you think 2008 Farm Bill was tough....
- Chairman Peterson wants to start discussion in 2010. Plans to consider more whole farm revenue approaches to risk management
- Chairman Lincoln wants 2008 to be fully implemented, give farmers some certainty, and fewer issues with her re-election struggles.



In politics, a lot can happen in nine months.



Thank you!

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