

California Agriculture and the Public Policy Setting: Issues and Opportunities

Dr. Jay E. Noel

Director, California Institute for the Study of
Specialty Crops

California Polytechnic State University

Overview

- Drivers of Change
- Agriculture Public Policy Setting
- Public Policy Jurisdiction
- The Political Economy
- Future Opportunities

Drivers of Change

- Changing Consumer Food Demand
- Changing Technology
- Changes in International Market Integration
- Increased Demand for Environmental Quality
- California Population Growth and Urbanization

California Agricultural Policy Setting

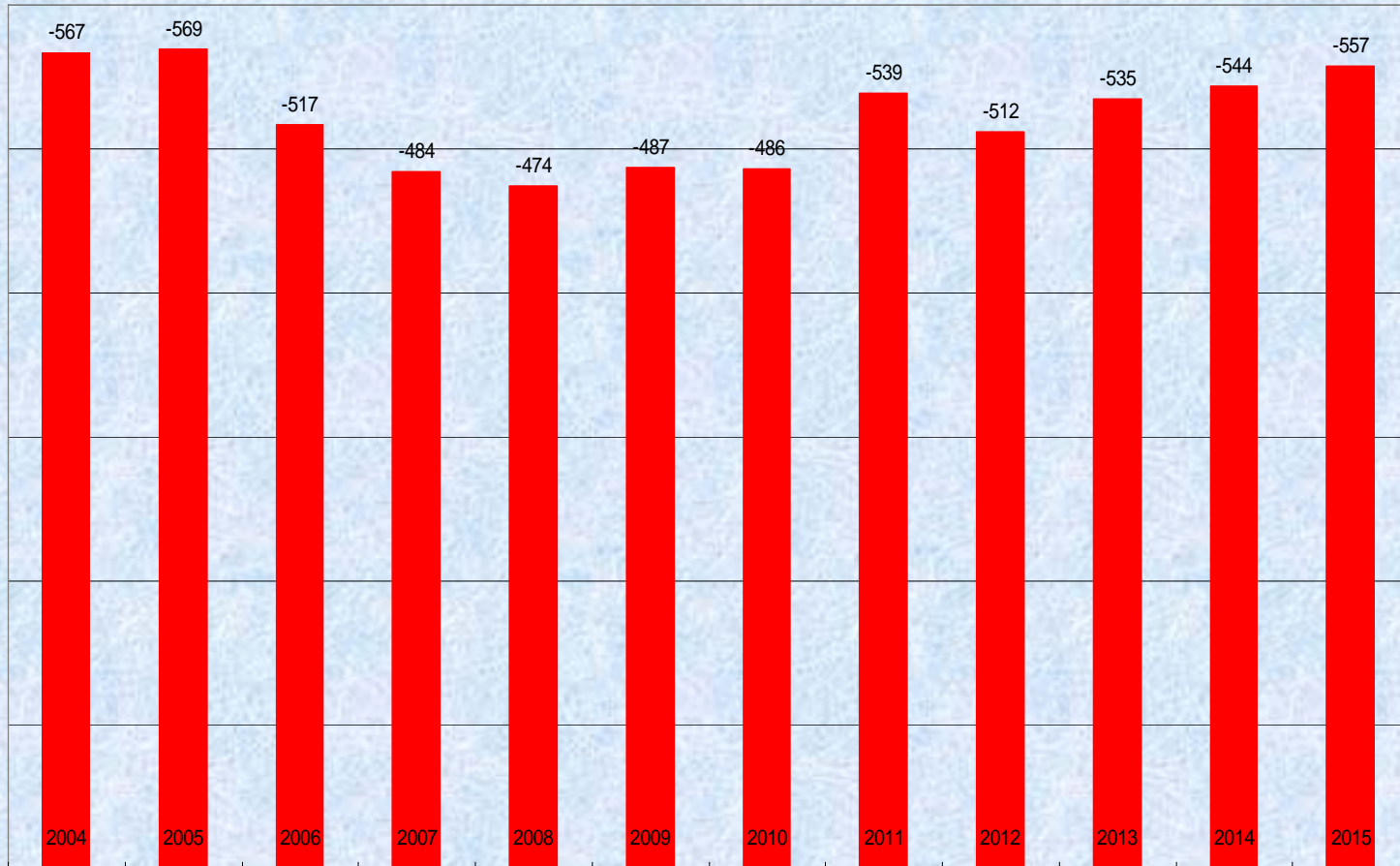
Policy Category	1. Environmental Policy	2. Farm Safety Net Policy	3. Consumer Food Policy	4. Market Policy	5. Natural Resource Policy	6. Rural Development Policy	7. Tax Policy	8. Trade Policy
1. Environmental Policy								
a. Regulatory (Mandated)			X		X	X		X
b. Conservation (Voluntary)					X	X		
2. Farm Safety Net Policy								
a. Commodity Programs					X			X
b. Risk Management								
3. Consumer Food Policy								
a. Nutrition, Health, Food Assistance								X
b. Consumer Choice								X
c. Food Safety	X							X
4. Market Policy								
a. Marketing Orders			X					
b. Market Power								
5. Natural Resource Policy								
a. Land Use	X	X					X	
b. Water	X	X						
c. Energy	X						X	
6. Rural Development								
a. Rural-Urban Interface	X				X			
b. Labor								
c. Business Development	X	X		X			X	
d. Health							X	
e. Housing							X	
7. Tax Policy								
a. Farm Inputs						X		
b. Income								
c. Property						X		
8. Trade Policy								
a. Export	X	X	X					
b. Import	X	X	X					

Agricultural Policy: Jurisdictions

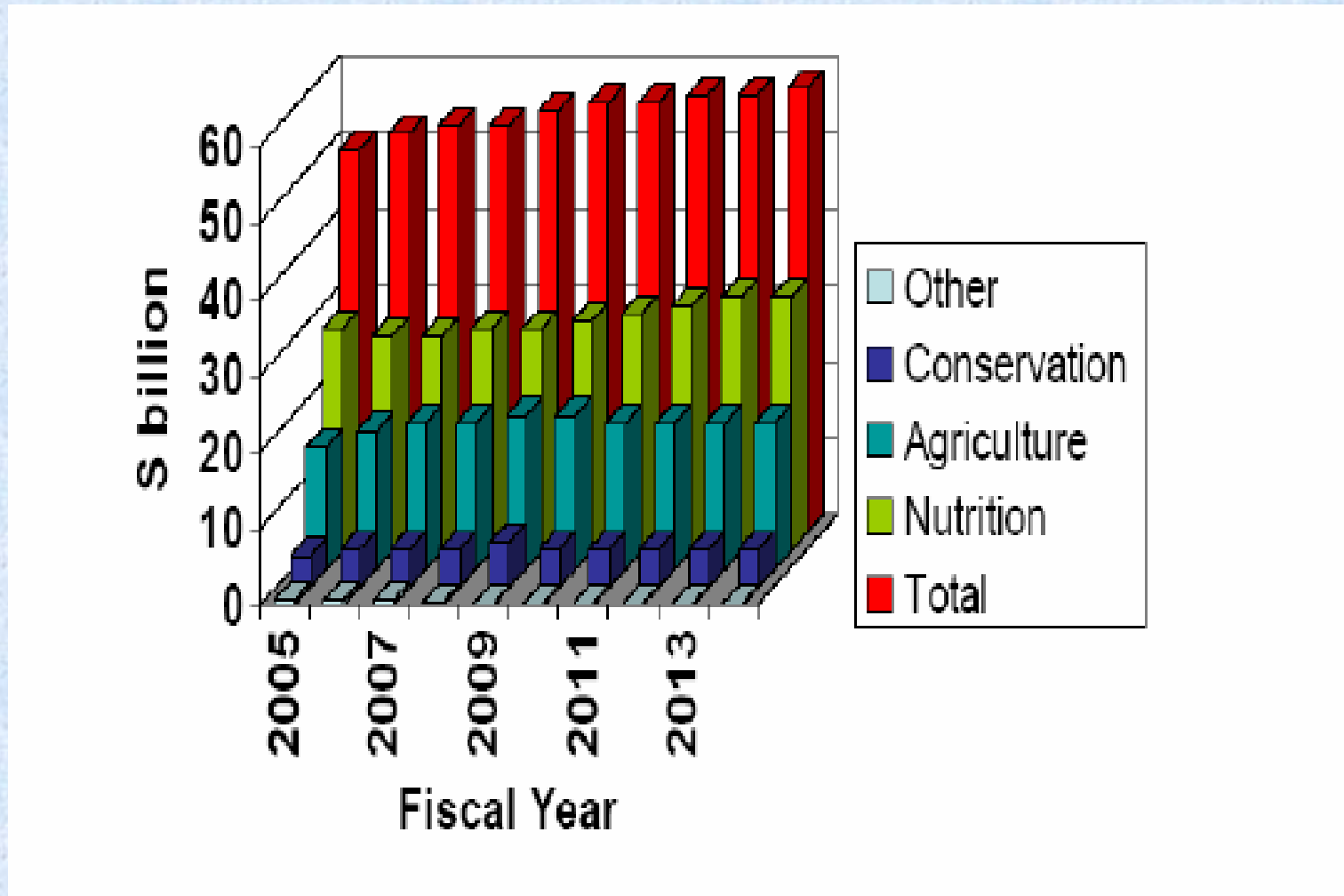
Policy Category	Federal	State	Local
1. Environmental Policy			
a. Regulatory (Mandated)	X	X	X
b. Conservation (Voluntary)	X	X	X
2. Farm Safety Net Policy			
a. Commodity Programs	X		
b. Risk Management	X		
3. Consumer Food Policy			
a. Nutrition, Health, Food Assistance	X		
b. Consumer Choice	X		
c. Food Safety	X		
4. Market Policy			
a. Marketing Orders	X		
b. Market Power	X		
5. Natural Resource Policy			
a. Land Use	X	X	X
b. Water	X	X	X
c. Energy	X	X	
6. Rural Development			
a. Rural-Urban Interface	X	X	X
b. Labor	X	X	
c. Business Development	X	X	
d. Health			
e. Housing	X	X	X
7. Tax Policy			
a. Farm Inputs	X	X	
b. Income	X	X	
c. Property		X	X
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a. Export	X		
b. Import	X		

Federal Budget

CBO Budget Deficit Projections (March 2005)

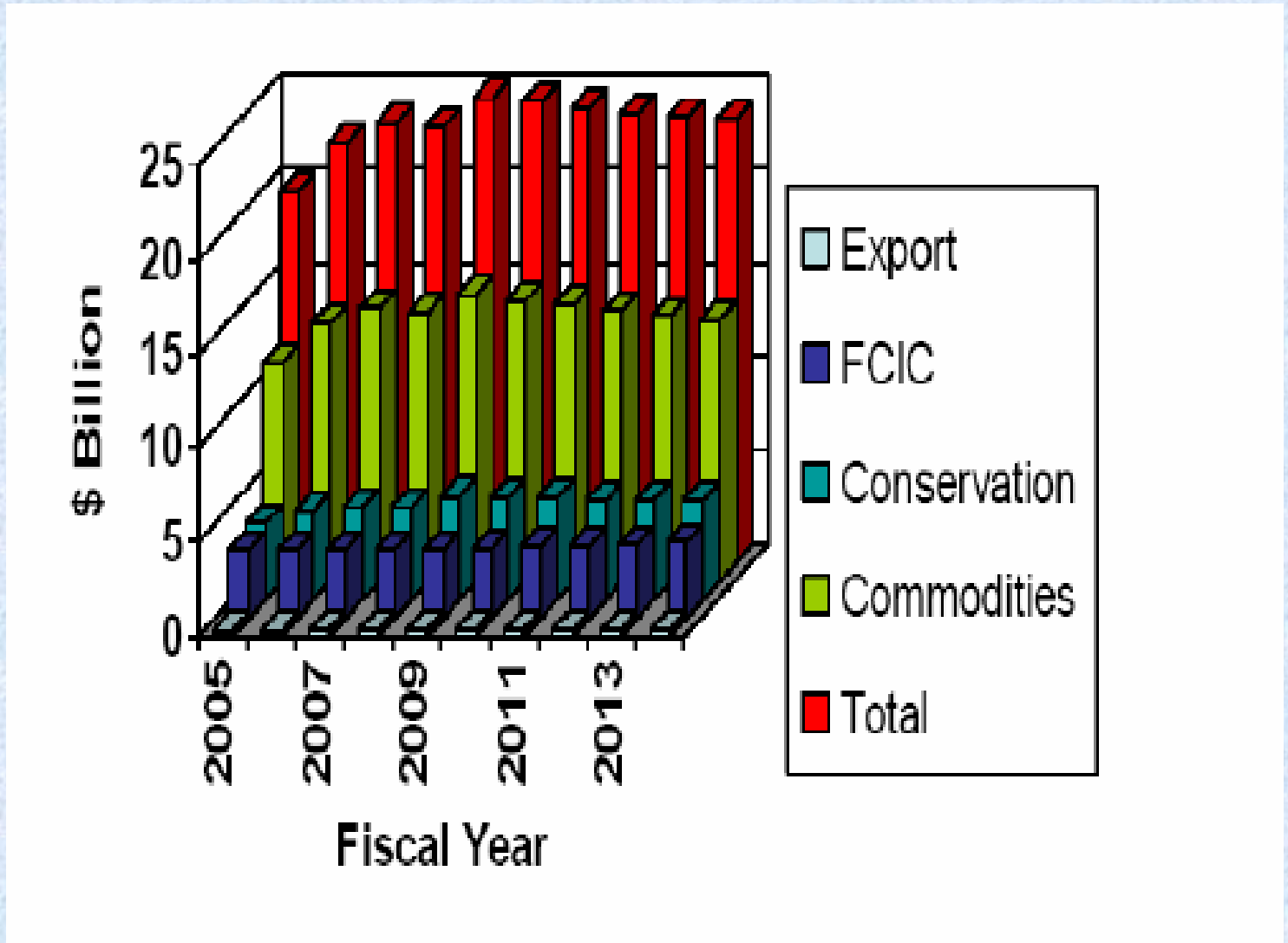


2002 Farm Bill House Agricultural Committee Spending Jurisdiction



Chip Conley
Democratic Economist
House Agriculture Committee

Agriculture and Conservation Programs



Mandatory vs. Discretionary Programs and Funding

- **Mandatory Programs for Agriculture**
 - Under the jurisdiction of the House Ag Committee
 - Typically multi-year programs such as under the farm bill
 - Commodity and conservation program funding are major mandatory spending categories.
 - All multi-year mandatory funding is provided up front when the farm bill or other House Ag bill is passed.
- **Discretionary Programs for Agriculture**
 - Under the jurisdiction of the House Appropriations Committee and the Agricultural Appropriations Subcommittee
 - Programs and funding are reviewed every year.
 - Agency salaries and expenses and research funding are major discretionary spending categories.
 - Funding typically is provided one year at a time in an annual appropriations bill.

Craig Jagger
Chief Economist, Majority Staff
House Committee on Agriculture

CHIMPS

- Appropriations cuts in mandatory programs are called CHIMPS: Changes In Mandatory Programs.
- It is against the House Rules to “legislate on appropriations bills.” But appropriators indirectly do so by, for example, limiting salaries and expenses to carry out a conservation program of greater than \$xxx million.
- CHIMPS represent a one-way street—Appropriators can cut our mandatory farm bill programs but we can’t cut their discretionary programs.
- For FY 04 Ag CHIMPS were 31% of total CHIMPS. Ag Appropriations are 2% of total appropriations.
- Since FY 2002, \$3.1 billion has been taken from House Ag Committee programs.

Craig Jagger
Chief Economist, Majority Staff
House Committee on Agriculture

Comparison of FY 05 House Passed CHIMPS to FY 04 Chimps

- FY 04: Cuts of \$647 million in mandatory farm bill programs.
 - Cuts from conservation, rural development, research, and energy programs.
 - \$77 million in discretionary spending was added back for some programs.
- FY 05 House Passed Bill: Cuts of \$1.203 billion in mandatory farm bill programs.
 - Eliminates all mandatory funding—about \$850 million worth—for nine House Ag Committee rural development, research, energy, and food stamp programs.
 - Cuts \$350 million for five critical farmer conservation programs whose farm bill funding is additionally reduced to pay for technical assistance—despite a significant backlog of farm needs. (see below)
 - \$70 million in discretionary spending was added back for some programs.

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Chief Economist, Majority Staff
House Committee on Agriculture

Federal Funding: A State by State Perspective

States, Ranked by 2003 Ag Production Value ¹		% US PV	2003 Ag Subsidies	S%PV ²	SM ²
California	\$29,377,485,945	12.2%	\$757,749,291	2.6%	0.21
Texas	\$17,966,064,838	7.5%	\$1,842,039,543	10.3%	1.37
Iowa	\$13,121,662,243	5.4%	\$854,098,007	6.5%	1.20
Nebraska	\$11,960,387,315	5.0%	\$722,607,699	6.0%	1.22
Kansas	\$10,365,145,780	4.3%	\$641,948,114	6.2%	1.44
Illinois	\$9,288,826,086	3.9%	\$781,692,790	8.4%	2.18
Minnesota	\$9,248,576,557	3.8%	\$651,389,187	7.0%	1.83
North Carolina	\$8,839,977,327	3.7%	\$506,663,024	5.7%	1.56
Florida	\$6,832,939,183	2.8%	\$134,389,242	2.0%	0.69
Wisconsin	\$6,755,707,439	2.8%	\$423,931,170	6.3%	2.24
Georgia	\$6,194,824,284	2.6%	\$807,417,035	13.0%	5.07
Ohio	\$6,011,538,719	2.5%	\$355,283,771	5.9%	2.37
Indiana	\$5,956,758,024	2.5%	\$438,039,268	7.4%	2.97
Arkansas	\$5,952,183,241	2.5%	\$969,592,735	16.3%	6.59
Washington	\$5,921,209,918	2.5%	\$263,950,168	4.5%	1.81
Missouri	\$5,727,626,041	2.4%	\$549,141,186	9.6%	4.03
Colorado	\$5,562,475,189	2.3%	\$251,633,159	4.5%	1.96
Oklahoma	\$5,040,851,285	2.1%	\$395,317,114	7.8%	3.75
Pennsylvania	\$5,034,262,807	2.1%	\$145,276,293	2.9%	1.38
South Dakota	\$4,786,610,688	2.0%	\$475,617,626	9.9%	5.00
Idaho	\$4,439,954,866	1.8%	\$182,444,039	4.1%	2.23
Michigan	\$4,403,193,420	1.8%	\$235,981,128	5.4%	2.93
North Dakota	\$4,377,411,266	1.8%	\$547,941,632	12.5%	6.89
Kentucky	\$4,298,865,540	1.8%	\$151,604,875	3.5%	1.98
Alabama	\$4,127,618,815	1.7%	\$380,388,097	9.2%	5.38
Oregon	\$3,990,226,093	1.7%	\$126,365,777	3.2%	1.91
Mississippi	\$3,933,734,605	1.6%	\$1,045,521,586	26.6%	16.28
New York	\$3,581,348,524	1.5%	\$175,558,820	4.9%	3.30
Arizona	\$3,028,539,210	1.3%	\$106,595,635	3.5%	2.80
Tennessee	\$2,952,786,267	1.2%	\$160,318,264	5.4%	4.43
Virginia	\$2,760,737,399	1.1%	\$192,049,593	7.0%	6.07
Montana	\$2,381,952,627	1.0%	\$316,802,714	13.3%	13.45
New Mexico	\$2,274,749,445	0.9%	\$109,831,731	4.8%	5.11
Louisiana	\$2,272,333,106	0.9%	\$353,351,745	15.6%	16.49
South Carolina	\$1,959,377,281	0.8%	\$66,318,304	3.4%	4.16
Maryland	\$1,756,964,224	0.7%	\$51,041,771	2.9%	3.98
Utah	\$1,384,941,814	0.6%	\$55,488,889	4.0%	6.97
Wyoming	\$1,203,853,605	0.5%	\$92,390,173	7.7%	15.36
New Jersey	\$962,504,860	0.4%	\$11,953,251	1.2%	3.11
Delaware	\$859,125,306	0.4%	\$12,962,046	1.5%	4.23
Hawaii	\$599,649,723	0.2%	\$1,829,681	0.3%	1.23
Maine	\$562,588,776	0.2%	\$17,107,508	3.0%	13.02
Vermont	\$561,560,211	0.2%	\$28,616,574	5.1%	21.86
Connecticut	\$560,519,041	0.2%	\$7,237,078	1.3%	5.55
West Virginia	\$503,209,489	0.2%	\$11,439,187	2.3%	10.88
Massachusetts	\$468,569,479	0.2%	\$11,494,305	2.5%	12.61
Nevada	\$460,456,093	0.2%	\$12,041,096	2.6%	13.68
New Hampshire	\$180,546,611	0.1%	\$4,762,014	2.6%	35.19
Rhode Island	\$65,711,822	0.0%	\$611,129	0.9%	34.10
Alaska	\$56,712,600	0.0%	\$1,329,118	2.3%	99.56

1995-2003 EQIP Funding (Environmental Quality Incentives Program)

USDA released \$724 million dollars between 1995 and 2003 for EQIP. These funds provide assistance to farmers and ranchers for practices that improve soil, water and air quality, wildlife habitat, and surface and ground water conservation.

California has 298 endangered species, Texas has 81, and Colorado has 31. California has the largest urban population of any state and its value of agriculture is over 1 1/2 times that of Texas, and over 5 times that of Colorado, yet it has received less EQIP funding for wildlife habitat, air and water quality, and water conservation, which are perennial agricultural-urban issues.

Top 10 EQIP recipients:

Texas	\$59,439,365
Colorado	\$34,096,185
California	\$28,954,832
Montana	\$25,899,395
Kansas	\$22,895,358
Nebraska	\$22,527,970
Utah	\$22,101,459
Mississippi	\$21,206,406
Iowa	\$20,760,985
Arkansas	\$19,371,753

California outproduced these 22 states combined, but received less than 47% as much in farm subsidies.

Value of California Agriculture: \$29,377,485,838
Value of 22 Smallest Ag States: \$27,817,388,986

California farm subsidies as a percentage of production value is 2.6%. Average of the 16 smallest states is 2.7%.

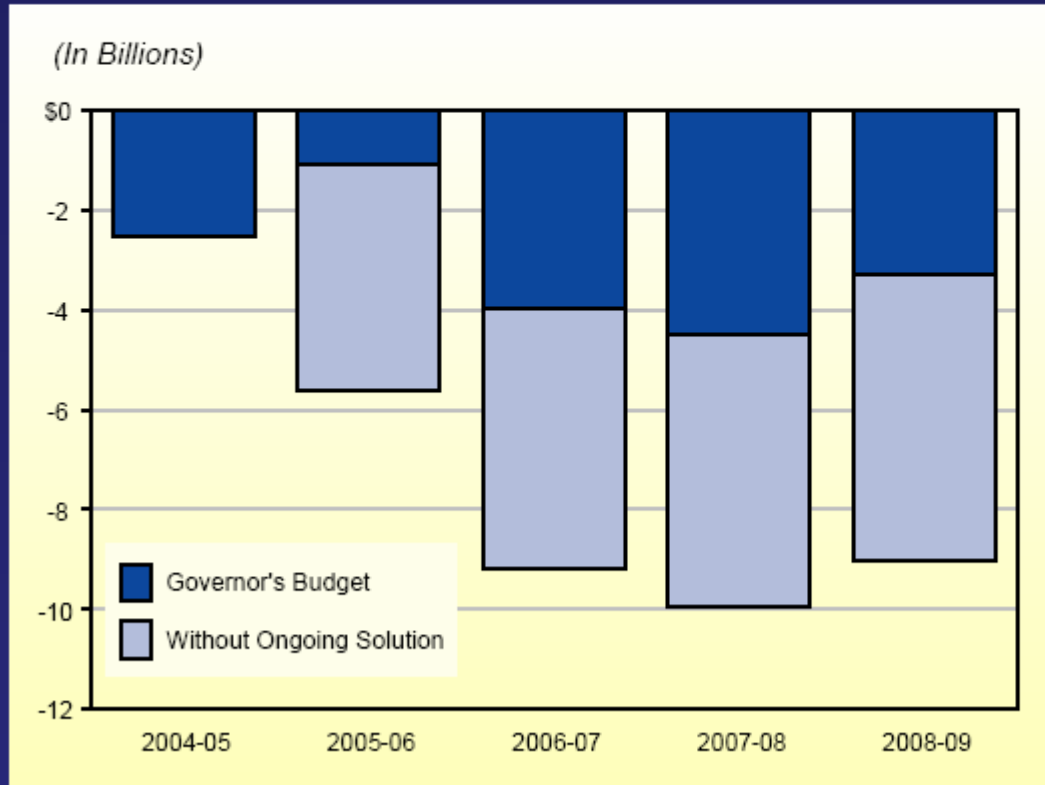
The 15 states that have a subsidy multiplier greater than 10 have a combined total production value of \$29,175,647,811 as compared to California's \$29,377,485,945.

¹ State and county agricultural values from USDA/NASS/CASS; subsidy data from USDA compiled by the Environmental Working Group (EWG), includes general, conservation, and disaster payments.

² SM (subsidy multiplier) is calculated by dividing the subsidies as a percentage of PV by the state percent of US PV. The subsidy multiplier can be interpreted as the federal subsidy multiplier of percent of production value. For example, California has a multiplier of .21. Thus, while California contributes 12.2% to the US value of farm production, it receives a .21 multiple of that contribution back in farm subsidies.

California Budget

General Fund Operating Shortfalls, Under Alternative Scenarios



Key LAO Budget Findings

- ✓ **2005-06 Would End With \$2.9 Billion Reserve—\$2.4 Billion More Than the Administration's Forecast**
 - Revenues up from budget forecast by \$2.2 billion.
 - Expenditures down from budget by about \$250 million.
- ✓ **Reserve Needed in Subsequent Year**
 - Budget shortfall reemerges as temporary solutions expire and deferrals come due.
- ✓ **Budget Reduces, But Does Not Eliminate, State's Structural Shortfall**
 - Out-year annual shortfalls in the \$4 billion range remain in subsequent three years.
 - Using 2005-06 reserve to fund ongoing commitments would worsen the out-year picture.
 - For this reason, policymakers should still aim to achieve the magnitude of ongoing solutions proposed in the budget.

Characterization of California Agriculture Policy Environment

- Drivers of Change
- Interrelated Public Policies with Differing Goals
- Complex Public Policy Jurisdictional Issues
- Budget Constrained Political Economy

Opportunities

- Environment and Regulatory Policies
 - Move to Outcome Driven approach rather than Process Driven
 - Example: Conservation Security Program
 - Greater Accountability in Rule-Setting
- Upcoming 2007 Farm Bill Debate
 - Explore Opportunities: environmental program funding; consumer food programs; rural development; research and technological development; and risk management.

Two Conditions for Achieving Public Policy Action

1. Sound policy analysis that provides policy makers with useful information that is factually and scientifically based.
2. Building coalitions of organizations and people that have a vested interest in the vitality of California agriculture. These coalitions, if able to build consensus positions, are the primary agents for gaining the required societal and political support necessary to put in place those policies that can assist California agriculture in its goal of achieving long-run sustained vitality.