Where is the 2008 Farm Bill and How Did It Get There?

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Presentation Outline

• Overview U.S. Farm Legislation
  ➔ Legal Standing
  ➔ Spending: How much by Title
  ➔ CBO Baseline Projections

• Set the Stage for Farm Policy Debate
  ➔ Forces brought to bear upon Congress

• New Farm Bill
  ➔ Budget projections
  ➔ Proposed changes
  ➔ The Process
• Standing authority for USDA “CCC” programs
  ‣ Agricultural Adjustment Act 1938
  ‣ Commodity Credit Corp. (CCC) Charter Act of 1948
  ‣ Agricultural Act of 1949

• Every 5 or 6 years, Congress enacts new legislation governing farm-related programs
  ‣ Amends existing laws to alter how commodity programs are implemented: Eligibility; Payment parameters; New features

• Omnibus in nature: 10 to 12 Titles
  ‣ Other laws relate to nutrition, conservation, credit, rural development, crop insurance, and other farm-relevant issues.

*The CCC is USDA’s “bank” for commodity/conservation funding.*
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USDA Outlays ~$88 Billion/Yr in FY03-07*

- Commodity Programs: 18%
- Nutrition Programs: 55%
- Conservation: 5%
- Forestry: 6%
- Crop Insurance: 4%
- Trade & Food Aid: 3%
- Rural Development: 3%
- Research: 3%
- Other: 3%

*~$120 Billion was budgeted on average. Source: CRS using USDA data.

1980-2007: $13.8 B

2008-17: $11.8 B

$11.1 B

Source: CBO. FY data; includes only CCC spending--largely commodity and conservation programs.
U.S. Farm Policy Environment

Pressures Within Congress
- Fragile coalition of diverse regional interests
- Congressional Budget Rules: Pay-Go

Pressures From Outside of Congress
- New Interest Groups Raise Profile
- Strong Commodity Price Outlook
  - Driven in large part by federal energy policy
  - Strong International demand
- Record Agr Exports & Farm Income
- Bleak Federal Budget Outlook
- WTO Commitments & Trade Disputes
What has already been passed by Congress?

- **House-passed H.R. 2419 (July 2007)**
  - ~ $6 Billion over CBO’s 5-year baseline, FY08-12

- **Senate-passed H.R. 2419 (Dec. 2007)**
  - ~ $5 Billion over CBO’s 5-year baseline, FY08-12

Let’s compare these two bills with the CBO March 2007 baseline
Key changes to Nutrition Title

- House (+$4.2B) & Senate (+$5.4B) expand programs, but with differences:
  - Increase food stamp benefits
  - Expand eligibility standards
  - Increase funding for fresh fruits & vegetables in school lunch programs
    - ~ $1.0 Billion in Senate
    - ~ $0.3 Billion in House
  - Increase funding for The Emergency Food Assistance Program (TEFAP)
Key Changes to Commodity Progs

• Raise some loan rates and target prices

• Revise Payment Limits
  ▶ Eliminate the “3-entity” rule and track payment to individual AGI limits for farm (2/3 of inc) and non-farm recipients
  ▶ Specific program limits: DP and CCP
  ▶ Eliminate Certificates; remove limit on MLG/LDP

• Add Revenue-Based Program choices
  ▶ State-based Average Crop Revenue plus $15/acre DP in Senate, to replace several DP, CCP, MLG/LDP programs
  ▶ National-based Revenue Counter-Cyclical Program (RCCP) in House to replace CCP

• Continued minimal planting restrictions
  ▶ Retain planting restriction on base acres
Specialty Crops Inclusion

- Expand Specialty crop block grants
  - $270 million (5-yr) Title I in Senate bill
  - $365 million (5-yr) Title X Horticulture & Organic Agr in House

- Provisions supporting:
  - organic agriculture
  - Farmer’s markets
Key Changes to Conservation Progs

• House (+$3.0 B) & Senate (+$4.7 B) expand programs, but with differences

• Senate:
  ✐ Creates new Conservation Stewardship Incentives Program that coordinates CSP and EQIP, and targets 13 mln new acres and $1.3 B in new funding

• House:
  ✐ Halts funding for new CSP signups until 2012
  ✐ Expands funding for EQIP, WRP, FRPP, GRP.
  ✐ Includes FY payment limit of $60,000 for any one; $125,000 for all conservation programs
  ✐ No new funding for CRP, kept at 39.2 million acres
Key Changes to Crop Insurance

- House (-$4.0 B) & Senate (-$3.7 B) reduce support
  - Require farmers and insurance companies to share more of program costs and risks.
  - $2.5 to $2.7 billion in savings from changes to timing of premium receipts from farmers, and payments to companies
Key Changes to Other Programs

• Both House and Senate bills
  ✤ **Energy Programs**: expand/extend 2002 farm bill provisions, but focus on developing cellulosic ethanol production
  ✤ Reorganize the administration of USDA’s research, extension, and economic agencies
  ✤ Extend borrowing opportunities under FSA loan program

• The Senate bill
  ✤ Adds authority for a 5-year, $5.1 billion permanent disaster payment program.
  ✤ Adds new **Livestock Title** with provisions on packer ownership and other competition issues

• The House bill
  ✤ Adds new **Horticulture & Organic Agr Title**
Where is the Farm Bill Today?

- Administration Threatens VETO if includes:
  - More than $6 Billion over CBO 10-yr baseline
  - Tax increases or “timing gimmicks”
  - Insufficient reform: commodity programs & payment limits

- House Pre-Conference offer
  - ~ $6 Billion over 10-year CBO baseline

- Senate Pre-Conference offer
  - ~ $12.3 Billion over 10-year CBO baseline
    - Includes $5 Billion permanent disaster asst.
So What is Next?

• **Must decide on total spending amount**
  - $6 to $12 Billion over 10-year CBO baseline

• **Must decide on allocation of $$**
  - Who are the winners and losers?
  - Jurisdictional issues?

• **Deadlines & Options**
  - March 15, 2008 extension of 2002 Farm Act expires
    - Extend 2002 Farm Act by couple of months
    - Extend 2002 Farm Act by couple of years
    - Finish a new farm bill
    - Revert to Permanent Law
Questions?

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