

Congress of the United States
House of Representatives
Washington, DC 20515

The Honorable John Boehner
Speaker of the House
H-232, The Capitol
Washington D.C. 20515

The Honorable Eric Cantor
House Majority Leader
H-329, The Capitol
Washington D.C. 20515

Dear Speaker Boehner and House Majority Leader Cantor:

It has come to our attention that some Farm Bill conferees want to reopen the loopholes for multi-million-dollars farming entities – loopholes that were closed in Section 1604 of both the House and Senate versions of the Farm Bill. It is unconscionable that these conferees would try to reverse the reforms backed by a majority of their colleagues so as to continue the flow of millions of dollars, beyond what they are entitled to, to a relatively few mega farms.

CBO has estimated \$170 million in savings if Congress reforms payment limits for commodity programs by placing a hard cap of \$250,000 (for married couples) on the total amount of commodity payments that producers can receive. Commodity payment reform also addresses the “actively engaged” loophole, which has allowed multiple off-farm recipients that provide so-called “active personal management” to receive commodity payments. GAO reports have consistently found that the USDA Farm Service Agency is unable to effectively enforce this standard, resulting in fraud and waste within the program.

The most recent GAO report (October 2013) highlighted numerous instances of fraud where farm businesses structured as general partnerships received hundreds of thousands of dollars in payments with all partners (many of them LLCs) claiming contributions of active personal management only, and not a single member claiming a significant contribution of personal labor. In Indiana, for example, a general partnership with 11 members (comprised of 7 corporations and 4 individuals) received \$376,610 in payments in 2012 without a single member claiming a significant contribution of personal labor. The same was true of an operation in Louisiana that received \$651,910 in 2012 based solely on 16 limited liability corporations being declared eligible based on management alone, with no one qualifying as a working farmer.

A recent Environmental Working Group report showed that many billionaires have also received farm subsidies. Only farmers should get subsidies and it is total hypocrisy that some conferees want to demand “work” from SNAP recipients but exempt farm businesses owners from “work” at the same time. This is outrageous. The food stamps program has been proven to consistently work as a safety net and improve local economies. With a very low 3.8% error rate, it is one of

our most effective safety net programs. It is ludicrous that these members would protest closing loopholes to require millionaire farmers to foot a little bit more of the cost of their crop insurance and in turn seek to reduce food stamp support for the poor.

There are other examples of waste and abuse in the commodity subsidy programs. In November, it was reported that USDA received a mountain of sugar as collateral after processors defaulted on \$136.9 million in government loans at the end of September. It sold most of the sugar at a 90% discount to domestic ethanol makers. The sale was the third this year under a government program outlined in the 2008 Farm Bill that aims to boost prices for the sweetener. We are throwing money away on sugar yet; some members want to take access to vital food away from poor people. That does not make sense, is purely bad policy.

The Durbin-Coburn amendment to require means testing and limits on the crop-insurance premium subsidy places a very modest reduction in the amount of subsidy a producer can receive if the producer has an AGI over \$750,000 (or \$1.5 million for married couples). This provision is expected to generate more than \$1 billion in savings over ten years, and would only affect less than 1% of farm businesses. However, any savings from the elimination of direct payments, savings in commodities, and reductions in conservation would be plowed back into the farm bill in the form of new spending to change the nature of the safety net. Farmers are growing the same crops for direct payments as for crop insurance and the reality is that the reformed crop insurance will actually benefit a few more farmers than the direct payments. While CBO says there will be savings, 75% of the savings will be used to gin up the new subsidies. Also, these savings are only estimates, if crops prices tank the estimated savings will be blown out of the water. In fact these estimates are completely mythical because it is not unlikely that crop prices change dramatically. The proposed changes also increase the frequency of payments because less change in prices will trigger more frequent payments to farmers.

For the most part, farmers receiving subsidies will not feel a financial dent if these changes pass. This is juxtaposed with the Food Stamp Program which spends less as the economy improves. And we can be sure that every single person who receives SNAP, including 21 million children, will most certainly feel the pangs of hunger. That is atrocious.

Sincerely,



Rosa DeLauro
Member of Congress

Ron Kind
Member of Congress



Earl Blumenauer
Member of Congress