

White House in stand-off over farm subsidies bill

By Alan Beattie
Financial Times
February 4 2008

The White House is in a tense stand-off with Congress over the bill that will set US farm subsidies for the next five years.

President George W. Bush has threatened to veto the “farm bill” unless provisions he says amount to tax rises are taken out, and a cap on subsidies given to richer farmers is lowered.

The proposed legislation, which increases subsidy limits from their current levels, runs counter to the drive to cut farm support in the struggling, so-called Doha round of global trade talks.

Even if the White House is successful in getting Congress to trim spending, it is unlikely to make US farm programmes consistent with the offer to cut payments that Washington has already made in Doha. The current farm bill has paid out an average of about \$80bn (€54bn, £40.4bn) a year.

Ed Schafer, the new agriculture secretary, said last week that President Bush would “stand hard” on the issue, though he signalled some flexibility over the White House’s proposed \$200,000 income ceiling for farmers receiving federal crop payments. The House version of the bill includes a \$1m cap.

Collin Peterson, the Minnesota Democrat who chairs the House of Representatives agriculture committee, has said failure to agree a bill by the expiry of the current bill on March 15 would mean reverting to a law dating from 1949 that would massively raise support prices for a range of commodities.

A Democratic aide on Capitol Hill said Mr Peterson was working hard with the administration to reach a compromise, perhaps by identifying revenue-raising actions that the White House would not define as tax increases.

Ken Cook, president of the Environmental Working Group, a green campaign, welcomed the White House’s unexpected resistance. “The only thing forcing change is President Bush’s newfound commitment to fiscal discipline and strong objections to giving more money to rich people,” Mr Cook said. “Who knew that would happen?”

Tom Harkin, chairman of the Senate agriculture committee, told reporters last Thursday: “I’m still hopeful reasonable minds will come together, but we may have a bill that we have to send to the White House and let [President Bush] veto, and then will see if we have the votes to override the veto.”

Though the Senate passed its version of the bill with more than the two-thirds majority needed to force it through, some lobbyists doubt that enough Republicans would want to overrule Mr Bush in the event of a veto.

The House and Senate are about to start reconciling their different versions of the bill, which involves juggling the competing demands of an array of different lobbies, from so-called commodity group farmers of crops such as rice, wheat and soybeans, to campaigners for food stamps given to poorer Americans, to environmentalists.

Reformers were dismayed by the draft House and Senate bills, which, they say, have done little to reduce the price supports that encourage overproduction and environmental degradation, and have added only minimal amounts of money for fruits and vegetable farming, which currently receives little support.