

## HOW POLICY DECISIONS ARE MADE IN U.S. AGRICULTURE

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### INTRODUCTION

Understanding the U.S. policy process provides substantial insight into the origin of trade disputes, how they play out in a time dimension, and their resolution. Moreover, the nature and substance of future disputes are a direct product of the policy process.

This paper concentrates on the two major elements of the policy process—the legislative and executive branches of government as they develop the 1995 Farm Bill. It places relatively less emphasis on the process of dispute resolution embodied in domestic and international judicial systems including the related institutions of the U.S. International Trade Commission (ITC), the Canadian-U.S. Trade Agreement (CUSTA), North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT). While these international institutions are important, the origin of disputes tends to lie in pressures exerted on the legislative and executive branches which may eventually play out in the international dispute resolution process. For example, the interaction of the Export Enhancement Program (EEP) with the Conservation Reserve Program (CRP) is frequently cited as an important contributing factor to the 1994 wheat import dispute. To the extent that this is the case, the origin of the dispute lies in the political processes that developed the 1985 and the 1990 Farm Bills through which these programs were conceived and enacted into law.

### THE ENACTMENT OF LEGISLATION

The Farm Bill is developed by the United States Congress. To be enacted into law, the Bill must receive a majority vote in both the House of Representatives and the Senate. To a degree, these bodies operate and develop farm bill provisions independently. Differences between the bills passed by House and Senate are ironed out in a conference committee.

Securing the votes needed to enact a farm bill is becoming increasingly difficult—particularly in the House of Representatives. The House contains 435 representatives from

congressional districts apportioned on the basis of population. Reapportionment occurs with every census, the last of which was in 1990.

As farm and rural population has declined, the number of congresspersons having a rural constituency has correspondingly decreased. After the 1990 reapportionment, most authorities indicate that only 50 congresspersons have sufficient rural constituency for their vote to be significantly influenced by the effects of farm interest groups. Some of the major states impacted by agriculture have only one congressperson. Included are Alaska, Montana, North Dakota, South Dakota, Vermont and Wyoming—all of which would be expected to have a particularly strong interest in Canadian-U.S. issues.

It takes 218 votes for a farm bill to pass in the House of Representatives. If only 50 votes can be counted on as being farmer-oriented, 168 additional votes must be garnered to vote for the bill either because they see a basic national interest in supporting agriculture, because they have a direct interest in some specific provision or title of the farm bill, or because rural congresspersons trade votes to support other legislation of primary interest to representatives having an urban or suburban constituency.

It is because of the lack of sufficient votes to enact a farm program that concentrates solely on farming that the Farm Bill is omnibus. Therefore, it contains a broad range of titles relating trade, nutrition programs (food stamps) and the environment in addition to farm programs. By this means, it is hoped that a sufficiently broad constituency (coalition) can be developed to secure the requisite 218 votes. To date, this has been a successful strategy. More will be said about this issue when the composition of farm bill interest groups is discussed.

Agriculture tends to have more influence in the Senate, where each state has two senators and thus two votes, than in the House. Every state has some significant amount of agriculture, while every congressional district does not. For example, both California senators have to be concerned about the economic well-being of its agriculture (the largest state in terms of the value of farm sales). However, there are at most 9 California congresspersons who would be considered to be agriculture-oriented out of 52. Therefore, it tends to be easier to enact a farm bill in the Senate than in the House. Perhaps for this reason, the Senate to a degree, tends to defer to the House in farm bill development. That is, the Senate tends to wait until the House bill has taken shape before it crafts its bill in order to make sure that it has legislation that can be enacted. This also prevents the two bills from being dramatically different.

### **Committee Action**

The Farm Bill is drafted in the agriculture committees. Drafting begins in the subcommittees, which are considerably more important in the House than in the Senate. At one time, the subcommittees were organized along commodity lines. This organizational structure created what was often referred to as an "iron triangle" among the commodity farm organizations such as the National Association of Wheat Growers (NAWG), the related wheat program implementing division of the Farm Service Agency (FSA), and the congressional wheat subcommittee.

The ground rules for farm bill development will be laid down by the agriculture committee chairs—Senator Lugar (IN) and Congressman Roberts (KS). Austerity measures have forced reductions in the number of subcommittees. As a result, the number of subcommittees responsible for drafting the main farm program provisions (direct producer subsidies) has dwindled to two on the House side (the Commodities Subcommittee and the Livestock Subcommittee) and one on the Senate side (the Production and Competitiveness Subcommittee). Table 1 provides a listing of the subcommittees in the 104th Congress, the subcommittee chair, and the major home state interests, by commodity, of the subcommittee chair. The interests of the subcommittee chair are important because it will likely have an influence on priorities as the 1995 Farm Bill is drafted. When the Republican party majority was elected, a whole new set of Republicans took over the leadership of the Congress. Therefore, the names of the subcommittee chairs may be new. The subcommittees are relatively less important in the Senate than in the House. This is because the Senate agriculture committee, composed of 17 members, tends to do more/most of its business in full committee.

**Table 1. Agricultural Committee Structure, Leadership, and Major Constituent Interests, 104th Congress.**

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■	House
√	Commodities: Barrett, Chair: NB: Corn, wheat, soybeans, cattle
√	Livestock: Gunderson, Chair: WI: Dairy
√	Specialty Crops, Insurance: Ewing, Chair: IL: Corn, soybeans, hogs
√	Nutrition, Foreign Agriculture: Emerson, Chair: MO: Rice, corn, soybeans
√	Conservation, Research: Allard, Chair: CO: Wheat, beef, corn
■	Senate
√	Production and Competitiveness: Cochran, Chair: MS: Rice, cotton, soybeans
√	Marketing, Inspection, Promotion: Helms, Chair: NC: Tobacco, peanuts
√	Conservation, Rural Development: Craig, Chair: ID: Cattle, forestry, sugar, dairy
√	Research, Nutrition: McConnell, Chair: KY: Dairy, tobacco

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Not to minimize the importance of other committee members, Senators Lugar and Cochran (for reasons explained later) are the key members of the Senate Agriculture

Committee. Senator Lugar is a key because he is Committee Chair. Being from Indiana, his primary constituency interests have been corn, soybeans and trade. Historically, he has been one of the leading "free traders" in the Congress. In the initial stages of 1995 Farm Bill development, Senator Lugar came off as a person who desired to get rid of farm subsidies. However, in an early budget committee hearing on the Farm Bill, Senator Lugar surprised many by proposing a 15 percent cut in the level of target price—3 percent per year. This more modest position could have been influenced by his decision to become a presidential candidate.

Before leaving the Senate side, it would be a mistake not to mention Senator Dole as a key actor in farm bill development. As majority leader of the Senate, a member of its Agriculture Committee, and being from the largest wheat producing state (KS), Dole has always had a strong interest in farm bill development. Historically, he has not been as strong a free trader as Lugar. Dole can be looked upon more as a tough and seasoned political negotiator—domestically and internationally. Both Lugar and Dole would consider themselves experts in trade and foreign relations.

On the House side, Congressman Roberts is the key actor as Chairman of its 47 member Agriculture Committee. Roberts' district covers much of rural Kansas—certainly most of the wheat growing areas of Kansas. Since wheat is often considered to be a farm program dependent commodity (along with cotton, rice, sugar and peanuts), Roberts will need to be seen by his wheat producer constituents as delivering favorable farm program provisions for them. This, perhaps, is more the case for Roberts than for any other Congressperson. As a result of this position, Roberts can be expected to exercise substantial control over the writing of the 1995 Farm Bill.

The chairman's control is most apparent in the so-called markup process. In markup, the full committee makes the crucial decisions on acceptance/rejection of specific farm bill provisions, including its exact verbiage.

An additional House consideration in the drafting of the 1995 Farm Bill is the position and interest of the House majority leader, Congressman Arme. In the 1990 Farm Bill debate and in the annual appropriation process that followed, Arme was an active proponent of eliminating farm subsidies. While Arme was unsuccessful in the floor debate on the 1990 Farm Bill, in the appropriations process he knocked out funding for the honey, wool, and mohair programs. Congressman Arme can be expected to wield more political power as majority leader. Chairman Roberts indicates that he has reached an agreement with Congressman Arme that Arme would not become involved in the farm bill debate. However, Arme has an army of followers who could make farm bill development and enactment interesting for Roberts and the rest of the House Agriculture Committee.

### **Budget Process**

The statement is often correctly made that the budget drives the Farm Bill. While true in the past, this statement is even more true in the austere budget balancing environment that pervades the 104th Congress. The budget process is centered in the House and Senate budget committees interacting with the Congressional Budget Office.

This combination produces, with the approval of a majority in both the House and the Senate, a budget resolution. This resolution constrains the level of spending, in that legislation must be reconciled in a manner that falls within the budget resolution.

Shortly after each New Year, the Congress receives the President's budget proposal. This proposal is developed in the Office of Management and Budget (OMB), the largest agency in the Executive Office of the President. In developing the President's budget proposal, OMB receives input from each of the agencies of government, including USDA, regarding their budget needs. Decisions are made in consultation with the President regarding the level of overall spending (size of the deficit) and priorities within the budget. The President's budget plays a more important role in the legislative and appropriations process when the majority in the Congress is of the same party as the President. However, even when they are of different parties, it is generally recognized in the Congress that the budget of the President is developed with substantial OMB expertise on how the agencies of government operate and their resulting needs. The President's budget proposal, therefore, plays an important, but variable, role in the congressional budget and appropriations process.

The budget resolution/reconciliation process plays an important role in farm bill development. It will play an even more important role in the 1995 Farm Bill because of the budget balancing fervor that exists—particularly in the House.

The Agriculture Committees will be required to craft a bill that comes within the budget resolution as developed by the Budget Committees and enacted by the Congress. The Budget Committees work closely with the Congressional Budget Office (CBO). CBO develops a baseline of spending expectations. All proposed policy changes are scored relative to that baseline and to the budget resolution.

## **Appropriation Process**

The Agriculture Committees are referred to as authorizing committees in that they only have the power to authorize expenditures. Monies must then be appropriated to the U.S. Department of Agriculture (USDA) to implement what has been authorized. However, it is not unusual for the agriculture committee to authorize an expenditure in the Farm Bill only to have the appropriation committee decide not to provide monies for its implementation. This particularly has been the case in recent years for farm bill authorizations in the area of environment, sustainable agriculture and rural development.

Both the appropriations and budget committees have lacked control over entitlement expenditures. An entitlement is a program that authorizes expenditures when a person is eligible. Target price subsidies (deficiency payments) are entitlements as are food stamps. USDA frequently has required supplemental appropriations because deficiency payments and food stamp expenditures have exceeded not only appropriated levels but also budget resolution/reconciliation levels. Substantial concern has risen over these excesses. In order to get control of entitlement expenditures, consideration will likely be given to placing an absolute cap on expenditures for some programs. Agriculture could be a prime candidate for such a cap.

Even in the absence of a farm subsidy spending cap, it is likely that authorizations for spending in the 1995 Farm Bill will be watched more closely than has been the case in the past. The budget resolution could be particularly important in setting the level of "big ticket" subsidies such as target price levels and the size of the CRP.

## **ROLE OF THE ADMINISTRATION**

The degree of administration input into farm bill development is to a degree a matter of strategy and depends on the working relationship between the administration and the Congress. If the majority in the Congress is of the same party as the President, substantial administration influence might be anticipated.

One of the initial decisions for any administration in approaching the Farm Bill involves the degree to which it ought to become involved in developing an administration proposal or position. Philosophies differ on farm bill proposal development among administrations and depending on the circumstances. For example, Secretary Butz under Presidents Nixon and Ford did not lay a farm bill proposal on the table because he felt that it would be a "sitting duck" target for the Democrats who held the majority in Congress. On the other hand, Secretary Lyng under President Ford produced a detailed "green book" proposal for a Democrat controlled Congress prior to the 1990 Farm Bill.

The Clinton administration appeared to set up a mechanism to develop a 1995 Farm Bill proposal under Secretary Espy. Preparations stopped when Espy encountered political problems. If Secretary designee Glickman is approved by the end of March 1995, it could be too late for the Clinton administration to put its proposal on the table.

Yet, Secretary Glickman could have substantial impact on 1995 Farm Bill development by virtue of his working relationship with Chairman Roberts and Majority Leader Dole. All three are from Kansas—a delegation that has been known for its close cooperative working relationship.

The Administration has an opportunity to react to farm bill proposals. They testify in hearings and have a representative that sits in on key committee sessions such as the markup process where the committee as a whole makes final adjustments in the provisions and language of the bill. This participation is designed to provide increased assurance that the President will not veto the bill when it is enrolled for signature. Of course, it is with the power of the veto that the President exercises ultimate authority. This absolute power is particularly the case for a farm bill. In the current Congress, the chances of getting the two-thirds majority to override the President's veto is minimal.

Often overlooked is the power held by the administration in the process of implementing a farm bill that has been enacted. Farm bill provisions are often written in general terms that provide latitude for implementation. Congressional recourse for what is deemed to be improperly implemented legislation involves jawboning, often through the holding of oversight hearings.

A brief word about the trade negotiation and dispute resolution process is warranted. It involves a different set of actors than domestic farm policy because foreign policy is the responsibility of the President, and multiple agencies are involved in the implementation of foreign policy. The leaders on agricultural trade issues tend to be the trade representative and the Secretaries of State, Treasury, Agriculture, and Commerce all acting on behalf of the President. Which is most influential depends on the individuals in each position. Some powerful individuals in an historical context included Secretary of State Kissinger and Secretary of the Treasury Bentsen. Trade representative Kantor has proven to be a more potent and effective power in the trade policy arena than many had anticipated. The International Trade Commission is a specialized agency designed to make decisions and recommendations on trade disputes.

## **INTEREST GROUPS**

A key to farm bill development and enactment involves developing a combination of provisions that will garner the requisite 218 votes in the House and 26 votes in the Senate for enactment. Farm organizations, agribusiness organizations, environmental groups and the food lobby are integral components of this required coalition.

### **Farm Organizations**

In the United States, every commodity has its lobbying organization. These commodity organizations are generally recognized as being the most influential in determining the provisions contained in its title of the farm bill. Having said this, the power of commodity groups such as the National Association of Wheat Growers (NAWG) is not as strong as in the past because wheat, corn, cotton, rice, sorghum, barley and oats all operate within the same general framework—target price, loan rate and acreage reduction. Within this framework, equity across commodities is an important concern of the Congress.

Two general farm organizations, the Farm Bureau and Farmers Union, have a long history of farm bill lobbying. The Farm Bureau tends to be tied to the Republican party while the Farmers Union tends to be tied to the Democrats. General farm organizations have tended to be less influential on commodity issues, but generally are well represented in USDA political appointments, thus influencing implementation decisions.

### **Agribusiness**

Agribusiness has much the same organizational structure as farmers with a combination of commodity groups and general cross-commodity organizations. Some of the more politically potent organizations are those that combine farmer and agribusiness interests—these include the National Cotton Council, Rice Federation and National Grain

and Feed Dealers Association. Organizations involving agribusiness tend to have an overwhelming trade orientation. As a result, they are strongly opposed to production controls, government storage and policies that centralize exports, such as marketing boards.

Like general farm organizations, agribusiness has a history of being represented in USDA through the political appointment process. Generally, this is either at the Secretary level (Lyng, Yeutter, Espy) or Undersecretary level (Brunthover, Bell, Crowder). Through such high level appointments, agribusiness is able to exercise considerable influences over administration policy position and implementation decisions.

### **Environment**

The environmental lobby was a key to getting the Farm Bill enacted in 1985 and arguably could have prevented enactment in 1990. In 1985, a coalition of farm organization and environmental interests came to agreement on the central provisions of the Farm Bill through joint support for the establishment of Conservation Reserve Program (CRP).

The role that these same interest groups might play in putting together the 1995 Farm Bill is problematic but still could be decisive in, for example, dealing with the Arney factor.<sup>1</sup> While the environmental lobby is in disarray following the election of an anti-environment Republican majority and have become disenchanted with CRP, alignment with Roberts and Dole on the retention of a strong CRP program could be their only leverage in continuing the sustainability programs initiated in the 1990 Farm Bill.

### **Food Lobby**

The food lobby supports food programs that comprise over half of USDA's budget. Included are food stamps; school lunch; women, infants and children (WIC); meat and poultry inspection; and foreign food aid Public Law 480 (PL 480). All of these programs, except possibly meat and poultry inspection, are targets of budget cuts. This raises some interesting questions regarding the support of food groups for the farm bill. Realizing the importance of their support, Republican agriculture interests put considerable effort into preventing the food stamp and WIC program from becoming part of a proposed block grant welfare reform proposal that would have taken food stamps and WIC out of USDA.

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<sup>1</sup> Editors Note: The author describes the "Arney factor" as the extent to which Congressman Arney (R-Tx) organizes opposition to farm subsidies in House debate on the 1995 Farm Bill.

## CONCLUDING REMARKS

The future configuration and existence of U.S. farm programs is in doubt—perhaps not so much in 1995 but with greater certainty in the year 2000. How the 1995 Farm Bill development and related budget issues play out should provide considerable insight into future prospects for trade disputes and the changing nature of the political process as it relates to agriculture.

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