

Change in Congress Might Improve Passage of Legislation Affecting Agriculture

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The agricultural sector is wondering how the recent change in Congress to a majority leadership by Democrats will impact legislation affecting agriculture. While the change might improve progress on immigration reform legislation and programs to improve the environment, such as programs to boost ethanol production, resolving international trade disputes and the large budget deficit will continue to delay passage of a new farm bill.

Keep in mind that with the change, a large advantage is that the Democrats gain control of the agenda and leadership of the very powerful House and Senate committees. The probable ascension of Rep. Collin Peterson, Democrat from Minnesota, to chair the House Ag. Committee and Sen. Tom Harkin, Democrat from Iowa, to chair the Senate Ag Committee would appear as positives for agriculture. Farm Bill 2002 was negotiated with Sen. Harkin as chairman of the Senate Ag. Committee, but the U.S. budget was in surplus then.

But, with the very slim democratic majority, passage of any legislation will require strong bipartisan support.

While Iraq was the key factor influencing the change, it appears clear that Congress would like to prioritize actions on bills with high bipartisan support, especially high profile things such as increasing the minimum wage, cutting the interest rate on student loans, something on health issues and other similar legislation which will impact a large portion of the population. This may

mean that debate over potential provisions of Farm Bill 2007 may not be a priority, for now, especially since the large budget deficit and the suspension of the Doha round of the World Trade Organization (WTO) talks will bog down negotiations.

To renew or rewrite the current farm bill, the U.S. may first try to resolve trade problems in the WTO. But given the current state of negotiations, this may not be possible. Developing countries argue that big subsidy payments by the Europeans, Japanese and U.S. distort export markets. The U.S., EU, and other developed countries want developing nations to open their markets to imported agricultural products, industrial goods and services, activities they are unwilling to do. Their primary defensive goal in international trade negotiations is to protect domestic production in some key industries, such as agriculture.

To reinvigorate the Doha talks in the WTO, Congress, now with a democratic majority, would have to be willing to enact some farm-subsidy cuts, a move which appears highly unlikely.

In addition, trade promotion authority, which gives the president special trade-negotiating authority without congressional amendments, and critical to facilitate a trade agreement, is up for renewal in July 2007. Prior to this congressional change, some democratic congressmen opposed giving this. Now, some want to extend trade preferences for Africa, the Caribbean Basin, and the Andean nations until 2020 and may facilitate a compromise in extending this authority to the president.

Immigration Reform

Generally, the Democratic leadership and the Administration agree on the need for comprehensive immigration legislation that includes a guest-worker program, some sort of legalization for undocumented workers already in the U.S., a tougher enforcement system requiring employers to verify that workers are legal residents of the U.S., and stepped-up border

enforcement. Both, the administration and some in now Congress, favor the Senate version of the immigration reform bill under debate in Congress, so compromise may be possible.

Farm Bill 2007

While some legislative changes will be proposed early in the new Congress, changes are likely to be less significant regarding agricultural policy. Crafting a new, WTO compliant, farm bill will be more challenging than it was to negotiate Farm Bill 2002. Bipartisanship will be the key determinant as to how soon a new farm bill will be crafted. To achieve compromise, it appears that the new bill may include more conservation programs, expanding benefits to include producers of non-program crops and livestock, expanding rural development programs and restructuring farm program payments so that payments are not susceptible to WTO challenges. It clearly appears that the next farm bill will probably be much less generous than the current one and an extension of the current bill appears one likely option.