



14 of the 15 Farm Bill Titles Declared Law

Before the Memorial Day recess, Congress completed significant action on the Food, Conservation and Energy Act of 2008, despite complications that occurred during the enrollment of the bill. Thirty-four pages, which included the trade and food aid title, were omitted in the farm bill that was sent to and vetoed by President Bush. However, in a vote of 316-108 in the House and 82-13 in the Senate, President Bush's veto of the incomplete bill was overridden by Congress making fourteen out of fifteen farm bill titles law on Thursday, May 22.

Since the Food, Conservation and Energy Act of 2008 was declared law, with the exception of the trade title, there will be no more extensions of the 2002 farm bill. The USDA and the USAID assured Congress that their daily operations, including school lunch programs and international food aid, could continue a few more weeks until the trade title is passed.

In order to have the trade title enacted, the House overwhelmingly approved a completed farm bill conference report on May 22, which was identical to H.R. 2419, under a new bill number, H.R. 6124. The Senate will vote on this "new" farm bill when they return from the Memorial Day recess on June 2. After the Senate votes on the bill, the bill will be again enrolled and sent to the President, who is expected to quickly veto the bill. Congress is expected to then override the veto making all fifteen titles law.

Highlights of the 2008 farm bill include:

- New limitations for adjusted gross income (AGI) test: farm income greater than \$750,000 or non-farm income greater than \$500,000 exempt from direct payments
- The continuation of the Milk Income Loss Contract (MILC) program including a payment rate increase from 34% to 45% of the difference between the Boston Class I price and the target price
- Elimination of the "three-entity rule" to improve transparency and accountability
- A new disaster assistance program offering assistance to farmers who lose crops, livestock or trees as a result of floods and drought
- Increased funding for conservation programs, such as the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP)
- Mandatory country-of-origin labeling for meat and produce by September 30, 2008
- Reduction in corn ethanol tax credit and increased incentives for developing cellulosic ethanol

The farm bill, which has been touted as a "food bill" by many lawmakers, tapped out at roughly \$300 billion. Nutrition programs, including food stamps and school lunch programs, make up the largest portion of the farm bill at \$200 billion. Crop subsidies for rice, cotton, corn, soybeans, wheat and other crops comprise 14% of the farm bill funding at \$43 billion. In addition, \$23 billion is dedicated to crop insurance, and \$27 billion is set aside for conservation programs.

In the House Agriculture Committee's press release following the veto override on Thursday, May 22, Chairman Collin Peterson and Ranking Member Bob Goodlatte jointly stated, "While no one got everything they wanted in this Farm Bill, we struck a balance that meets the pressing needs of working American families struggling with high food prices and that supports America's farmers and ranchers as they continue to provide a safe, abundant, homegrown supply of food and fiber while protecting our natural resources and developing new sources of renewable energy."

Now, with the majority of the titles declared law, the USDA will begin the implementation process.



The Food vs. Fuel Debate

Americans are becoming increasingly concerned by the rising costs of food prices at the grocery store. Due to a variety of economic factors, food prices have started climbing at a faster pace than they have in the past 15 years. High labor costs, record energy costs, increased international demand, and a weak U.S. dollar are just several reasons for the noticeable price increase.

High labor costs are the largest component of the price of food. For every dollar spent at the grocery store, forty-cents can be attributed to labor wages throughout the food chain. Last year, the food manufacturing sector increased wages for its workers by 3.1%. Also, the minimum wage increased by 14% last year to \$5.85 and will continue to rise 12% to \$6.55 this year and 11% to \$7.25 next year. Rising labor costs will continue to have a direct affect on food prices.

High energy costs, including gasoline and diesel, have had a ripple effect on all sectors of the food chain and our economy. However, despite gasoline and diesel prices nearly doubling since early 2007, high energy and transportation costs account for only 5-8% of the price of food.

Many ethanol critics blame ethanol production for the increase in food prices, but several studies have emerged recently which counter this claim. Producers of ethanol have actually helped to limit the rise in fuel costs. It has been estimated that prices at the pump would be 10-15% higher without the presence of biofuel production. In addition, renewable fuel production keeps dollars for fuel at home rather than buying imported oil.

Lastly, low interest rates, the credit crisis, and a significant trade deficit have contributed to the U.S. dollar hitting record lows. The weak dollar makes U.S. food, such as corn, soybeans, pork, and dairy, more affordable in the international market. The international market has shown an increased demand for food brought about by improved diets and increasing populations in developing countries. The weak dollar combined with strong international demand has been a significant factor of rising food prices.

On average, 19 cents of each dollar spent on food at the grocery store can be attributed to the farmer's contribution to the food chain, which is down from 31% in 1980. However, Americans spend only 10% of their disposable income on food. Other countries do not enjoy the luxury of affordable food, such as China paying 26% and Indonesia paying 55% of their disposable income for food. Despite the recent rise in food prices, Americans are truly blessed to have an affordable food market.

Mississippi Delegation Contact Information

Senators

Sen. Thad Cochran
113 Dirksen SOB
Washington, DC 20510
Ph: 202-224-5054

Sen. Roger Wicker
487 Russell SOB
Washington, DC 20510
Ph: 202-224-6253

Representatives

District 1
Rep. Travis Childers
2350 Rayburn HOB
Washington, DC 20515
Ph: 202-225-4306

District 2
Rep. Bennie Thompson
2432 Rayburn HOB
Washington, DC 20515
Ph: 202-225-5876

District 3
Rep. Chip Pickering
229 Cannon HOB
Washington, DC 20515
Ph: 202-225-5031

District 4
Rep. Gene Taylor
2269 Rayburn HOB
Washington, DC 20510

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Mississippi Farm Bureau® Federation



Post Office Box 1972
Jackson, Mississippi 39215-1972

www.msfb.com

Derrick Surette
Director of Public Policy
601-977-4216 (office)
601-503-7102 (cell)

Samantha Cawthorn
Governmental Relations
Coordinator
601-977-4020 (office)
601-503-3273 (cell)