

McLeod, Watkinson & Miller Webinar
November 10, 2010

MR. MIKE MCLEOD: Good afternoon. My name is Mike McLeod of the firm McLeod, Watkinson & Miller, and I'm delighted to welcome you to this webinar to discuss the election results and their impact on matters under the jurisdiction of the House and Senate Agriculture Committees. Since we have three distinguished panelists that I think are known to most of you, I'm going to be brief in my introductions, because we have a lot to cover in a very brief period of time.

I will point out that they are not presenters, but also are available in the room here to respond to questions within their area of expertise, we have Rick Pasco of this firm, who is our trade policy expert, in case there are any trade questions, and also, in case there are crop insurance questions – and you all know what an important part that has become of the farm program safety net – we have Dr. David Graves, who manages the American Association of Crop Insurers. We had planned to have Randy Green, who has expertise in a number of things, and is a former chief of staff of the Senate Ag Committee, but he had to attend a CFTC hearing this afternoon, as they are trying to implement the Dodd-Frank Act.

But our first presenter or panelist is Bill O'Conner, who I think is known to all of you. He joined our firm in March after an illustrious career of about three decades as the chief Republican staff person on the House Agriculture Committee. His three decades of service there were interrupted only [by a] two year stint as the chief of staff to Secretary of Agriculture Ed Madigan. So Bill, I'll hand it over to you.

MR. BILL O'CONNER: Thanks for joining us this afternoon. I'm going to start with a quick tour of some of the numbers associated with this year's elections and talk a little bit about what they may mean. Needless to say, November the 2nd was not kind to Democrats. While in the Senate they didn't do quite as badly as they did in the House, and they actually exceeded prior predictions on how they would do, as you can see, prior to the election, they had 57 Democratic senators, two Independents who voted with them, organized with them, and only 41 Republicans.

But when the day was done on November 2nd, they had lost six seats to the Republicans, leaving them still with the majority, but as you can see, a much pared down majority, at 51, their two Independents, who are still caucusing with them, to 47 Republicans. What that's probably going to mean is a much more cooperative Senate. They're going to be much – if they're going to accomplish anything at all, which is an open question – they're not going to be able to do it by sheer force of numbers, which several times during the last Congress they were able to accomplish. They will not be able to do that any longer.

The big changes, however, occurred in the House. In the House the Democrats were a dominant factor in the previous Congress, the 111th Congress, at 255 Democrats to 178 Republicans. That gave Speaker Pelosi a 77 seat majority. That meant that she

could let 37 of her Democrats vote against their position and still be able to carry a vote on the floor. That's a startlingly strong position to be in, and she used it repeatedly through the course of the 111th Congress to pass major and controversial legislation. Well, now we're going to get to see what a wave actually looks like. That's what a tsunami looks like when it hits the House.

The Democrats went from 255 seats to 189, Republicans from 178, barely being there, to a 239 seat majority. That means the Republicans gained 61 seats in a single election. That does not place them in as strong a position as the Democrats were in, which is an indication of how deep a hole they were in to start from. Nonetheless, it is the strongest majority they have elected since 1946. It's a 50 seat majority, which gives Speaker Boehner the ability to put forward legislation for the Republicans and have 21 of his people not able to vote for it and still be able to pass a bill. That's a far stronger position than Republicans were in at any time during their 12 years from 1994 to 2006.

Another historical note, this is the first time since 1919 Republicans captured a majority in the House and did not have a majority in the Senate, so this is kind of – there's no precedent for what's going on, at least no modern precedent, and so they're going to have to figure it out, and figure out how to work their way through the situation they find themselves in right now.

I should note that over there in the corner of the slide there are seven seats that are still yet to be decided, including one on the Agriculture Committee. Sometime between now and probably mid-December those will be decided, depending on whether they require a recount or just an incredibly slow count of absentee ballots. It depends on what state you're in as to how fast they do these things. From the looks of those seven seats, they're probably going to split. That means there will be a few more Republicans and a few more Democrats, but no significant change in the ratio that you see there on the screen.

So what does this all mean for the Agriculture Committee, which is what we're here to talk about today? In the Senate it's not going to mean very much. In the Senate you have a ratio now of, I believe, 12 to nine on the Senate Agriculture Committee, 12 Democrats, nine Republicans. Only one senator on the Agriculture Committee was defeated. That's Senator Lincoln, who was the chairman of the committee.

So they pretty much all can come back, although it is traditional for people to move on and off the Agriculture Committee, depending on where they are in their election cycle, so we may see some additional changes. Because the ratio has changed in the Senate, there will probably be a change in the ratio of the committee, but it will not be a big one. We would anticipate probably something like 11-10, with the Democrats continuing to be at 11 and the Republicans at 10, so not a big change in that committee. The most significant change will be the appointment of a new chairman. Whether that is Debbie Stabenow of Michigan or Kent Conrad of North Dakota, if he chooses to give up the Budget Committee chair, it will move the regional orientation of the committee from the South to the Midwest or Plains.

However, on the House side, once again, that's where the big changes are, as you actually switch control of the House. There are 46 members on the House Agriculture Committee right now. And currently, in the 111th Congress, that's 28 Democrats to 18 Republicans. That change will probably go to 26 to 20 – 26 Republicans and 20 Democrats.

One of the big phenomena of this election, for people who care about agriculture, is to see what happened to the Democrats in this election. One member of the committee ran for higher office. Mr. Ellsworth ran for the Senate in Indiana, so he left. One seat is undecided. That's Mr. Costa out in California. And 14 Democrats lost. Fourteen Democrats on the Agriculture Committee lost, so they've only got 11 or 12 of their 28 members who are even coming back to the Congress. On the Republican side, one member ran for the Senate and won, Mr. Moran. And other than that, 17 of their 18 will be coming back.

When you add the new people coming in to the committee, there are going to be at least 11 new Republicans and nine new Democrats. There may be more than that because the tradition has been that on the Agriculture Committee, at the end of every cycle, after the dust settles and people move to the committees they want, from two to five people on the Agriculture Committee leave to go to an exclusive committee like Ways & Means or Appropriations, so there may be continuing shifts and even more new faces on the committee.

Now, what all this is going to mean on the committee is that it's a whole new group of people. There are people here coming onto this committee who have actually never been to Washington, D.C. in their lives, much less participated in a farm bill. And they may be there in some numbers. So the result is that the first several months that they're in town, they're going to be doing things like finding the committee room, finding out where they're supposed to sit, and finding out what a hearing is, because some of them have never even served in a state legislature. That's not uncommon, it's just that the numbers of the people involved are very large this time.

So there's going to be a need to familiarize them with what's going on before they plunge into a farm bill. That's going to work out fairly well because Chairman Peterson had wanted the farm bill in 2011, and incoming Chairman Lucas had never been very excited about that, and has now publicly stated that he thinks it's better to do the farm bill in 2012. That will give the committee some chance to adapt to the new situation and to do the background hearings necessary to begin to familiarize themselves with the very large and complex jurisdictions in a farm bill.

That's going to be one of the biggest things that's going to be ahead for the year 2011, is farm bill preparations – preparation hearings. And also probably in the middle to latter part of the year, trying to begin to assemble a markup vehicle to put the outlines of a bill before the members publicly sometime early in 2012. But there are also going to be a lot of oversight hearings. There have been a lot of things that

have gone on in the last couple years that have made Republicans, in particular, but a lot of people pretty uncomfortable, and they're going to want to get into those things that are in the jurisdiction of the committee as well as the things that are of high interest to the committee – to the committee's constituencies.

The Dodd-Frank financial reform bill is a major piece of jurisdiction of the House Agriculture Committee. It is financial derivatives which comprise Title 7 of Dodd-Frank. It's a huge rewrite with a lot of complicated stuff in it, and it comprises several hundred pages of the 2,500 pages of Dodd-Frank. There is some concern by some people that a lot was left to the regulators to do, and some concern about what they may be doing, at least a lot of concern about wanting to know what they're doing and to understand it. I expect that there will be more than one, perhaps several, Dodd-Frank implementation hearings, and I expect the committee to get fairly heavily involved in that.

There is also something that started at the [beginning] of last year, was a great concern over EPA regulation. It was really beginning to percolate in both the House and the Senate. EPA's regulatory activity had started slowly in the Obama Administration and it picked up speed. By the middle of the year they were beginning to talk about and put out proposals in a host of areas – clean air from two or three different perspectives, including global warming perspectives, clean water regulations, and pesticide regulations.

Pesticide regulation is the direct jurisdiction of the committee. The other two issues are of high interest to the farm and rural constituency. I expect that there will be several oversight hearings for this EPA regulatory activity, most of which does not sit well with both Republicans and Democrats on the House Agriculture Committee.

Legislatively, it's probably not going to be a year that will produce a lot of large volume of legislation, but there are a couple of highly contentious things that may very well come up. The first of these is reconciliation. For those of you not familiar with the budget process, you're lucky. But reconciliation is the mechanism whereby the Congress, in a body, reduces spending using the budget process. And the Republicans coming into the majority are going to be under a great deal of pressure to produce results on the spending reduction front.

Reconciliation is an obvious mechanism for doing that, and I suspect that the House will do a great deal of that, getting ready for putting a budget resolution together. Whether they will be able to reach an agreement with the Senate, Democratically controlled Senate, about a budget resolution which will allow reconciliation to go forward in the traditional sense, I don't know. But if that doesn't work, I'm sure there are going to be lots of other attempts to find budgetary savings through legislation.

Agriculture, because it starts with "A," is always at the top of everybody's list to cut, and we can anticipate that there is going to be a lot of activity in and around the committee dealing with these kinds of problems, either trying to refine some piece of

work that someone suggested for making a reduction or trying to persuade members not to make reductions of the size being offered.

The other thing that legislatively is likely to come forward are refinements to the Dodd-Frank Act. There is some concern among a lot of people that the regulators may be just a little over enthusiastic in the way they appear to be headed in implementation of this legislation, the financial reform legislation. And while I don't anticipate any attempt to repeal Dodd-Frank, like there may be with the healthcare act, I think that there may very well be opportunities taken to find things to refine, to clarify, to further define for the regulators, and that may be legislative activity that we'll see this coming year.

That's what the members are likely to be doing, so what are the people that care about farm bills and care about legislation of the committee going to be doing? I think this year is probably going to be, in many ways, a getting ready year, a year when you try to figure out who are these new guys, do they understand anything about me, can I convince them to understand something about me, who do I need to work with to put together something to propose in the farm bill that I can live with? That's the kind of thing I think is going to be going on this year.

I think it may be as important as it's ever been for people to form alliances, to try to cut down on fights among the family, if you will, in order to have the best chance of surviving a very, very tough budget environment with the farm bill that can be useful to the greatest number of people in rural America. So I'll stop there and get into the real budget details with Craig.

MR. MCLEOD: Yeah, it's quite appropriate that our second panelist is going to give us the background and detail on the budget process, because it appears to me that what happens in the next farm bill is going to be budget driven to a greater extent than it ever has been in the past.

To give you a little background on Craig, who also, I think most of you know, he has been the chief economist of the House Agriculture Committee since 2001, having been hired by a Republican chairman, kept on by another Republican chairman, and then when Mr. Peterson took over as a Democratic chairman, he knew that Craig was too invaluable to lose, so he served under Mr. Peterson, and still serves under Mr. Peterson. And he previously has held positions in both the Congressional Budget Office and USDA's Farm Service Agency.

He comes by his agricultural expertise honestly, having grown up on a Kansas wheat farm. Bill O'Conner also grew up in Kansas, although I don't think most of it was on a farm. But he also holds a PhD in ag economics from Cornell University and is will regarded by everyone who has worked with him as the numbers guy who really understands the process and is generous in giving information and imparting knowledge to the rest of us who are not quite as [informed]. We're delighted to have you here, Craig. Thanks for coming.

MR. CRAIG JAGGER: Thank you very much for the invitation, Mike. I consider it an honor any time I'm invited to be on a panel with Bill O'Conner and Dan Morgan, and so I'm pleased to be here. Unlike Bill and Dan, my presentation on funding challenges for the next farm bill is no different, given what happened on November 2nd, than if those things that happened hadn't happened. As Mike mentioned, I've been fairly nonpartisan in affiliations, and this is that kind of presentation also.

I recently, not too long ago, for the Farm Foundation, did a presentation on the full budget fundamentals. It takes about 45 minutes or so. It's posted on the Farm Foundation web site (www.farmfoundation.org) You're all fortunate that today I'm not going to do 45 minutes on the ag budget.

I have a six-year-old daughter, and of course at bed time, she's still of an age where she likes to have me read stories to her, and she especially likes the fantasy stories with princes and princesses and that type of thing, so to start off my budget presentation, and kind of set the context here, why I'd like to talk about the fantasyland of Budget World.

One upon a time, the Congress said let's have nonpartisan analysts look at each committee's current programs, assume the programs continue unchanged for the next ten years, and estimate how much the programs would cost during these ten years. We'll call these estimates of future ten year costs the baseline. We will then tell the committees they can spend all of their baseline funds when writing new laws, including laws to continue these programs when they expire, but no more. You shall call this requirement to spend no more than baseline funds "pay as you go" or PAYGO for short.

Now, to determine whether the costs of new laws exceed the baseline funds available, we will establish a procedure called budget scoring. Under budget scoring, the nonpartisan analysts will examine each provision in the proposed law and determine if the provision spends more than its baseline funds, less than its baseline funds, or the same as its baseline funds, and will also recognize that some provisions may not have any baseline funds.

As long as those provisions that in aggregate spend more than their baseline funds have funding offsets that in aggregate and by a comparable amount spend less than their baseline funds, the proposed law will spend no more than its baseline. As such, the proposed law will not increase the budget deficit, committees will avoid having their proposed law sent to PAYGO purgatory where it would languish unenacted for a very long time (unless PAYGO rules are waived). [And I'll also note that revenue increases can also serve as funding offsets.]

We will call the group of nonpartisan analysts the Congressional Budget Office, and their three top leaders shall be known as The Three Budgeteers. And while recognizing the need for and value of their services, we will lodge them in a building that, while still on the castle grounds, is as far away from the Capitol castle as

possible. So that's the fantasyland, and fortunately this is not a story that I tell my daughter.

So let's get on to the real world of farm bill funding. And the fundamental reality is that the CBO baseline for agriculture is the only certain source of funds for the next farm bill. It may turn out to not be the only source, but it's the only certain source. So let's look at what some alternatives for funding might be or have been in the past.

What about funding from other committees? For the 2008 Farm Bill, the Ag Committees were about to get \$10 billion over ten years in additional funding for regular farm bill programs from the Senate Finance and House Ways & Means Committees. And most of this money was pretty much – money is fungible, but this money was, in reality, dedicated to nutrition, increasing benefits under nutrition programs.

Well, what did it take to get that \$10 billion over ten years? It wasn't until we were 16 months in the farm bill debate and we'd done a lot of heavy lifting before the final deal was struck. Now, when you're going 16 months of debate on a bill and you don't even know how much money you have to spend, why that's a real disadvantage. And we appreciated the money, but there were certainly costs to getting it. The funding offset that was used was custom user fees, extending them for 33 months. And when we're looking at the possibilities of getting funding from other committees, we know that revenue increases of any kind (whether taxes or user fees) can be contentious, especially after November 2nd.

Looking further, all committees are facing similar budget pressures, including the prospect of reconciliation, which Bill talked about, and so the question is why give to the ag committees when these committees are already going to need to give to deficit reduction? I'm not saying that there won't be other funding from other committees, but there certainly would be costs to going out and seeking that, especially in this budget climate. I personally don't think it's very likely to happen.

What about adding additional funds beyond the CBO baseline in the budget resolution? We have precedents for doing that. For the 2002 Farm Bill we got an extra \$73.5 billion dollars over ten years beyond the funds from the CBO baseline to write the bill, and for the 2000 Crop Insurance Reform Bill we got an extra \$8.2 billion over five years added beyond the CBO baseline to write that bill.

But that was then and this is now, and there are new rules that are currently in effect. These are the new House and Senate PAYGO rules that were adopted when the Democrats took the majority in 2007. These rules no longer allow any additional funds to be added in the budget resolution to be used to fund offsets for increased spending. The bottom line is that unless the House and the Senate waive these PAYGO rules, or, as the new Congress is being organized, the rules are changed, the bill cannot increase the deficit relative to the unmodified CBO baseline. This is a huge change from what we had had before the new rules.

Now I'd like to give a bit more technical definition of the CBO baseline. It's a ten year projection of the cost of government programs under the assumption that most current laws and policies continue indefinitely. The current CBO March 2010 baseline covers the ten years 2011 to 2020. We can divide these into two categories. The first category is the remaining years for which the 2008 Farm Bill is authorized. That would be 2011 and 2012. After 2012, most of the farm bill programs are not authorized, and need a new law to be continued.

That brings us to the second category, which would be the "out years" of a ten year baseline, 2013 through 2020. For these years, most programs, as I said, are no longer authorized, but the baseline assumes that most farm bill program provisions and their associated costs continue.

Now, there are some farm bill programs that don't have out year baselines. Why is that? Part of the reasons involves technical budget rules for earning a baseline that I'm not going to go into. One of them, the most important one, is called the \$50 million rule. But the main reason is that when a farm bill is being put together, unlike appropriations bills that are funded one year at a time, farm bill funding must be sufficient to cover the multi-year costs of farm bill programs for all ten years of the baseline. And these ten-year costs must be paid for based on CBO estimates at the time the farm bill is enacted. Because funds were so tight for the 2008 Farm Bill, the Ag committees could not afford to pay for out year baselines for all programs.

Now, why does having a baseline matter? If an existing program has an out year baseline, its baseline provides all the funds needed to continue the program in the next farm bill, as long as its provisions and funding levels aren't changed. No funding offset is needed. But if an existing program does not have an out year baseline, funds to offset the cost of continuing the program must be found, so you need a funding offset. You need a source of funds to continue the program. And because a new program has no baseline, you also need to find funds to offset the cost of establishing the program, so again a funding offset is needed.

What is the most likely funding offset? The most likely offset is taking funds from another Ag Committee program baseline. If we do a baseline bill that all the funding is provided by an Ag Committee baseline, you essentially are looking at robbing Peter to pay Paul.

Now, I started looking at the issue back in February of how many 2008 Farm Bill provisions and programs have no baseline funding after 2012. After I looked at it, I asked Jim Monke with the Congressional Research Service to look at it, too. He's done a very fine paper that is also available on the Farm Foundation web site (www.farmfoundation.org). We compared notes after our independent evaluations and decided that there were 37 current provisions or programs in the 2008 Farm Bill that have no out-year baseline—i.e., they have no funding available after 2012.

These programs cut across almost all the titles of the farm bill. Almost all the energy programs have no funding after 2012. And just to give some examples, the Wetlands

Reserve program in conservation has no funding after then and the Grassland Reserves program. The McGovern-Dole International Food for Education and Child Nutrition program has no ag committee funding [but routinely gets funding from the appropriations committees]. The SURE permanent disaster assistance program has no funding after 2011, much less after 2012. So we're looking at some significant programs here. And of course every program is significant to those people who benefit from that program. Every program has a constituency.

Now, Jim Monke at CRS and I also independently looked at how much we thought it would cost to provide the same funding terms and levels for these programs in a new five year farm bill and not give them a baseline at the end of that farm bill, and we independently came up with costs of about \$9 to \$10 billion over ten years to fund these programs. [Jim's paper also shows cost estimates for each program.]

Another way to look at this...sometimes people have asked – I was talking to a policy class just this morning and the question came up—well, what about just continuing the 2008 Farm Bill for another five years. In effect, this would be going through the 2008 law and just changing the years of authorization—for example, change 2008 to 2013 and 2012 to 2017. Well, if the ag committees decided they wanted to simply extend the 2008 Farm Bill for another five years, this analysis suggests that they'd start out \$9 to \$10 billion in the hole, from a budget perspective, because of these programs without funding after 2012 so this obviously is very serious.

There are other baseline related challenges for the next farm bill, and these first two are related to just keeping the baseline that we already have. The first one has to do with the existing legislative authority that USDA and OMB have to develop and change program rules and regulations. They don't need a new law to do this; they have the existing authority to do these administrative actions.

So, for example, through USDA's use of standing authority, we lost \$6 billion from the Ag Committee baseline recently due to the standard reinsurance agreement negotiations between the administration and crop insurance companies. And because this was done through administrative action rather than legislative action, the Ag Committee got no credit for savings that could be used as a funding offset in the farm bill. But with this, we are, however – and Chairman Peterson checked on this – we are the only committee so far that's contributed any money specifically to deficit reduction this year.

A second baseline related challenge is that there are people who view Ag Committee programs and Ag Committee baseline as a good funding source to do non-Ag Committee laws. And when that happens, that will reduce the Ag Committee baseline available for the next farm bill. A prime example is the FMAP / Education jobs law, which uses about \$12 billion over ten years of future SNAP food stamp funding as an offset for its costs. And the child nutrition bill that's currently being debated may also use similar food stamp funding as an offset for its costs. The Senate Ag Committee has jurisdiction for child nutrition, but the House Ag Committee does not.

A third difference is that in the 2008 Farm Bill, we used as funding offsets \$4.5 billion in timing shifts. This is a little technical but this is how a timing shift has worked. When costs are being estimated by CBO, the only costs that count are those costs (in essence, when the checks are written) that occur within a fixed date scoring period. And so if a check is written within the fixed date scoring period, it counts as a cost. If it's written outside that fixed date scoring period, it doesn't count as a cost. So if you shift funding from inside the scoring window to outside the scoring window, it's been scored as a savings and we were able to use these savings to offset increased costs in other programs. The advantage of timing shifts to program beneficiaries is that while they delay program benefits, they don't reduce program benefits.

Well, these timing shifts aren't available for the next farm bill. A primary reason is that we scoured all the programs we had and we used all the timing shifts that we could identify, so as far as I know, there are none left. But also the recently enacted statutory PAYGO act doesn't recognize savings from timing shifts. So there was four and a half billion dollars we used back in 2008 for offsets but we won't have a similar opportunity in 2012.

A fourth baseline-related challenge for the next farm bill is budget reconciliation when it occurs. Under budget reconciliation, all committees are given spending reduction targets and they then need to change their programs in order to meet those targets. Basically all the committees share the pain of reducing the budget deficit, with the perspective that if one committee isn't singled out and everyone has to do it, it's viewed as more equitable. [Whether budget reconciliation occurs before the farm bill and reduces the baseline for writing the bill or after the farm bill which means the carefully crafted compromises will have to be reopened, reconciliation will affect the farm bill. Perhaps doing reconciliation and the farm bill simultaneously as happened for the 1990 farm bill and for the initial stages of what became the 1996 farm bill, may have some merits] And note that I say budget reconciliation "when" it occurs—not "if" it occurs, which corresponds with what Bill was saying earlier.

And finally, and this list on budget challenges could go on and on, but I'll end it with just the obvious observation that demands from interest groups to maintain or increase funding for their programs can be expected to continue.

So I've talked about the ag committee baseline and I've talked about the baseline as very likely the only source of funding for the next farm bill. Let's now look at the how much money is in the current baseline for the House Agriculture Committee. This graph shows the CBO March 2010 baseline as originally published. It won't be the scoring baseline for the 2012 farm bill, but it's the best information we have now.

The House Ag committee's projected ten year budget is \$924 billion. As you can see from the graph, about \$700 billion of the total over ten years is for nutrition, almost all of that for food stamps. Commodity programs are about \$64 billion over ten years.

And note that it wasn't that long ago where commodity program spending would have been projected to be \$135 to \$140 billion. And of the \$64 billion for commodity programs, about \$50 billion is for direct payments. Crop insurance on the original CBO baseline was \$83 billion. If we take out the \$6 billion from the SRA we're back to \$77 billion. (I wanted to keep this as the original, unadjusted CBO baseline.) And even conservation at \$65 billion is projected to spend more over the next ten years than commodity programs. So commodity program costs have certainly come down a great deal from what we used to see and conservation and crop insurance have gone up.

Willie Sutton, the famous bank robber – and I'm sure most of you know this story – but when he was asked why he robbed banks, he said, "Because that's where the money is." And so as we look at our current Ag Committee baseline, this is where the money is. Most of it is in nutrition, and at much smaller levels, commodity program direct payments, crop insurance and conservation. The other House Ag Committee that I'm showing here at \$16 billion partially reflects the 37 programs I mentioned that don't have baselines.

My final slide looks at which baseline will be CBO's farm bill scoring baseline. CBO does January, March and August baselines, but the March baseline is always the one that counts. And so that March baseline is used to score legislation for a whole year; this year's March baseline is used until next year's March baseline is released. Now, that doesn't mean that levels in the March baseline doesn't change during the year, because CBO updates the levels throughout the year as new laws are enacted or significant changes from USDA/OMB administrative actions (like the SRA changes that I mentioned) occur.

So the March 2012 CBO baseline will be the scoring baseline for a farm bill developed in 2012. How will it differ from the baseline we just talked about? I have no idea. I know it will be different, but in terms of how it will be different, whether it will be more, less, the same – well, it won't be the same—but whether it's more or less, I have no idea—even after six years at CBO and over 20 years of working on ag budgets. Thank you very much.

MR. MCLEOD: Thanks, Craig. As usual, that was a very helpful presentation, because without understanding what resources the Congress is going to have to do a farm bill, it's very hard to understand what kind of farm bill we might end up with, and thanks for your lucid presentation.

Our third panelist is Dan Morgan, who is now an independent journalist. He formerly was a reporter for the *Washington Post*, and back when I was a staffer on the Senate Ag Committee, we used to always look with trepidation what Dan would say about us because the *Washington Post* was not always a great supporter of the farm programs – and that's an understatement – but we always respected Dan and valued his judgment on things, and usually his stories were pretty good, and they were always well researched and accurate.

He still is an independent journalist and writes for numerous publications. And if you're still reading, interested in reading what Dan writes, the best place to go – the easiest place to go is FarmPolicy.com, which is a newsletter that comes to you every morning that's sponsored by the law firm, but it's done by Keith Good, who is a former colleague of Dan's, and because he has high respect for Dan, as do I, he's always good about picking up anything that Dan might write on agriculture.

But for a little more background on Dan, like a lot of the rest of us, he's into agriculture because he grew up on a farm. In his case, it was a dairy farm in New York and a dairy farm in Maryland – Upstate New York, of course – and in Maryland. And he tells me that his dad's cows had the highest cream content in the county. And that was back when having a high cream content was considered a good thing, unlike today, I guess. And another thing that I should point out about Dan is that he wrote a very good book in 1979 that I still have, *The Merchants of Grain*, which described the arcane world of the grain trade. But Dan, we're delighted to have you and look forward to what you have to share with us. Thanks.

MR. DAN MORGAN: Well, thank you very much, Mike. It's a pleasure to be here. Thanks for having an ink-stained wretch to complement your excellent, distinguished panel. The ag committees have some tremendous challenges ahead of them, but I think perhaps one of the biggest is finding out how to get along [without] Bill O'Conner, who was such a stalwart staffer on that committee, and with an institutional memory and enormous understanding of the programs.

Fortunately, they still have Craig, Craig Jagger, who is the budget man. I know if anybody can figure out a way to get enough money to promote a farm bill or to produce a farm bill, it's going to be Craig. He knows where the money is buried, not the bodies. But Craig, I just have one piece of advice for you, which is when you go home tonight and read a fairy tale to your little girl, please don't make it about the budget.

MR. JAGGER: Advice taken.

MR. MORGAN: I would strongly suggest *Good Night Moon*. She won't have nightmares.

MR. JAGGER: It's a good book. Yes, thank you.

MR. MORGAN: Anyway, let me talk a little bit about some observations about the election from sort of a journalistic perspective, and because I don't have a boss and I don't have clients, I can speak a little more frankly. I guess my overriding thought about this is that we really don't know where all this is going. We're in really uncharted waters, I think, after this, what Bill rightly calls an electoral tsunami. This is a different bunch of people from what we're used to dealing with here in Washington. We'll soon find out a lot more about them.

Yes, 2012, when they do take up the new farm bill, is going to be an election year. And how often it happens that farm bills come up in years divisible by four, which

means that every candidate for President is going to have to take a position on ethanol and every other farm issue in Iowa, going into the early primaries. On the other hand, again, I think the group that is coming in, the 83 freshmen, really an unknown bunch.

And I kind of see this movement which has dominated politics for the last year and a half, I sort of think of it as an angry dog. It's wounded and angry, and you kind of don't know who it's going to turn on next. And there's certainly a chance that the next person it bites could be the farm programs and agriculture. This is a movement which is inspired by the desire to cut spending. Agriculture may be a possible target.

Bob Stallman of the Farm Bureau calls the loss of dozens of blue dog Democrats in this last election as creating a huge hole, and I would tend to agree with that. I think a lot of these people fit into the category of what I call the "agricrats." They were Democrats who nevertheless felt that agriculture was one of their main reasons for being in Congress, and they took the agriculture's side in issues even when it meant going up against the political leadership, which happened in the House last year in votes like the cap and trade bill.

So the Farm Bureau plans to spend a lot of the next few months educating the new GOP members. And I guess the question I have is can they be educated? Are the gung-ho Tea Partiers going to sit still and see the blender tax credit for ethanol, which comes to about \$6 billion a year, are they going to allow that to be extended? Will rabid free-traders like Bob Portman, the new senator from Indiana, will he want to continue the ethanol tariff? Are the Tea Partiers going to want to keep paying Brazilian cotton interests so we can go on subsidizing U.S. cotton farmers?

And this is an important question, will the new chairman of the Budget Committee, Congressman Ryan, who is a true blue advocate of spending cuts, is he going to be helpful to the agricultural community as they draw up new budgets, or is he going to be rather unsympathetic and propose spending cuts? That will apply not only in the Budget Committee's draft budget resolutions and budget reconciliation, which Craig has talked about, but also in how much money they decide to allot the appropriations committees as they draw up their annual spending bills.

This is going to be very significant because the appropriation committees will be very important and very soon in deciding not only on the future of a lot of the environmental legislation, which the farm community doesn't like, but also on some of the programs that the farm community does like. If they get a bad cut from the budget committees, there may have to be severe cuts in discretionary spending. Some of that could come out of favored programs in agriculture. I know the conventional wisdom is that the rural members always come around to supporting agriculture and farmers.

That certainly has been true in the past, although even in 1996 you had significant changes in farm programs, as everyone knows, in the Freedom to Farm bill, which did away with acreage controls on most crops, and it completely terminated, at least for the time being, the counter-cyclical program, so it was pretty radical for that time,

and a lot of that was because Gingrich, Boehner, and a lot of the newcomers in the House wanted to make big changes. And that could well be the case this year.

But I do think that this year is very different, in many ways, from 1995. The Republicans took the House then based on a top-down strategy devised by Newt Gingrich. The Republicans took the House this time based on the energy of a grassroots movement that was, in many ways, a reaction against the GOP leadership and its spending, and the winners owe very little to House leaders and a great deal to money raised by outsiders. Boehner really owes his speakership, it seems to me, to outsiders, rather than outsiders owing their election to the speaker. And that, I think, is going to change the dynamic.

The other thing I would say is that personalities matter. The likely new chairman, Congressman Lucas, I think is going to be a different kind of House Agriculture Committee chairman than Collin Peterson. Both of these men are strong supporters of agriculture, they're products of agricultural districts, large ones, large rural ones where program crops are the mainstay. But Peterson was an unusually strong chairman who worked extraordinarily long hours. He had a detailed knowledge of farm programs, but perhaps more important, he had an extraordinarily close relationship with Speaker Pelosi, and she more or less toed the line for him, and he was able to do things, I think, because of that relationship which enabled him to produce the 2008 Farm Bill.

Now, Mr. Lucas is a fine legislator, but he was chosen in part because there was unhappiness over his predecessor's bipartisan approach to the 2008 Farm Bill, and Mr. Lucas so far has been a more partisan man for a more partisan era. So you wonder whether this will stand him in good stead when he negotiates a new farm bill with the Senate Democrats at some point.

There's also the significance of the reelection of Ron Kind, who's a reformer. He wants to totally do away with the current subsidy system and replace it. So I think the tea leaves don't necessarily bode entirely good for the continuation of the farm programs as we've known them.

A word about the Senate. The Democrats have a very hostile, bad environment there for the 2012 election. And I think this is going to have a lot of impact on the way they respond to things that the House Republicans do and how they respond to the legislation that is sent to them. Probably the best example I can think of that is how they will respond when the Republicans in the House decide to de-fund or block somehow the EPA from regulating and providing permits to large emitters of carbon, which is something that they're well on their way to doing. To bring that up, supporters of that in the Senate will need 60 votes. And I don't think it's entirely impossible they could get them. There's a lot of Democrats in farm states who don't like the EPA and don't like what they're doing and are facing very tough elections.

Immediate casualties of this election. Well, I think one that jumps to mind is Chairman Peterson's signature legislative proposal to ease trade and travel with Cuba.

It seems that's probably dead unless something happens in the lame duck session. The new chairman of the House International Affairs Committee is going to be a Cuban-American who doesn't like this legislation. And Jerry Moran, who was a Republican ally of Chairman Peterson in pushing that legislation, has moved on to the Senate.

Relations with the Administration, I think they'll get a lot worse. The GOP has painted Obama as an enemy of agriculture, never mind the fact that he has strongly supported ethanol development, never mind the fact that he twice voted to override President Bush's veto of the 2008 Farm Bill, and that Secretary Vilsack has offered up some pretty interesting ideas about how to shore up the economies of rural America, but they have not been greeted well by particularly Chairman Lucas, who has described the Vilsack initiatives as an attempt to turn rural America into a bedroom community by emphasizing things like broadband and biofuels at the expense of traditional farm programs.

So Chairman Lucas has promised that he will fight for every dollar in the new farm bill, and build on a 2008 bill which basically left things unchanged, but we will see. We'll see about the future of the safety net that exists now, which frankly seems to me, as an outside journalist, as kind of a mess. Peterson himself had proposed substantial reforms. Those initiatives are going to be dead, I would say. He wants to rationalize a system which is, in a sense, a very confusing kind of Rube Goldberg creation. It mixes private crop insurance with public programs that have built on over the years and sometimes are overlapping.

One key issue will be the future of direct payments, which Chairman Lucas strongly supports. It's a \$5 billion item in the annual budget. He made some comments about them election night that struck me as a little bit strange. He said, first of all, that direct payments were, and I quote, "One of the biggest issues that I hope has been decided by this election," unquote. I doubt that it was decided by the election.

The Democrats, after all, barely touched direct payments in the 2008 Farm Bill, except for a very, very small cut. The other point that the future chairman made in support of direct payments was, and again I quote, "I believe you have to have a farm bill that will work in all the U.S.," unquote, and won't be subject to weather, rainfall, etc. But of course direct payments in fact are not universal in agriculture. They provide nothing for fruit and vegetables or for ranchers or the livestock sector.

To come back to appropriations, I really think this is going to be the center of action for agriculture over the next year. Partly it will be looking at de-funding, I think. The Republicans I think will want to de-fund a number of, or prevent progress on or slow down a number of environmental issues which were undertaken by the Obama Administration's EPA.

These include, as I mentioned, the controls on carbon emissions by large sources such as utilities and refiners, but also, I think – and this is a top priority for the Farm Bureau – blocking or slowing down the recently proposed requirements for a permit

for point source discharges of pesticides. This is a very high priority. And along with that, there are other areas – the pesticide, spray and dust drift rules, which are being promoted by EPA, which Republicans strongly dislike, and the Chesapeake Bay initiative to require total maximum daily load process for controlling pollutants in the bay.

I should have mentioned earlier also in the environmental area that another area that it seems to me is – another thing that happened which was kind of important was the defeat of Jim Oberstar, who has long been sort of associated with expanding the reach of the Clean Water Act. His legislation would have restored EPA's regulatory authority to all waters rather than those that were navigable following Supreme Court decisions in 2001 and 2006. And this has been cited repeatedly as overreach by Congress in an era of encroaching government. So I think that that's probably dead. It's hard to see how Republicans are going to support that.

But again, I think it's an area of conflict because there's a lot of push back on a lot of these things. Many of these initiatives were begun under the Bush and even Clinton era. There have been hearings that go way back. In the case of expanding the reach of the Clean Water Act, hunting and sportsman's groups have been strongly supportive, even though the Farm Bureau is opposed.

Finally, a couple of other areas, just quickly. The food stamp program has never been popular with Republicans. There was an effort by Congressman Neugebauer in the last debate on the last farm bill not to index benefits in food stamps to inflation. That failed, but I think it expressed the sentiment of a lot of Republicans.

So the question is, will the GOP and the House begin looking at food stamps as a possible source of funds to, A, cut the deficit, reduce spending, and B, fund things like farm bill programs that they like a lot better than food stamps. And they could do that simply by voting to change the eligibility standards. I think it would be a heavy lift in the Senate because these programs are very popular there, but it will be an interesting area to watch.

Finally, on trade and aid, it seems to me that there's going to be a lot more, and they've said so, interest in, perhaps with Obama, in getting the trade treaties with Colombia, South Korea and the third one is Panama, to get those ratified and get them through. I think that could well happen. And on aid, I don't think the Republicans are particularly well disposed to pouring a lot of money into Africa to help farmers grow food that we could sell them. But we'll see about that. So I just don't know where that's going, but I think that's another area that this election could make a difference. So that's pretty much it, Mike. I appreciate the opportunity to contribute.

MR. MCLEOD: Thank you very much, Dan. That was very instructive, and I'm glad you brought in the aspect of the Appropriations Committee. And if you'll just stay seated or come around here, Craig, and we'll ask the panel a few questions. And Dan, I think the Appropriations Committees, which you've covered, obviously, for

many years in your service of the *Washington Post*, and have a lot of knowledge, I think they will be a main forum for action in this next Congress.

As far as questions, we have had a lot of interest on how the dynamic of the House Agriculture Committee will change under transition to a Republican Congress, and the concerns have focused on the fact that Mr. Boehner, who a lot of us know well and like, has never been a real fan of farm programs. And yet he knows that a lot of the large margin that he now will enjoy in the Congress results from the fact that the Democrats lost so many members of the House Agriculture Committee to Republicans. So he's going to have to be mindful that a lot of the swing state seats that the Republicans picked up are going to have to be sensitive to rural issues.

And also the thing that worries a lot of people is many of the Tea Party members will want to cut all spending, including farm spending. So I wonder, and I'd like to get Bill's reaction as well as yours to this – we'll give Craig a pass, because he is a committee staff member, he probably won't want to get involved in this – but doesn't this mean that Mr. Lucas and Mr. Peterson will have to work closely together to muster a bipartisan majority for any kind of a farm bill that might get passed?

MR. O'CONNOR: Yeah, that's probably true, which is not an uncommon occurrence. It's happened that way before. I think that basically everyone is going to have to spend some time taking the temperature of both the caucuses, the Republican conference and the Democratic caucus. The Democratic caucus has changed almost as much as the Republican conference, while getting smaller. That's smaller to the left, hard left. And the Republican conference got larger pretty hard to the right, at least we think so.

Now, whether the people who come in from rural areas who had Tea Party support simply had Tea Party support or they are hardcore believers in big reductions in spending in all areas, with no exception, I don't know that, and I don't think anyone knows that. There are definitely individual people that are like that, but do they represent all the people with Tea Party support? I suspect not, but I don't know.

In any case, it's probably true, and both Chairman Lucas and Ranking Member Peterson, when they take over those roles, are going to have to talk to their leadership. What Pelosi did when they were in the majority is not necessarily what she will do in the minority in relation to the farm bill. The same way Mr. [Boehner] has objected to farm programs in the past, but we don't know what he will do as Speaker. He might very well find that it's a wise thing to do to make sure to support his members in recrafting the programs rather than trying to stop the farm programs. Don't know yet. That's one of the things we have yet to learn about this change.

MR. MORGAN: I agree with Bill. I just think that this is a very different situation than we've ever seen before in terms of ideology is so powerful right now. It was strong in 1995, to some extent, but it just...we're in a different level of passion. And also, you have Republican leadership committed to not making the mistakes they made before. And the biggest mistake they made, in the view of a lot of the voters, was not

to cut spending, and not to deal with the deficit. And so I think that they feel their feet are to the fire. This may be a good moment to make some changes in key farm programs because prices are good. And most of the subsidies that farmers have clung to over the years are really not operative now, other than the direct payments.

MR. O'CONNOR: That brings up a really good point, and that is that I did five – God help me, I did five farm bills, and every single one of them turned out to miss the mark. Every one of them was planned to address a problem. They never did, because the circumstances changed so quickly that, for example, in 1995 when we did what turned out to be the 1996 bill, when we did that bill, it was predicated on high prices, because that's what we had in front of us was high prices.

[Freedom to Farm] concept wasn't given a chance to work because we were expecting to have transition payments in a fairly high price scenario that allowed farmers to pay down their debt and make the transition to not needing [traditional] farm programs. So what's the very first thing that happened? Prices dropped by [50%] and stayed there. That's the very first thing that happened. So then we turn around and we write the [2002] Farm Bill to correct that problem, and what happens? Prices go up. I mean, basically the farm bills can never catch the economic reality on the ground, and if we write a farm bill based on high prices, it seems almost guaranteed prices will drop [dramatically].

MR. MCLEOD: A follow-up question. We've had a couple of questions just come in on dairy policy. As you know, there's been a lot of talk of monumental changes to the dairy policy. What do you think is going to happen or can happen there under the current scenario?

MR. O'CONNOR: Well, the problem is the monumental changes that I'm aware of are all based on spending more money, and I don't know how you do that without taking it from someone in Craig's scenario. If it's not a zero sum game, it's very close to a zero sum game. And I don't know where that kind of money's going to come from. I think some opportunities for reform that might produce a better policy, but you have to put some money into it to get to the better policy may go begging because there's no money to put into it.

MR. MCLEOD: To switch to another subject where there have been questions, derivatives, the implementation of the Dodd-Frank Bill. And a couple of you spoke to that. There has been different reactions from [two different committees]. If one assumes that Mr. Bachus is going to be chairman of the Financial Services Committee, I've seen a statement by him saying that he wanted to undo a lot of the legislation. I have not heard that from Mr. Lucas for the Ag Committee's part of the Dodd-Frank Bill, and as we know, there was a genuine attempt to get a bill that was not partisan. Bill, you were heavily engaged and in the middle of all those negotiations. What would you think would be Chairman Lucas's interest in the Dodd-Frank Bill? Would he be less disposed to try to change the law?

MR. O'CONNOR: Well, interestingly enough, he sits on both committees with jurisdiction, and he sits on the Financial Services Committee. I think he's No. 5 there. And he sits as now No. 1 on the Ag Committee. Now, Ag Committee has exclusive jurisdiction over derivatives, so really any changes in Title 7 should be done by the Ag Committee. I think that what you might see is that there is less disturbance over the legislative language in Title 7, although it would be a stretch to say that Republicans were happy with what it's done, because a lot of things happened at the last minute. But there's less disturbance over Title 7 than there is over the other titles.

And that's crystal clear in the case of a man like Mr. Lucas, who did all the titles between these two committees. He's much more unhappy, and I would guess Mr. Neugebauer, who did the same thing, is much more unhappy about creating a new consumer agency than he is about what is in Title 7. That's one of the reasons I believe that Title 7 derivatives refinements, not repeal, may be used to solve problems. It's possible [closer] that the bill language is okay if the regulators fix it the way it ought to be fixed [with the flexibility they have]. There seems to be some serious doubt if they're going to do that.

And those are the kind of refinements you may end up with is hemming them in to a particular interpretation of the law as it exists that is not that far off from where it sits right now. So it's not a complete rewrite, it's not a rejection, it's not a repeal, it's not getting rid of the authorities in the agency. Boy, you couldn't do that. Well, I don't think that's what people [will] talk about. They're going to talk about refinements.

MR. MCLEOD: To switch to another subject that a question has come in on, estate taxes. That's a great worry to a lot of people, particularly family farmers. You don't have to be anything bigger than a farmer who is big enough to be a commercial farmer that can survive in today's economy to have a problem with estate tax if it reverts back to the old law.

MR. O'CONNOR: Even if it reverts to some of the compromises.

MR. MCLEOD: Yeah, so what do you see happening – any of you three panelists – what do you see happening on that?

[MR. O'CONNOR]: I mean, basically, there's probably going to be some kind of a compromise. The Democrats have indicated that they want to compromise. Whether the compromise is going to be acceptable to people subject to that tax, I don't know, because you've got this other problem that Craig was talking to us about in the budget. And when we're talking about fixing the tax problem or the Bush era tax cuts, you're talking about the death tax, which is part of that.

[MR. MORGAN:] But again, this is a good example of what a lousy way we sometimes do business. Creating these gimmicks to have things expire in eight years or three years or four years, knowing full well that you're going to have to face the music four years from now. And that's what's happened is that a lot of the things that

happened in the Bush Administration are expiring and forcing Republicans and Democrats to deal with that.

And you need, it seems to me – again, this is way beyond the topic we have here – that there needs to be some sort of universal fix about our tax system. And, I mean, I hope what would happen is that let's extend the estate tax, extend all these things in the lame duck session, extend them for, I don't know, six months or a year, and then let's sit down and have a real discussion about what kind of a government we want and how we're going to fund it.

MR. O'CONNOR: If you're going to do that, it's going to be more than a year.

MR. MORGAN: I mean, start the conversation. The problem is you're so focused on things like do we extend the estate tax from 3 million to 5 million. This is really not the big picture that we're facing.

MR. O'CONNOR: And there's a lot of other things. I mean, the alternative minimum tax has become like a...it looks like a gerbil. We're never going to let it happen, and yet we can never afford to fix it, so we run around on the wheel for a year, we come back, and here it is, it's worse than it was the last time, we're still never going to let it happen. We write the budget rules, fix it for a year, go back on the wheel, run around in circles. Somehow these things need to be resolved, even if it means biting down one time and saying tear up the budget for one afternoon, we're getting rid of the alternative minimum tax. But they haven't done that, and as long as they don't, the sort of budget picture out in front of you is just like a nightmare that's covered up with things like little bitty fixes and things like that.

MR. MORGAN: And timing shifts and...

MR. MCLEOD: And I don't know how much we want to get into tax policy here because I don't think anybody here is a tax lawyer. We just had another question come in. What about a national sales tax as a permanent way to fix this problem, and how would that work?

MR. O'CONNOR: There's no way to fix this problem with a national sales tax. I mean, it's just another way to get money. Are you going to get rid of the income tax? If you're not, you're not going to have the votes for the national sales tax.

MR. MCLEOD: In other words you'd have to pass a Constitutional amendment to [ban] and income tax.

MR. O'CONNOR: I think so. In order to get a lot of people to vote for it, because they would just assume it would look like Europe – [big VAT] plus a big income tax.

MR. MCLEOD: I understand. On trade, Dan touched on something. I'll bring Rick Pasco, who is our trade expert. There was a marked lack of interest in trade agreements in the previous months of the Obama Administration, and now the President is over in the Pacific, visited India and Indonesia and he's going to visit

Korea for the G 20 summit. Do you think – and I'll pitch this to Rick and to Dan – do you think that the President might do something dramatic like announce that we are finalizing the U.S.-Korea free trade agreement, and what do you think are the prospects for President Obama being much more aggressive and much more interested in trying to move the ball in trade liberalization in his next two years?

MR. RICK PASCO: Yes, if you go back to the State of the Union address in February, the President talked about a national export initiative to double trade within a five year period. On the agriculture side we've had some success in increasing imports over the last couple years, but the reality is when he goes to Korea tomorrow and the next day, I think he has to announce some sort of agreement with Korea, at least in principle, to get additional market access for U.S. agriculture, and not just in the Korean market. He needs to send the Colombia and Panama trade agreements to Congress to be voted on. If he's really sincere about this national export initiative, he's going to have to go ahead and be pretty aggressive and positive in advancing pending FTAs.

MR. MORGAN: Yeah, I think, I mean, I think his main problem the first two years was with the House Democrats. What's more protectionist than their outlook and so on? Not to say that...well, again, we don't know about the Tea Party. Are they going to come down for saying that let's not let crops go out of the country? There's a nationalist element in the Tea Party which we don't know how strong it's going to be and how much it will surface vis-à-vis kind of the more libertarian free trade element, so we don't know that.

But I think Obama has got something to work with here in pushing for these agreements. And also perhaps Doha. Given the fact that the cotton... Cotton is doing very, very well right now, and so a lot of the concerns that existed in cotton at the time of Doha and really were an impediment to getting the U.S. to finally sign off on something, are less pressing now. And I think there is an opportunity there for cotton to come along with the Doha round agreement in terms of limits on farm subsidies, which is... So I think there's quite a number of areas that he could do something on.

MR. O'CONNER: And the advantage that he has is it's someplace he might actually be able to do something. He could actually reach a compromise without having to back off from anyplace he's been because he never really had a position on trade. Nothing – it's just that nothing happened. The Democrats in the House have been removed. The Democrats in the Senate have always been more willing to talk about trade. And he has a place that he can go where he's never taken an opposite position.

MR. MCLEOD: We just had a question come in. I'll paraphrase it. Since the nutrition programs take up most of the ag budget, about 75%, why don't we just separate the nutrition programs [from the] farm programs and pass the farm bill separately?

MR. MORGAN: Well, I'm going to look at my notes from Mr. Stallman a couple of days ago, the President of the American Farm Bureau. He says he likes it the way it

is. This is my interpretation of that. It provides a coalition for the farm bill. And that's always the way it's been, and it's always been dicey because Republicans are much more skeptical of food stamps, although they do like food banks, even though they get a lot of federal funding, too. So I think that that is a complete non-starter. It's never going to be [decoupled].

[MR. O'CONNOR]: However, it should be pointed out that when this whole marriage started, farm bills got food stamps to help pass food stamps, and now it's completely the other way around. And the problem is one of these days the food stamp guys are going to realize they don't need the farm bill at all and they'll be able to pass food stamps. The farm guys need to get ready for that day.

MR. MCLEOD: And we have been trying. Over 30 years ago, when I worked for Herman Talmadge of the Senate Agriculture Committee, that was what he always said. He said there are less and less farmers every year and not enough of us to pass a farm bill. He said most of the congressman don't even have a farmer in their district, a real farmer, and unless we get the support of the urban people for the food stamps and nutrition programs, we won't be able to pass the farm bill. And he recognized that 35 years ago, so we've moved in that direction ever since. I'm not sure we could pass a farm bill as a stand-alone bill.

[MR. O'CONNOR:] But the nutrition folks can. The nutrition bill can pass.

MR. MCLEOD: But they can, you're right. They can.

[MR. O'CONNOR]: And that, I think, is a change. That's an evolution that's happened over time, and they've been in that place for about the last eight or nine years. And it's sort of one of those things nobody talks about it, but it's there. It's been there for a long time.

MR. MCLEOD: Right. I don't think we have any other questions. I think that about wraps it up. I want to compliment the panel because we got through both the presentations, which were excellent, and the questions on time, and I thank you for coming. And we had good participation of the people signing up. But for those who did not, or for somebody who wants to see a copy of this, we're making a recording and it will be available on a link on Keith Good's service, FarmPolicy.com. I think most of you who have signed up already take that. If you do not get it, just email us at llorenz@mwmlaw.com and we will put you on the list because it is the best summation of all the farm-related news every day, and you can get it in one place. So with that I will thank you, and this concludes our webinar.