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COMMODITY MARKETS COUNCIL

Policy Discussion: Legislative Issues

Agriculture Policy

Conservation Reserve Program

The Administration determined in September 2007 that there would be no penalty-free early releases from the Conservation Reserve Program (CRP). While Acting Secretary Chuck Conner promised to review this decision with every major crop report, the Administration continues to stand behind its September decision. CMC, as the coordinator of the Alliance for Agricultural Growth and Competitiveness (AAGC), continues to push the U.S. Department of Agriculture to reverse this decision.

On January 29, 2008, AAGC sent a letter to the newly-installed Secretary of Agriculture Edward T. Schafer, urging him to review this decision. Forty-five state and national associations showed their support for AAGC's position by signing the letter.

Despite these efforts, CMC does not expect Secretary Schafer to alter the Administration's current position.

Farm Bill

Both chambers of Congress passed a farm bill and now the Food & Energy Security Act of 2007 is in conference negotiations. The battle, however, is not over. House Agriculture Committee Chairman Collin Peterson (D-MN) wants to submit a bill to the White House by mid-February, but the Administration continues to threaten a veto. Peterson expressed his willingness to take on the Administration and force the veto issue, but Senate Agriculture Committee Chairman Tom Harkin (D-IA) does not appear to be as prepared to take up arms.

Key Issues

- Financing – This is the key issue in reconciling the two versions of the farm bill and it will be instrumental in getting it signed by the President. The White House has vocally opposed the funding mechanisms adopted by both the House and Senate.
 - The House measure raises funding by curbing what some call “treaty shopping.” Many US bilateral treaties reduce or eliminate a withholding tax paid by US-chartered subsidiary corporations to their foreign parents. The House bill would foreclose this ability.
 - The Senate bill generates the necessary budget offsets and funding by shifting the timing of farm payments, codifying the economic substance doctrine, providing an optional conservation tax credit in lieu of CRP payments, creates a tax credit for producers of cellulosic alcohol fuel, extends the biodiesel-fuel tax credit to 2010, and reduces the 51-cent ethanol fuel credit beginning in 2009.
- Payment Limits – Neither the House nor the Senate bill meets the Administration's expectations. The White House sought limits of \$200,000, but the House passed \$1 million and the Senate approved \$750,000.
- WTO Compliance – The Senate bill raises loan rates and target prices for several crops and the Administration believes this could cause “enormous” trouble internationally.