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Farm Subsidies Seem Immune To an Overhaul

By DAVID M. HERSZENHORN

For the many critics of farm subsidies, including President Bush and Speaker Nancy Pelosi, this seemed like the ideal year for Congress to tackle the federal payments long criticized as enriching big farm interests, violating trade agreements and neglecting small family farms.

Many crop prices are at or near record highs. Concern over the country's dependence on foreign oil has sent demand for corn-based ethanol soaring. European wheat fields have been battered by too much rain. And market analysts are projecting continued boom years for American farmers into the foreseeable future.

But as the latest farm bill heads to the House floor on Thursday, farm-state lawmakers seem likely to prevail in keeping the old subsidies largely in place, drawing a veto threat on Wednesday from the White House.

"The bill put forth by the committee misses a major opportunity," Agriculture Secretary Mike Johanns said Wednesday. "The time really is right for reform in farm policy."

Faced with fierce opposition from the House Agriculture Committee, Ms. Pelosi and other Democratic leaders lowered their sights and are now backing the committee's bill, in part to protect freshman lawmakers from rural areas who may be vulnerable in the 2008 elections.

Instead, Ms. Pelosi helped to secure more modest changes, pushing the committee to provide \$1.8 billion for programs that aid fruit and vegetable growers, generating support from lawmakers in states like Florida and California, Ms. Pelosi's home, and deflating some traditional opposition to the farm bill.

At the same time, she pronounced the bill a "good first step to reform" by ending subsidies for the richest farmers -- those earning more than \$1 million a year -- and closing a loophole that let some farmers exceed subsidy limits by owning partnerships in multiple farms.

The bill also requires country-of-origin labeling for meat, a requirement favored by consumer advocates and small ranchers.

"This bill represents reform," said Representative Collin C. Peterson, Democrat of Minnesota and chairman of the Agriculture Committee. "We have made changes that nobody thought that we could ever do."

A group of dissident lawmakers led by Representatives Ron Kind, Democrat of Wisconsin, and Jeff Flake, Republican of Arizona, is still pushing a plan to curtail the subsidies sharply.

But they have been largely outmuscled by the Agriculture Committee. It 46 members are slightly more than 10 percent of the House but their districts received more than 40 percent of all farm subsidies from 2003 to 2005, according to a database compiled by the Environmental Working Group, which opposes the subsidies.

Critics in Congress include fiscal conservatives who deride the payments as wasteful government spending and liberals who call them corporate welfare for agribusiness. All say the measure will simply perpetuate the overly generous subsidy

system, at a point when American farmers are well-positioned to weather changes.

"When farm prosperity is as good as it is right now, this is the time to reform," said Representative Paul D. Ryan, Republican of Wisconsin and a member of the dissident group. "If we can't reform these farm programs at this moment in our history, we will never be able to do it."

The group has proposed an amendment to the farm bill that would cut subsidies and increase spending on environmental conservation, rural development and nutrition programs, including food banks. It would end subsidies to farmers earning more than \$250,000 a year, similar to the \$200,000 cap proposed by the Bush administration. It would also substantially limit payments that farmers receive under guaranteed loan programs.

The effort by Mr. Kind has exposed divisions among House Democrats, some of whom argue that he could cost the party its new majority. The fear is that freshmen Democrats from rural swing districts could lose their seats if voters blamed them for lower farm subsidies. Mr. Kind rejected such assertions. "The vast majority of our new members benefit from our proposal," he said.

The White House, in a statement Wednesday, said that Mr. Bush would veto the farm bill in its current form because it was too expensive and would require raising taxes while fixing the subsidies.

"I find it unacceptable to raise taxes to pay for a farm bill that contains virtually no reform," Mr. Johanns, the agriculture secretary, said in a conference call with reporters.

While the administration and Congressional critics of the bill are pushing for some of the same changes, the White House would extend and even increase so-called direct payments to farmers of corn, soybeans, cotton and other major crops that the dissidents in Congress hope to largely eliminate.

These payments, totaling more than \$5 billion a year, are made even when farmers are earning sizable profits. Critics say they should be replaced with crop insurance and other revenue protections that pay only if farmers actually lose money.

The White House, however, favors these direct payments in part because they are based on past crop production, not on current crops or prices, meaning they have no impact on market conditions and do not violate world trade agreements.

The strategic maneuvering by the administration, and some unusual alliances on Capitol Hill, reflect the curious politics of farm policies, cutting across party lines and mirroring regional interests more than partisan loyalties.

The keen interest in the bill, even among urban lawmakers from districts without a corn or barley field, underscores the vast scope of the farm bill, which includes not just agriculture policies but nutrition programs like food stamps, and an array of energy, land conservation and other programs.

For instance, Democrats proposed a tax increase to pay for the part of the farm bill that would increase antihunger efforts by \$4 billion.

The proposal would generate about \$7 billion over five years by imposing taxes on some foreign corporations operating in the United States that do not pay taxes on certain rents, royalties and interest payments as a result of international treaties. Democrats said they were simply closing a loophole.

Republicans on the Agriculture Committee, who had been questioning where the money would come from, immediately began to revolt, saying they would vote against the bill.

Other Republicans, who had no intention of supporting the farm bill, seized the chance to excoriate the Democrats on the tax increase. They included the minority leader, Representative John A. Boehner of Ohio.

"When you throw in the tax increase, he'd probably vote against it twice if he could," said a Boehner spokesman, Brian Kennedy.