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Executive Summary

No. 1284 May 21, 1999

CRAFTING A RESPONSIBLE BUDGET: THE AGRICULTURE APPROPRIATION

PETER SPERRY

The agriculture appropriations subcommittee of the House Appropriations Committee has recommended spending $13.945 billion on agriculture programs in fiscal year (FY) 2000—1.9 percent more than the FY 1999 level but 3.6 percent less than the President's request of $14.475 billion. Significantly, although outlay projections are not yet available, the budget authority figure is $231 million *below* the level needed to maintain the spending caps that Congress agreed to in the Balanced Budget Act of 1997.

Thus, the subcommittee is attempting to keep the U.S. Department of Agriculture (USDA) on track to help maintain its budget targets and assure that money remains for Social Security reform and tax cuts. By contrast, President Bill Clinton's budget cap-shattering allocations would make Social Security reform and tax cuts much more difficult to achieve.

The subcommittee's display of fiscal discipline, however, masks the fact that many USDA programs have outlived their usefulness and are mere monuments to the apparent immortality of federal programs and the federal government's inability to cut spending. The General Accounting Office recently noted, for example, that the USDA Farm Service Agency "maintains a field office structure that dates back to the 1930s when transportation and communication systems limited the geographic boundaries covered by a single field office and there were a greater number of small, widely disbursed, family-owned farms."

Congress has an opportunity, in considering the agriculture appropriations bill, to change that track record and make serious reductions in spending by trimming or eliminating outdated and wasteful programs or devolving programs to the states.

The Natural Resource Conservation Service, for example, includes programs originally authorized in 1935. The agency, which has been reorganized three times since 1994, claims that it provides technical consulting to 715,000 private, state, and local decisionmakers. Adding $13 million to its funding, as the subcommittee proposes, would provide only an

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additional $20 worth of consulting service—about 30 minutes of some federal "expert's" time—to each decisionmaker. These functions can be handled better at the discretion of the states. Eliminating or reducing such ineffective spending would make it more likely that Congress will deliver on its pledge to cut taxes and strengthen Social Security.

Congress cannot allocate 100 percent of the off-budget surplus to save Social Security *and* support military operations in the Balkans without holding the line on domestic discretionary spending. It should build in a cushion against unforeseen emergencies and priorities by seeking additional savings. Fortunately, more than $3 billion in FY 2000 outlays for domestic discretionary spending can be saved in USDA programs if Congress takes steps to (1) eliminate the unnecessary; (2) consolidate the redundant; (3) privatize and make use of market forces; and (4) devolve services to states and local communities.

The current strong economy offers Congress the best opportunity since the Great Depression to return many federal agriculture programs to the states. Revenues are flowing into state treasuries at record rates, enabling them to address local problems with local funding. The ten most rural states, for example, have increased total per capita spending by an average of 27.85 percent since 1990. Congress should take advantage of this opportunity to cut the federal government's fiscal apron strings and let the states stand on their own.

The Congressional Budget Office estimates that discretionary outlays funded by the agriculture appropriations bill will total just over $14.5 billion and that total discretionary outlays for agriculture will be just over $4 billion. Like the USDA, the appropriations bill has become a grab bag of programs that can be eliminated, consolidated, privatized, or devolved. Congress can save $3 billion in agriculture outlays in FY 2000 alone by taking these actions. At the very least, it can maintain its commitment to fiscal responsibility and to protecting the surplus for Social Security by freezing agriculture spending at FY 1999 levels.

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The agriculture appropriations subcommittee of the House Appropriations Committee has recommended spending $13.945 billion on agriculture programs in fiscal year (FY) 2000. This represents a 1.9 percent increase over the FY 1999 level of $13.692 billion and is 3.6 percent below the President's funding request of $14.475 billion. Significantly, although outlay estimates are not yet available, the budget authority figure is $231 million less than the level needed to maintain the spending caps in the Balanced Budget Act of 1997 ($14.176 billion).

Thus, the subcommittee appears to be keeping the U.S. Department of Agriculture (USDA) on track to maintain its budget targets and to assure that surplus money remains for Social Security reform and tax cuts. By contrast, President Clinton's budget cap-shattering allocations would make tax cuts and Social Security reform much more difficult to achieve.

The subcommittee's display of fiscal discipline, however, masks the fact that many USDA programs have outlived their usefulness and are mere monuments to the apparent immortality of federal programs and the federal government's inability to cut spending. The 106th Congress has an opportunity, in considering the agriculture appropriations bill, to alter that track record by making serious reductions in agriculture spending and trimming or eliminating outdated and wasteful programs. Such actions would make it more likely that Congress will deliver on its pledge to cut taxes and strengthen Social Security.

In addition to holding the line on spending, Congress should reassert its commitment to the principle of federalism by enabling states to take more responsibility for their agriculture and rural development needs. The current strong economy provides the best opportunity since the Great Depression to return federal agriculture programs to the states. Revenues are flowing into state treasuries at record rates, enabling them to address local problems with local funding. The ten most rural states, for example, have increased total state spending by an average of 27.85 percent since

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1990. Arkansas and West Virginia, traditionally two of the neediest rural states, increased their per capita spending by 38.2 percent and 36.3 percent, respectively, over the same period.[1]

The time has come for Congress to cut the federal government's fiscal apron strings and let states stand on their own. At a minimum, Congress should restrict spending to the FY 1999 funding level of $13.692 billion in order to reach its overall budget target.

After pledging to maintain the spending caps and devote 100 percent of the off-budget surplus to saving Social Security, Congress is now faced with the need to fund a rapidly escalating military deployment in Kosovo, a problem exacerbated by chronic underfunding of the U.S. military in the past. Congress cannot allocate 100 percent of the off-budget surplus to saving Social Security *and* support military operations in the Balkans without standing firm on domestic discretionary spending.

Congress can and must hold the line with the agriculture appropriations bill and other appropriations measures. It also should build in a cushion against unforeseen emergencies and priorities by seeking additional savings. Fortunately, more than $3 billion in FY 2000 outlays for domestic discretionary spending can be saved in USDA programs if Congress takes steps to (1) eliminate the unnecessary; (2) consolidate the redundant; (3) privatize and make use of market forces; and (4) devolve services to states and local communities.

RECOMMENDED SPENDING REDUCTIONS IN FY 2000

Although the Department of Agriculture maintains that the average income of U.S. farmers is only $5,000,[2] closer examination reveals that the average net income from farms with annual sales of $100,000 to $250,000 is more than $60,000.[3] The average net farm income from farms with annual sales over $250,000 is more than $300,000.[4]

Moreover, although the average net farm income of farmers with less than $20,000 in sales usually is close to zero, few of these farmers receive the majority of their income from farming. Their average off-farm income exceeds $35,000.[5] It is the farmers whose gross farm sales fall between $20,000 and $100,000 that are the most ill-served by outdated agriculture programs that encourage them to enter or stay in business when they are undercapitalized, unable to hire laborers, or simply not in a position to compete with large corporate agribusinesses.

Table 1 lists egregious examples of outdated programs that are funded in the agriculture appropriations bill. Although all discretionary and most mandatory line items in the federal budget were examined to prepare this list, the final selection was limited to programs that, if eliminated, would yield the most savings or that should be devolved to the states.

1. Dean Stansel and Stephen Moore, "The State Spending Spree of the 1990s," Cato Institute *Policy Analysis* No. 343, May 13, 1999.
2. John Frydenlund, *Freeing America's Farmers: The Heritage Plan for Rural Prosperity* (Washington, D.C.: Heritage Foundation, 1995), p. 10.
3. *Ibid.*
4. *Ibid.*
5. *Ibid.*

Table 1 B1284

How to Reduce Agriculture Spending by $3 Billion in FY 2000

Millions of Dollars

	FY 99 Budget Authority	FY 99 Outlays	FY 2000 Budget Authority Requested by the President[1]	FY 2000 Outlay, CBO Projection	FY 2000 Budget Authority, Heritage Suggestion[2]	Savings in FY 2000 Outlay, CBO Suggestion[3]
Rural Services						
Rural Development	$723	$737				
Rural Utilities	$126	$152				
Rural Housing	$1,269	$1,260				
Rural Business	$72	$65				
Total	$2,190	$2,214	$2,215	$2,108	$1,600	$508
Natural Resource Conservation Service	$641	$667	$816	$971	$0	$585
Agricultural Research Service	$814	$773	$837			
Cooperative State Research Education and Extension Service	$925	$923	$950			
Economic Research Service	$63	$54	$56			
Total	$1,802	$1,750	$1,843	$1,248	$460	$936
Farm Service Agency (Salaries and Expenses Account)	$714	$714	$795	$735	$543	$192
Farm Ownership Loans	$20	$23	$20			
Outreach for Socially Disadvantaged Farmers	$3	$3	$10			
Total	$23	$26	$30	$23	$0	$19
Agricultural Marketing Service	$50	$43	$73			
Foreign Agriculture Service	$1,193	$1,134	$1,056			
National Agricultural Statistics Services	$104	$100	$101			
Total	$1,347	$1,277	$1,230	$1,142	$0	$777
Grand Total	$6,717	$6,648	$6,929	$6,270	$2,603	$3,017

Note:
1 Budget authority figures are derived from Office of Management and Budget figures.
2 Outlay figures are derived from Congressional Budget Office figures.
3 Savings figures assume that potential outlay savings in FY 2000 resulting from changes in budget authority must be adjusted downward to recognize outlays based on prior budget authority. Consequently, outlay savings in FY 2000 will usually be smaller than budget authority reductions.

Sources: Congressional Budget Office computer report prepared for the author entitled "CBO April 1999 Baseline Estimates," April 29, 1999; White House Office of Management and Budget, *Appendix to the Budget of the United States Government, Fiscal Year 2000.*

RURAL SERVICES

FY 2000 Outlay[6] Savings: $508 million.

Program Description: The USDA administers over 50 programs to provide housing, utility, and community development services to rural communities. These include the Rural Community Advancement program, Rural Housing Service programs, Rural Business-Cooperative Service programs, and Rural Utilities Service programs.

Program Recommendation: Agriculture's rural services programs should be devolved to the states using a formula grant program: Funding should equal current federal spending less the cost of federal administration, or $1.6 billion ($2.108 billion minus $508 million). In addition to the programs listed above, this should include programs on Rural Empowerment Zones, Rural Economic Development Grants, and Public Enterprise Funds. The loan accounts administered by these programs should be sold to the private sector to achieve improved loan servicing.

Rationale: Rural development is a state function that should not be distorted by federal intervention. The USDA's programs for rural communities use federal funds, as both a carrot and a stick, to insert federal bureaucrats into fundamentally local decisions. The primary function of these programs is to administer grants, loans, and trust fund accounts. Many of these programs are dinosaurs from the New Deal era. A prime example is the Rural Utilities Service. As noted recently by the Congressional Budget Office (CBO):

> The loan program for rural electrification and telephone service has largely fulfilled its original goal of making those services available in rural communities…. [E]liminating the remaining federal subsidy would have little effect on the utility rates that most borrowers charge their customers.[7]

President Clinton, recognizing the declining need for this program, proposed cutting funding for Rural Electric and Telephone loans by $141.5 million, but that amount was restored by the agriculture appropriations subcommittee. If Congress is unwilling to eliminate this program, it should at least accept the President's proposed spending level. The funding restored by the subcommittee will do little to assist rural Americans, but it will force Congress either to look for offsets elsewhere or to dip into the Social Security Trust Fund. If all the funding is directed to the neediest 15 percent of the rural population (approximately 9.8 million people), the funding restored by the subcommittee will provide an additional $14.38 per beneficiary in FY 2000, which amounts to only about $1.20 per month on the average utility bill.

The CBO also identified the potential savings in the Rural Rental Housing Assistance program, noting that "Eliminating all new commitments for assistance under the Section 515 program would reduce federal outlays by about $450 million over the 2000-2009 period."[8] The President proposed trimming this program by $143.4 million as well, but the subcommittee restored this funding amount. Ideally, Congress should eliminate this outdated program. At the very least, it should restrict spending to the level proposed by the Administration. If this program were tightly structured to make maximum use of the funds by subsidizing only the neediest 5 percent of the rural population (just over 3 million people), the funds restored by the Subcommittee would reduce the rent each paid by $47.80 per year, or $3.98 per month.

Devolving these programs to the states, where they could be evaluated and funded based on local priorities, should be a priority for Congress. The primary reason for devolving these programs can

6. Outlay figures derived from a Congressional Budget Office computer report prepared for the author entitled "CBO April 1999 Baseline Estimates," April 29, 1999.

7. Congressional Budget Office, *Maintaining Budgetary Discipline*, April 1999, p. 58.

8. *Ibid.*, p. 97.

be found in the CBO's comments regarding the Rural Community Advancement Program (RCAP):

> The main argument for replacing RCAP with a system of SRLFs [state revolving loan funds] is that the federal government should not bear continuing responsibility for local development; rather, programs that benefit localities, whether urban or rural, should be funded at the state or local level.[9]

State governments are more than capable of assisting and developing rural areas or preserving them in their natural state. It is time to respect their right to do so. Until these programs can be devolved, Congress should at least restrict their funding to current levels. Rural America is not so desperate that it needs Washington's spare change at the cost of fiscal integrity.

NATURAL RESOURCE CONSERVATION SERVICE

FY 2000 Outlay Savings: $712 million.

Program Description: The Natural Resource Conservation Service (NRCS) is an obsolete agency that is trying to reinvent itself through a series of reorganizations. According to the Department of Agriculture Reorganization Act of 1994, the NRCS's new mission is to provide national leadership in a partnership to help people conserve, improve, and sustain America's natural resources and environment.[10] The subcommittee has proposed increasing the budget authority for this account by $13 million.

Program Recommendation: The NRCS should be terminated. Its functions can be handled at the discretion of the states. At the very least, Congress should restrict budget authority to the FY 1999 level of $641 million.

Rationale: Although the NRCS purports to be a newly restructured agency, the programs under its jurisdiction were authorized in 1935, and its funding is based on legislation enacted in 1935 (16 U.S.C. 590a-f) and 1954 (16 U.S.C. 1001-1009).[11]

Established in 1994 pursuant to the Department of Agriculture Reorganization Act, the agency's responsibilities were reorganized again in 1995 by Congress and in 1998 by the Secretary of Agriculture. Each time, the purpose was to eliminate duplication of effort between the NRCS and other land and/or water programs. Three reorganizations in less than five years indicates that the agency's primary objective is to justify its continued existence. Although more than two-thirds of NRCS's current budget is directed to its Conservation Operations account[12] to provide technical advice to local governments, most states maintain their own farm bureaus, which should be free to contract with private-sector consultants, employ their own experts, or identify other means to secure these technical services.

As a result of these repeated reorganizations, the Natural Resource Conservation Service's responsibilities have been reduced dramatically. Nevertheless, according to the U.S. General Accounting Office (GAO), the NRCS, the Farm Service Agency, and agencies in the Rural Development Mission

> have each maintained their own state office in almost every state. These state offices employ 4,782 USDA employees, some of whom provide administrative services. Given that these agencies are consolidating their county-based offices into one-stop services centers, it is unclear why they need to maintain separate offices at the state level.[13]

9. *Ibid.*, p. 114.

10. P.L. 103-354.

11. Office of Management and Budget, *Appendix to the Budget of the United States Government, Fiscal Year 2000* (Washington, D.C.: U.S. Government Printing Office, 1999), pp. 113, 115.

12. *Ibid.*, p. 114.

Although the GAO is correct in noting that these agencies could achieve substantial cost savings by consolidation, Congress could achieve even greater reductions of administrative overhead while respecting the jurisdictional authority of state and local governments by abolishing the NRCS altogether.

In 1997, Heritage Foundation analysts recommended the elimination of this program.[14] Had Congress acted at that time, the taxpayers would have been saved $656 million in FY 1998, $960 million in FY 1999, and an estimated $259 million in FY 2000.[15] Failure to act in 1997 already has cost the taxpayers $1.8 billion. Rather than trying habitually to reinvent this obsolete program, it is time to end it.

If Congress is unwilling to eliminate the NRCS, it should at least restrict its budget authority to the FY 1999 funding level of $641 million. The agency claims to provide technical consulting to 715,000 private, state, and local decisionmakers. Adding $13 million to their funding, as the subcommittee proposes, would provide only an additional $20 worth of consulting service—about 30 minutes of some federal "expert's" time—to each of these decisionmakers. Most state and local decisionmakers probably would value less interference and greater federal fiscal discipline more than they value this limited service.

AGRICULTURAL RESEARCH SERVICE, COOPERATIVE STATE RESEARCH AND EXTENSION SERVICE, AND ECONOMIC RESEARCH SERVICE

FY 2000 Outlay Savings: $936 million.

Program Descriptions: The Agricultural Research Service (ARS) is the USDA's principal in-house research agency. Its mission is to assist the agriculture industry with knowledge that will improve competitiveness, ensure an adequate food supply, promote a healthy and well-nourished population, enhance the quality of the environment, and empower people and communities through research-based information.

The mission of the Cooperative State Research Education and Extension Service (CSREES) is to achieve significant improvements in domestic and global economic, environmental, and social conditions by advancing creative and integrated research, education, and extension programs in food agriculture and related sciences.

The mission of the Economic Research Service is to provide economic analysis on efficacy and equity issues related to agriculture, food, natural resources, and rural development.[16]

Program Recommendations: Congress should combine the funding for these three agencies into a single line item in order to create one informa-

13. U.S. General Accounting Office, *Budgetary Implications of Selected GAO Work for Fiscal Year 2000*, GAO-OCG-99-26, April 16, 1999, p. 121.

14. Scott A. Hodge, ed., *Balancing America's Budget: Ending the Era of Big Government* (Washington, D.C.: The Heritage Foundation, 1997), pp. 173-175.

15. "CBO April 1999 Baseline Estimates," p. 15.

16. U.S. Department of Agriculture, *2000 Annual Performance Plan and Revised Plan for 1999*, January 1999, p. 2-1.

tion agency; cut funding for the unified program by 75 percent; privatize the research activities; and limit the new agency to the dissemination of information. The collective budget authority requested by the Administration for these programs was $1,843 million.[17] Congress needs to approve only $460 million to finance a combined new agriculture research information agency adequately.

Rationale: These three programs are redundant and prime examples of corporate welfare for the agriculture industry. In 1996, Congress passed the Federal Agriculture Improvement and Reform Act (Freedom to Farm Act) to wean farmers from federal subsidies and remove mountains of red tape choking the agriculture industry. Rather than requiring them to meet the demands of USDA bureaucrats, Congress gave them the freedom and the incentive to grow crops to meet consumer demands. But the Freedom to Farm Act failed to address huge direct and indirect subsidies for agriculture research and development.

When President Abraham Lincoln created the USDA in 1862, most Americans were engaged in small-scale farming or agriculture-related industries. It is understandable that its original mission was to engage in research and to instruct farmers in emerging agricultural technologies.

Today, however, few Americans are engaged in farming, and the small farmer has been replaced for the most part by large agribusiness. About 84 percent of all farms today are small family farms of fewer than 500 acres, but they account for less than 24 percent of the total acreage harvested. Large industrial farms of more than 500 acres harvest over 76 percent of America's cropland.[18]

These large businesses are prosperous enough to finance their own research and development without taxpayer assistance. As the CBO has noted:

> Federal funding for agricultural research may, in some cases, replace private funding. If federal funding was eliminated in those instances, the private sector would finance more of its own research.[19]

The GAO likewise has concluded that:

> Should the Congress wish to reduce non basic federal agricultural research, research that is not high-priority, and/or projects that are not peer reviewed, we believe the ARS budget and the CSREES budget could sustain a commensurate reduction.[20]

The extent to which government research is replacing private efforts is underscored by a Citizens Against Government Waste study identifying over 200 agricultural research programs as little more than parochial pork or corporate welfare.[21] Some of the more obvious examples of such corporate welfare spending by these agencies in FY 1999 include:[22]

- $5.136 million for wood utilization research to generate new knowledge that will benefit the forest industry;
- $6.150 million for the Western Human Nutrition Center for unidentified purposes;
- $3.354 million for shrimp aquaculture;
- $750,000 for grasshopper research; and
- $220,000 for lowbush blueberry research.

17. *Budget Appendix*, pp. 69, 71, 74, 76.

18. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1998* (Washington, D.C.: U.S. Government Printing Office, 1998), p. 669, Table 1100. Cited hereafter as *Statistical Abstract*.

19. CBO, *Maintaining Budgetary Discipline*, p. 82.

20. GAO, *Budgetary Implications*, p. 128.

21. Citizens Against Government Waste, "1999 Congressional Pig Book Summary," February 1999, pp. 3-7.

22. *Ibid.*

The forest, grocery, and fishing industries are more than capable of conducting this research on their own. It is time for Congress to end these corporate welfare programs. If Congress does nothing else, it should at least restrict the spending for these programs to FY 1999 levels. The additional funding ($61 million) approved by the subcommittee will do little good. If it were divided evenly among the 3,150 counties served by ARS and CSREES, each county would receive about $19,500—barely enough to hire a few interns. It would be difficult to allocate the $61 million to anything but special-interest pork.

FARM SERVICE AGENCY

FY 2000 Outlay Savings: $192 million.

Program Description: The Farm Service Agency (FSA) administers a variety of activities such as farm income-support programs through various loans and payments, price support, and production control programs for tobacco and peanuts; it also provides administrative support services to the Foreign Agricultural Service and the Risk Management Agency.[23]

Program Recommendation: The FSA's Salaries and Expenses account should be cut by 70 percent by FY 2003. The Administration requested $795 million for this account in FY 2000.[24] Congress should approve no more than $543 million.

Rationale: The FSA's primary function appears to be to provide employment for office managers and clerks. The programs administered by the FSA are slated for elimination by 2003 as part of the implementation of the 1996 Freedom to Farm legislation. Despite the obvious intention of Congress to end this program, the FSA continues to expand and operates a large network of widely disbursed but underutilized local offices. As noted recently by the GAO:

> [The] USDA maintains a field office structure that dates back to the 1930s when transportation and communication systems limited the geographic boundaries covered by a single field office and there were a greater number of small, widely disbursed, family-owned farms.[25]

In addition, according to the GAO:

> [A]bout 2 staff years of effort per office are needed to carry out the basic administrative duties to keep the office open.… In total, these fixed administrative activities may represent almost 40 percent of FSA county offices' total workload.[26]

In 1997, Heritage Foundation analysts recommended cutting this account over five years to reflect the phase-out of its programs in 2003.[27] Had Congress followed that suggestion, funding for this line item would stand at $543 million, the maximum amount Congress should appropriate at this time.

FARM OWNERSHIP LOANS AND OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS

FY 2000 Outlay Savings: $19 million.[28]

Program Description: Farmers and ranchers who are temporarily unable to obtain sufficient credit elsewhere may obtain credit assistance through the Agricultural Credit Insurance Fund's Farm Ownership Loan program to finance their needs at reasonable rates and terms. Some are new

23. *Budget Appendix*, p. 96.

24. *Ibid.*

25. GAO, *Budgetary Implications*, p. 123.

26. *Ibid.*

27. Hodge, *Balancing America's Budget*, p. 165.

or minority farmers who have suffered financial setbacks from natural disasters or who have limited resources with which to establish and maintain profitable farming operations.[29]

Outreach for Socially Disadvantaged Farmers and Ranchers provides outreach and technical assistance to encourage and assist socially disadvantaged individuals to own and operate farms and ranches.[30]

Program Recommendation: The Farm Ownership Loan program, including both direct loans and loan guarantees, and the Outreach for Socially Disadvantaged Farmers and Ranchers program should be terminated. Neither of these programs should be funded in FY 2000.

Rationale: These programs subsidize failure and encourage risky business ventures. As Heritage Foundation analysts noted in 1997:

> Since the 1930s, the single overriding public policy issue in agriculture has been overproduction; each year, therefore, the government spends billions of dollars to purchase surplus crops or to encourage farmers to grow less. Despite the obvious implication that there are too many farmers, the U.S. government operates and actively subsidizes a costly program that encourages individuals of limited resources and experience to become farmers.[31]

Outreach for Socially Disadvantaged Farmers and Ranchers, although the smaller of the two programs, is particularly egregious in that it specifically encourages already disadvantaged individuals to enter a highly competitive market in which, because the market is dominated by large agribusiness, their chances of success are questionable. One such "disadvantaged" beneficiary was Ralph Clark, the illiterate grade-school dropout who led the Freemen in their Montana standoff with the Federal Bureau of Investigation. Since 1985, Clark had received almost $2 million in federal farm loans and $650,000 in farm subsidy payments, including annual payments of $50,000, *not* to grow crops on land he also had acquired with federal loans.[32]

AGRICULTURAL MARKETING SERVICE, FOREIGN AGRICULTURAL SERVICE, AND NATIONAL AGRICULTURAL STATISTICS SERVICE

FY 2000 Outlay Savings: $777 million.

Program Description: The Agricultural Marketing Service assists producers and handlers of agricultural commodities by providing a variety of marketing services, such as a market news service, wholesale market development, market protection and promotion services, and transportation advocacy programs.

The Foreign Agricultural Service provides similar marketing support for U.S. agriculture companies in foreign countries and administers the Agricultural Trade and Development Assistance Act of 1954 (P.L. 480).

The National Agricultural Statistics Service provides data on crop yields, acreage, production, and other related statistics.

Program Recommendation: Savings can be achieved by terminating these programs.

Rationale: These three programs are additional examples of corporate welfare. They provide the

28. The true cost of these programs is difficult to estimate because outlays for loan guarantees will vary depending on the default rate in any given year. The savings listed are "hard dollars" required to administer the programs. Actual savings should be much higher.

29. USDA, *2000 Annual Performance Plan*, p. 12-5.

30. *Budget Appendix*, p. 67.

31. Hodge, *Balancing America's Budget*, p. 167.

32. James Bovard, "Farm Loans: Only Bad Risks Need Apply," *The Wall Street Journal*, May 21, 1996.

agriculture industry with services that most industries, such as technology, automobiles, or recreation, obtain through their industry associations.

Market research, sales and marketing, and product promotion, whether at home and abroad, are natural elements of an industry. There is no reason the federal government should provide these services for one industry and not others. The Microsoft Corporation should not have to pay the Gartner Group for market analysis while Archer Daniels Midland receives subsidized market research from the Agriculture Department. To the extent that there is a market need for such information, private research organizations should supply the demand.

Heritage Foundation analysts noted in 1997 that the P.L. 480 program has four goals: to dispose of surplus agricultural products, to develop markets for U.S. agricultural products, to encourage development in less-developed countries, and to provide emergency food for disaster relief overseas. It has achieved only the last of these goals.[33] The CBO has questioned the program's effectiveness in promoting agricultural exports:

> [E]xports under titles I and III are a small portion of total U.S. agricultural exports, and the countries currently receiving those commodities are unlikely to become commercial customers.… Providing assistance to developing countries is also a goal of the programs but may not always be an efficient use of U.S. resources. Many commodities that foreign countries buy with P.L. 480 assistance are resold to generate local currency. Those funds are used in turn to support local budgets and local development. But the inexpensive food may discourage local investment in agriculture, lower rural employment and income, and discourage the development of local stockpiles.[34]

CONCLUSION

Agriculture's claim on the federal budget is unmatched by that of any other industry. Most of this claim is based on a romanticized view of the family farm that was more appropriate at the turn of the 20th century than it is at the threshold of the 21st century.

Moreover, although the creation of agricultural programs during the Great Depression—when the majority of Americans earned their living from the land—may have been justifiable, there is no compelling reason today to continue to channel taxpayer dollars into uneconomical businesses, large but well-financed corporations, or even "gentleman" farmers. One such "gentleman farmer" is well-known ABC commentator Sam Donaldson, who used to receive mohair subsidies. Almost 74 percent of the harvested cropland in America today is owned by large agribusinesses that can well afford their own marketing, research, and export promotion activities.

Despite charges by the Department of Agriculture that most farmers are poor, the average net income from farms is comparable to the average income of other Americans. Moreover, few farmers with annual sales of less than $20,000 receive the majority of their income from farming.[35] It is the farmers with annual sales between $20,000 and $100,000 that are the most ill-served by agriculture programs that encourage them to enter or stay in a business when they are undercapitalized, unable to hire laborers, or simply not in a position to compete with agribusiness.

These USDA programs linger as expensive relics of America's past while independent software developers, freelance consultants, and microcomputing entrepreneurs lead the U.S. economy into the next century with little if any help from government. The more than 1.4 million self-employed individuals engaged in farming, forestry, and fishing are outnumbered by 3.4 million self-employed

33. Hodge, *Balancing America's Budget*, p. 73.

34. CBO, *Maintaining Budgetary Discipline*, p. 89.

35. Frydenlund, *Freeing America's Farmers.*

workers in managerial and professional specialties; 2.2 million self-employed workers in technical, sales, and administrative support positions; and 1.6 million self-employed workers in precision production, crafts, and repairs.[36] They should not continue to bear the costs of outdated federal programs that benefit the agriculture industry.

The Congressional Budget Office estimates that discretionary outlays funded by the agriculture appropriations bill will total more than $14.5 billion. It also estimates that total discretionary outlays for agriculture will be just over $4 billion.[37]

The agriculture appropriations bill, like the USDA itself, is a grab bag of programs, many of which are only marginally related to agriculture. Congress can save $3 billion in outlays in FY 2000 by implementing the suggestions in this paper. At the very least, it can maintain its commitment to fiscal responsibility and the protection of the surplus for Social Security reform by freezing spending at FY 1999 levels.

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36. *Statistical Abstract*, p. 412, Table 661.

37. "CBO April 1999 Baseline Estimates," p. 30.