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## ASA Policy Brief & Outlook – February 2010

The Administration's proposed FY2011 budget has been released, the State of the Union address has been delivered, and Congress is back in session. However, the outlook for achieving ASA's policy priorities for soybean farmers in 2010 is complicated by political wrangling between Democrats and Republicans as the November mid-term elections approach. Democrats are trying to find some way to pass health care reform and a jobs bill, while trying to address voter concerns about continuing record deficit spending and the federal debt. Republicans are tapping into public discontent over the growth of government as a reason for opposing the Obama Administration's domestic agenda. Against these twin currents, ASA is working to convince Members of Congress to work on more targeted issues on a bipartisan basis, despite their differences over these politically sensitive, national issues.

**Biodiesel** - At the top of ASA's policy priority list is extension of the expired biodiesel tax credit through 2010, and making it retroactive to the first of the year. ASA, NBB, and other supporters are pointing to the loss of over 23,000 jobs in the biodiesel and related industries, as well as the impact on economic activity in rural areas and on achieving national energy security. ASA is pressing Congress and the Administration to enact a "tax extenders" bill as soon as possible. More positively, after extensive interaction with EPA by ASA and state soybean associations, we anticipate that EPA's Final Rule on implementing the RFS-2 biofuels mandate, expected in February, to reinstate soy-based biodiesel's eligibility under RFS-2 based on reduced greenhouse gas emissions. This action could require the use of up to 900 million gallons of biodiesel in 2010. Extension of the biodiesel tax incentive and ensuring soy-based biodiesel eligibility under RFS-2 would restore vital policy support for this key market for soybean farmers.

**Climate Change** - Further action on climate change legislation is widely considered to be off the table in 2010. ASA demonstrated leadership in the agriculture community on climate change by releasing a well-regarded White Paper late last year that raises strong concerns about the impact of higher energy costs on farmers and the amount of productive farmland that could be planted to trees and grass under various "cap and trade" proposals. ASA's white paper identifies specific policy actions that are required before ASA would consider supporting any legislation. As prospects for Congressional action have dimmed, attention is now focused on EPA's announced intention to use the Clean Air Act to regulate greenhouse gas emissions. ASA is working with other agriculture organizations to support Resolutions in the Senate and House which would prevent EPA action.

**Budget Cuts** - Concerns with deficit spending are expected to dominate the Congressional agenda in 2010. The President's Budget for FY-2011, released on February 1, would spend \$3.8 trillion next year and result in a deficit of \$1.6 trillion. The Administration's proposal would freeze discretionary spending on "non-essential" domestic programs at last year's levels, and shift agriculture funding from crop insurance and farm programs to nutrition and research. ASA issued a press release opposing proposals that would reduce outlays under crop insurance, reduce caps on eligibility under farm programs, reopen the 2008 Farm Bill, or cut export promotion programs.

**2012 Farm Bill** - The House Agriculture Committee has announced that it will begin hearings on the 2012 Farm Bill in March. Chairman Collin Peterson has stated that, due to the reduced CBO Budget Baseline for agriculture spending resulting from lower outlays in recent years, the Committee will focus its review on revenue-based proposals, including crop insurance. ASA will be developing initial positions on the 2012 Farm Bill in advance of the hearings.

**Competition Issues in Agriculture** - Interest in competition in the agriculture sector has been focused by announcement of a review by the Department of Justice (DOJ) and USDA last August. ASA submitted comments, including general principles about competition in the seed, rail, and fertilizer industries, at the end of December, and will be represented at the first of five DOJ/USDA Workshops on March 12 in Iowa. ASA has also sent a survey to its producer members asking their views on competition issues, and expects to present its findings at the Workshop.

**Expanded Trade Opportunities** - The outlook for action on international trade issues in 2010 remains clouded by the lack of a clear strategy from the Administration, delays in filling trade policy positions at USTR and USDA, and a division within the Democrat caucus over the impact of trade agreements, particularly on U.S. jobs. In his State of the Union Address, President Obama called for a doubling of exports by 2020, including agricultural products, but how the Administration proposes to achieve this goal remains to be seen. ASA continues to press the Administration and Congress to act on the pending Free Trade Agreements with Colombia, Panama, and South Korea, and on renewal of Trade Promotion Authority, which would enable the Administration to negotiate additional FTAs with countries that offer greater market opportunities for soybean and livestock product exports. ASA is also monitoring efforts to revive the Doha multilateral trade talks, and is insisting that any agreement include increased access to developing country markets, commensurate with U.S. concessions on domestic support programs.