



## **CRS Report for Congress**

# **Agricultural Issues in the 110<sup>th</sup> Congress**

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### **Summary**

A number of issues of interest to U.S. agriculture are expected to be addressed by the 110<sup>th</sup> Congress. At the top of the agenda, Congress will be considering the unfinished business of FY2007 funding levels for U.S. Department of Agriculture (USDA) programs and activities in the annual agriculture appropriations bill. Separately, attempts might be made to reconsider a multi-billion dollar emergency farm disaster assistance package that was debated but not passed in the 109<sup>th</sup> Congress. Since most provisions of the current omnibus farm bill expire in 2007, the 110<sup>th</sup> Congress will be making decisions about the content of a new farm bill. Commodity price and income support policy is usually the focus of a farm bill, but other agricultural issues, such as conservation, rural development, trade, and biofuels also will be debated. Other agricultural issues likely to be either considered or monitored by the 110<sup>th</sup> Congress include multilateral and bilateral trade negotiations; concerns about agroterrorism, food safety, and animal and plant diseases; federal energy policy; agricultural marketing matters; the reauthorization of the Commodity Futures Trading Commission; and farm labor issues. This report will be updated as significant developments ensue.

### **Budget and Appropriations**

The 110<sup>th</sup> Congress will consider several measures that bear directly on funding for the programs and activities of the U.S. Department of Agriculture (USDA). The 109<sup>th</sup> Congress adjourned without completing action on the FY2007 agriculture appropriations bill (H.R. 5384), which funds most of USDA for the current year. The 110<sup>th</sup> Congress will have to decide whether to pass a free-standing FY2007 agriculture spending measure, combine it with other unfinished appropriations bills into an omnibus spending bill, or extend a continuing resolution that likely would hold spending at close to FY2006 levels for discretionary programs. These funding decisions for FY2007 might intersect with congressional consideration of the FY2008 budget and appropriations, which begins shortly after the release of the Administration's budget request in early February 2007. Of interest to agriculture is the FY2008 budget resolution, whereby Congress will establish a blueprint for all federal spending over a multi-year period, which could set the fiscal parameters of the next omnibus farm bill, to be debated in 2007. (See CRS Report

RL33412, *Agriculture and Related Agencies: FY2007 Appropriations*, and CRS Report RL33037, *Previewing a 2007 Farm Bill*.)

## **Farm Disaster Assistance**

The 109<sup>th</sup> Congress debated extensively whether a multi-billion dollar emergency disaster assistance package should be enacted to compensate farmers for 2005 and 2006 production losses caused by natural disasters. In the final week of the 109<sup>th</sup> Congress, an amendment (S.Amdt. 5205) that would have provided an estimated \$3.8 billion in supplemental disaster aid was defeated during debate on the FY2007 agriculture appropriations bill (H.R. 5384). The amendment was supported by numerous farm groups primarily in response to a severe drought in the Plains states. Opposing the amendment were the Administration and fiscal conservatives in Congress, who insisted that any assistance needed to be offset with other spending reductions. Supporters of assistance might revisit the issue in the 110<sup>th</sup> Congress. (See CRS Report RS21212, *Agricultural Disaster Assistance*.)

## **2007 Farm Bill**

Since most provisions of the current omnibus farm bill (P.L. 107-171, the Farm Security and Rural Investment Act of 2002) expire in 2007, the 110<sup>th</sup> Congress will be making decisions about the content of a new farm bill. Commodity price and income support policy — namely, the methods, levels, and distribution of federal support to producers of farm commodities — is traditionally the most contentious component of a farm bill. However, other food and agricultural issues, notably those surrounding conservation, rural development, trade, domestic food assistance, and biofuels, also will be debated. A key question for the 110<sup>th</sup> Congress will be whether to extend farm support programs as currently designed, or to adopt different approaches given the pressures of tight federal spending constraints, concerns about the distribution of farm program benefits, and the threat of potential World Trade Organization (WTO) challenges to farm price and income support spending. (See CRS Report RL33037, *Previewing a 2007 Farm Bill*, and CRS Report RS21999, *Farm Commodity Policy: Programs and Issues for Congress*.)

## **Agricultural Trade**

The 110<sup>th</sup> Congress will continue to monitor the Administration's participation in the current Doha Round of multilateral trade negotiations, which has focused on agricultural trade liberalization. Negotiations were indefinitely suspended in July 2006 when a compromise agreement on reducing subsidies or expanding market access for agricultural products could not be reached. While a new multilateral trade agreement may not be in place before Congress takes up the 2007 farm bill, a new farm bill will nevertheless have to contend with existing WTO commitments in agriculture and possible challenges to U.S. subsidies in WTO dispute settlements. (See CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*.) Meanwhile, the 110<sup>th</sup> Congress will consider bilateral free trade agreements (FTAs) concluded with Colombia and Peru, which are expected to boost U.S. agricultural exports. Separate bilateral agreements with other countries, including Malaysia, South Korea, Panama, and Thailand, are also being negotiated. Congress also might consider the extension of Trade Promotion Authority,

which provides for expedited consideration of trade agreements and expires June 30, 2007. Other ongoing trade issues of interest to Congress include barriers to agricultural trade (see CRS Report RL32809, *Agricultural Biotechnology: Background and Recent Issues*, and CRS Report RL33472, *Sanitary and Phytosanitary (SPS) Concerns in Agricultural Trade*); the scope of restrictions that should apply to agricultural sales to Cuba (see CRS Report RL33499, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*); and funding for U.S. agricultural export and food aid programs (see CRS Report RL33553, *Agricultural Export and Food Aid Programs*).

## **WTO Cotton Case**

In March 2005, a WTO appellate panel ruled against the United States in a dispute settlement case brought by Brazil, stating that elements of the U.S. cotton program are not consistent with U.S. trade commitments. In response, Congress authorized the elimination of the Step-2 cotton program, effective August 1, 2006. Following the indefinite suspension of the WTO Doha Round of multilateral trade negotiations in July 2006, Brazil has pressed for further reductions in U.S. cotton support in response to the panel ruling. Consequently, additional permanent modifications to U.S. farm programs may still be needed to fully comply with the “actionable subsidies” portion of the WTO ruling. Some policymakers are concerned that a successful challenge of the cotton program in the WTO could have implications for the other farm commodity support programs. Any changes ultimately would be decided by Congress, most likely in the context of the 2007 farm bill. (See CRS Report RS22187, *U.S. Agricultural Policy Response to WTO Cotton Decision*, and CRS Report RS22522, *Potential Challenges to U.S. Farm Subsidies in the WTO: A Brief Overview*.)

## **Energy**

Although not as energy-intensive as some industries, agriculture is a major consumer of energy — directly, as fuel or electricity, and indirectly, as fertilizers and chemicals. By raising the overall price structure of production agriculture, sustained high energy prices could result in significantly lower farm and rural incomes, and are generating considerable concern about longer-term impacts on farm profitability. Agriculture also is viewed as a potentially important producer of renewable fuels such as ethanol and biodiesel, although farm-based energy production remains small relative to total U.S. energy needs. Current law requires that biofuels use grow from 4 billion gallons in 2006 to 7.5 billion gallons in 2012. This standard, along with tax credit incentives, is expected to encourage significant increases in U.S. ethanol production. Although the increased use of corn for energy improves the prices and income of corn growers, some policymakers are concerned that higher prices for corn will add to livestock grower feed costs. (See CRS Report RL32677, *Energy Use in Agriculture: Background and Issues*; and CRS Report RL32712, *Agriculture-Based Renewable Energy Production*.)

## **Conservation Programs**

Spending for conservation programs, which help producers protect and improve natural resources on some farmed land and retire other land from production, has grown rapidly since the 2002 farm bill. This growth in spending reflects the expanded reach of

conservation programs, which now involve many more landowners and types of rural lands. One topic that continues to attract congressional interest is implementation of the Conservation Security Program, enacted in 2002. Some stakeholders have questioned why USDA has implemented the program in only a few watersheds, and why Congress has limited funding even though the program was enacted as a true entitlement. The environmental, conservation, and agriculture communities have started to identify conservation policy options that might be considered in the next farm bill. (See CRS Report RL33556, *Soil and Water Conservation: An Overview*.)

## **Agroterrorism**

The potential for terrorist attacks against agricultural targets (agroterrorism) is recognized as a national security threat. “Food defense” — protecting the food supply against possible attack — has received increased attention since 2001. Through increased appropriations, laboratory and response capacities are being upgraded. National response plans now incorporate agroterrorism. Yet some in Congress want additional laws or oversight to increase the level of food defense, particularly regarding interagency coordination, response and recovery leadership, and ensuring adequate border inspections. (See CRS Report RL32521, *Agroterrorism: Threats and Preparedness*.)

## **Food Safety**

Approximately 76 million people get sick and 5,000 die from food-related illnesses in the United States each year, it is estimated. Congress frequently conducts oversight and periodically considers legislation on food safety and could do so again. Some Members continue to be interested in such issues as whether appropriate resources and safeguards are in place to limit microbiological contamination of fresh meat, poultry, and produce; the need, if any, for stronger enforcement or recall authority; the regulation of bioengineered foods; human antimicrobial resistance (which some link partly to misuse of antibiotics in animal feed); and interest among some in reorganizing food safety authorities and responsibilities, possibly under a single agency. (See CRS Report RL32922, *Meat and Poultry Inspection: Background and Selected Issues*.)

## **Avian Influenza**

Since 2003, highly pathogenic avian influenza (H5N1) has spread from Asia into Europe, the Middle East, and Africa; however, no cases of H5N1 have been found yet in the United States. Because avian flu is highly contagious in domestic poultry and can be carried by wild birds, USDA advocates stringent on-farm biosecurity. Controlling avian flu in poultry is seen as the best way to prevent a human pandemic from developing. Congress has responded to the threat by providing emergency and regular appropriations for surveillance, both domestically and internationally, and holding hearings covering the animal disease and food safety. Further funding will be necessary for surveillance, vaccine stockpiles, and first responder equipment. (See CRS Report RS21747, *Avian Influenza: Agricultural Issues*.)

## Food Traceability and Animal Identification

Many believe that U.S. agricultural producers and food processors should improve their ability to identify and trace their products (including animals) through the food chain, whether to facilitate the removal of contaminated products, quickly contain animal disease outbreaks, enable consumers to verify labeling claims, and/or for country of origin labeling (COOL). One issue is whether a more universal animal identification system should be mandated and who should pay. Another is mandatory COOL for fresh red meats, produce, and peanuts, which Congress required in the 2002 farm bill but has since delayed, until September 30, 2008. Some want COOL to be implemented; others would prefer voluntary labeling. (See CRS Report RS22526, *Animal Agriculture: Selected Issues for Congress*.)

## CFTC Reauthorization

The Commodity Futures Trading Commission (CFTC) is an independent federal agency that regulates the futures trading industry. The CFTC is subject to periodic reauthorization; current authority expired on September 30, 2005. Congress traditionally uses the reauthorization process to consider amendments to the Commodity Exchange Act (CEA), which provides the basis for federal regulation of commodity futures trading. Among the issues in the debate are (1) regulation of energy derivatives markets, where some see excessive price volatility and a lack of effective regulation; (2) the market in security futures, or futures contracts based on single stocks, where cumbersome and duplicative regulation is blamed for low trading volumes; (3) the regulatory status of foreign futures exchanges selling contracts in the United States; and (4) the legality of futures-like contracts based on foreign currency prices offered to retail investors. (See CRS Report RS22028, *CFTC Reauthorization in the 109<sup>th</sup> Congress*.)

## Farm Labor and Immigration Reform

Hired farmworkers are an important component of agricultural production. Some of these laborers are under guest worker programs, which are meant to assure employers (e.g., fruit, vegetable, and horticulture growers) of an adequate supply of labor when and where it is needed while not adding permanent residents to the U.S. population. The connection between farm labor and immigration policies is a longstanding one, particularly with regard to U.S. employers' use of workers from Mexico. The 109<sup>th</sup> Congress considered the issue without resolution as part of a larger debate over initiation of a broad-based guest worker program, increased border enforcement, and employer sanctions to curb the flow of unauthorized workers into the United States. (See CRS Report 95-712, *The Effects on U.S. Farm Workers of an Agricultural Guest Worker Program*; CRS Report RL30395, *Farm Labor Shortages and Immigrations Policy*; and CRS Report RL32044, *Immigration: Policy Considerations Related to Guest Worker Programs*.)