



## CRS Report for Congress

### The “Farm Bill” in Brief

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#### Summary

The farm bill, renewed about every five years, governs federal farm and food policy. The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill, covering a wide range of programs including commodity price and income support, farm credit, agricultural conservation, research, rural development, and foreign and domestic food programs, among others. The existing farm bill expires in 2007, and Congress is currently considering options for renewal. The chairmen of the House and Senate Agriculture Committees have indicated that they intend to complete a new farm bill this year. Interest groups representing a diverse range of positions are seeking often conflicting objectives or levels of spending that challenge budget constraints.

#### What Is the “Farm Bill”?

Federal farm support, food assistance, agricultural trade, marketing, and rural development policies are governed by a variety of separate laws. Although many of these policies can be and sometimes are modified through freestanding authorizing legislation, or as part of other laws, the omnibus, multi-year farm bill provides an opportunity for policymakers to address comprehensively most of the programs of the U.S. Department of Agriculture (USDA). The omnibus character of the bill can create a broader coalition of support among sometimes conflicting interests for policies that, individually, might not survive the legislative process. This same climate also can stir fierce competition for available funds.

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill.<sup>1</sup> Its has ten titles, which are listed on the last page of this report. More detailed information on individual titles is in CRS Report RL33037, *Previewing a 2007 Farm Bill*.

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<sup>1</sup> There have been several omnibus farm bills (2002, 1996, 1990, 1985, 1981, 1977, 1973). Major prior agriculture legislation occurred in 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933.

## What Is the Current Policy Setting?

**Budgetary Considerations.** As with all federal programs, the farm bill faces budgetary constraints imposed by Congress. Recent federal deficits have raised concerns with respect to reauthorization or expansion of current farm programs. Current budget projections also show a lower baseline budget for agriculture programs for the 2007 farm bill, mainly because high commodity prices have caused projections of future farm program spending to fall sharply if current law were continued in the future.

The Congressional Budget Office's (CBO's) March 2007 baseline budget serves as the official benchmark for the FY2008 budget resolution and for scoring the budgetary impacts of a 2007 farm bill. The CBO baseline assumes continuation of current farm bill policies under expected economic conditions. It is the budget resolution that sets the actual spending constraints for the House and Senate Agriculture Committees as they draft a new farm bill.

On May 17, 2007, Congress approved the FY2008 budget resolution, which adopted the baseline budget as the fiscal parameter for the next farm bill. It also includes a \$20 billion reserve fund (above baseline) for new farm bill spending over five years.<sup>2</sup> However, any new spending must be deficit-neutral, meaning that it would have to be offset with equivalent reductions in other federal spending for existing mandatory programs or by increasing taxes.

Large increases in the market prices of corn and other commodities since the summer of 2006 have contributed to a lower March 2007 baseline for farm program spending. The March 2007 baseline projects spending for commodity support payments under current law to be \$42.4 billion for the FY2008-FY2013 period, which is about \$30 billion lower than actual spending in the previous six years (**Table 1**). Baseline estimates for mandatory conservation programs and the food stamps program for the next six years are higher compared to the previous six years. Estimated spending for mandatory conservation programs under current law is \$26.5 billion, and food and nutrition assistance is estimated at \$225.8 billion, both for FY2008-FY2013.

**Table 1. 2002 Farm Bill Actual Spending (FY2002-FY2007 est.) and the March 2007 CBO Baseline (FY2008-FY2013)**

	Commodity Support	Conservation	Exports	Food Stamps	Total
(outlays in \$ millions)					
Baseline (FY08-FY13)	42,446	26,496	2,005	225,845	296,792
Actual (FY02-FY07)	72,934	18,323	1,648	178,158	271,063
Baseline vs. Actual	-30,488	+8,173	+357	+47,687	+25,729

**Source:** Compiled by CRS from various Congressional Budget Office (CBO) baselines.

<sup>2</sup> Concurrent Resolution on the Budget for Fiscal Year 2008, *Deficit-Neutral Reserve Fund for the Farm Bill* (H.Rept. 110-153, conference report, Section 307).

**Trade Negotiations and Commitments.** The current debate continues to be influenced by obligations concerning the design and size of farm subsidies under the World Trade Organization (WTO) Agreement on Agriculture, as well as by the U.S. position in the Doha Round of multilateral negotiations.

Agreement in the Doha Round was expected to converge in 2007 with the expiration of the 2002 farm bill, and to occur well before the June 30, 2007, expiration of Trade Promotion Authority (TPA), which provides for expedited congressional consideration of trade agreements. Some policymakers wanted a Doha Round agreement so that the next farm bill could be made consistent with new farm trade rules; others argued that the United States should not unilaterally change its own subsidy programs ahead of any multilateral trade agreement. However, progress in the Doha Round stalled in 2006. Now many in Congress are seeking to write a new farm bill without regard to any future Doha Round agreement. Nevertheless, criticisms and legal challenges by some WTO member countries of current U.S. farm programs, and the backdrop of the ongoing negotiations, could influence the choices U.S. lawmakers have in designing new farm policies.<sup>3</sup> EU officials have publicly stated that changes to U.S. domestic support programs suggested by the Bush Administration's farm bill proposal do not go far enough in meeting Doha Round objectives for farm trade policy reform.<sup>4</sup>

**The Administration's Policy Recommendations.** In January 2007, the Bush Administration released its own detailed recommendations for the farm bill that, if enacted, could substantially alter some aspects of the current commodity support system. There also is substantial momentum behind recommendations to enhance conservation, rural development, trade promotion, domestic food assistance, agricultural credit, energy, and research. However, given the budget constraints, the cost of any new initiatives would have to be offset with reductions in spending, either within existing farm bill programs or elsewhere.

As USDA Secretary Mike Johanns has stated, the Administration's own approach for the 2007 farm bill was to take a "reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge."<sup>5</sup> In part, this refers to the perceived need to more evenly distribute federal program spending and benefits across a larger share of the U.S. farm community,<sup>6</sup> as well as the perceived need to modify current farm programs to better comply with WTO obligations and limit future legal challenges from other countries. Some of these same concerns have been voiced in recommendations and proposals by other organizations and interest groups.

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<sup>3</sup> See CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*; CRS Report RL33697, *Potential Challenges to U.S. Farm Subsidies in the WTO*; and CRS Report RL33853, *U.S.-Canada WTO Corn Trade Dispute*.

<sup>4</sup> See, for example, "EU's Disappointment with US Farm Bill," *Washington Trade Daily*, Feb. 12, 2007.

<sup>5</sup> USDA, "Johanns Unveils 2007 Farm Bill Proposals," Release No. 0020.07, January 31, 2007, at [<http://www.usda.gov/wps/portal/usdahome>].

<sup>6</sup> See, for example, transcript of remarks by USDA Secretary Mike Johanns (Release No. 0003.07) at the American Farm Bureau Federation's Annual Meeting, Salt Lake City, Utah, January 8, 2007, at [<http://www.usda.gov/wps/portal/usdahome>].

For the farm commodity support programs, the Administration's plan would reduce marketing loan rates and link the timing of benefits to the sale of the commodity (to reduce speculative gains), raise direct payments for some crops, create a revenue-based counter-cyclical program, eliminate the fruit and vegetable planting restriction, and offer extra benefits for beginning farmers. Highly controversial is USDA's proposed tightening of payment limits and the eligibility cap, which would deny payments to households with over \$200,000 in adjusted gross income (AGI) and retain the current \$360,000 payment cap. The Administration's plan also would increase funding for conservation and bioenergy initiatives but would consolidate some existing conservation programs to streamline operations. The Administration's plan would expand some domestic food and nutrition programs, but would cap administrative costs and tighten requirements under some programs. For more information on the USDA proposal, see CRS Report RL33916, *Questions on the USDA 2007 Farm Bill Proposal*.

Some in Congress are reluctant to change current programs because they are strongly supported by the long-time beneficiaries. However, others, representing a diverse range of interests, are seeking to substantially alter current programs and policies. Several comprehensive legislative proposals have been introduced that would make broad-based changes to existing farm programs.

**Other Recommendations/Proposals.** The 2007 farm bill debate differs from the 2002 debate in the number and scope of proposals seeking changes to the current legislation, some of which have gained support within and outside Congress. In addition to the Administration proposal, several organizations and interest groups have released their own recommendations for the 2007 farm bill. These include state organizations, national farm groups, commodity associations, conservation and rural development organizations, and several non-traditional interest groups. These policy recommendations represent a diverse range of interests seeking a range of objectives from maintaining current programs to substantially altering or eliminating them. A summary of some of these proposals is provided in the Appendix of CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110<sup>th</sup> Congress*.

## **What Are the Major Current Issues?**

Several major issues are framing the current farm bill debate. For example, are current commodity support and risk management programs equitable across all producers of program crops and specialty crops? Should program payments be limited per person? Is permanent disaster assistance needed in addition to crop insurance programs? There is general consensus to increase funding and expand current programs in the area of conservation, forestry, bioenergy, rural development, agricultural research, farm credit, marketing and export promotion, foreign food aid, and domestic food and nutrition. What would be the source of funding to expand programs, given current budgetary constraints? A detailed discussion of these and other issues is provided in CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110<sup>th</sup> Congress*.

Some Members of Congress are directly challenging the existing farm programs and policies, and have introduced a number of comprehensive legislative proposals that seek broad-based changes to existing farm legislation and programs. For example, H.R. 1600 (Cardoza) and S. 1160 (Stabenow), among other bills, seek to create new programs and expand opportunities for fruits and vegetables. A variety of other bills also would create

new nutrition programs and/or expand existing ones to promote greater consumption of fruits and vegetables, and also would expand funding for research and inspection services for these specialty crop producers. Under current law, a limited number of programs and policies specifically and directly benefit specialty crops.

In the areas of conservation, rural development, energy, and nutrition a number of proposals would substantially expand funding of existing programs and/or create new programs. Such bills include, but are not limited to, S. 541 (Feingold), H.R. 1551 (Kind)/S. 919 (Menendez), and H.R. 2144 (DeLauro), as well as H.R. 1600 (Cardoza) and S. 1160 (Stabenow). S. 1422 (Lugar) would also expand funding in each of these areas, while substantially changing or eliminating some parts of the existing commodity title and programs. Many other bills that seek similar objectives might also get incorporated into other larger bills as the farm bill debate progresses.

Some of the Administration's commodity proposals are highly controversial, including the proposal to tighten payment limits and the eligibility cap, as well as to eliminate the current planting restrictions that prohibit commodity crop producers from planting fruit, vegetables, and wild rice on their base acres. Several proposals have been developed that would modify the current commodity programs with a revenue-based payment system. Some policymakers, including the chairman of the House Agriculture Committee, have expressed interest in making permanent in the farm bill some level of disaster payments to supplement the crop insurance program.

The chairmen of both the House and Senate Agriculture Committees have indicated that they intend to complete work on a new farm bill prior to the August 2007 recess, with full congressional action by September 30, 2007. Some view this as an ambitious agenda, particularly given the huge scope of the bill and the wide divergence of policy goals.

Many provisions, notably farm income and commodity price supports, expire at the end of the 2007 crop year. Without new legislation, permanent price support statutes would take effect. Most of these statutes were enacted many decades ago and are no longer compatible with current national economic objectives, global trading rules, and federal budgetary or regulatory policies. Therefore, Congress is expected to take some action by the end of 2007 or early 2008, even if simply to provide a short-term extension of existing provisions.

For a more detailed discussion of some of the legislative proposals to date, information on major farm bill policy issues, and a status report on congressional action, see CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110<sup>th</sup> Congress*.

## 2002 Farm Bill, by Title

**Title I, Commodities:** Income support to growers of selected farm commodities, including wheat, feed grains, cotton, rice, oilseeds, peanuts, sugar, and dairy. Support for most field crops is through direct payments, counter-cyclical payments, and marketing loans. Other commodity support is through price supports and/or marketing quotas.

**Title II, Conservation:** Conservation and land management programs, either through land retirement or improving farm practices on working lands programs, and other programs geared to farmland conservation/preservation, grasslands and wetlands protection, and environmental stewardship of farmlands.

**Title III, Agricultural Trade and Aid:** U.S. agriculture exports and international food assistance programs, and various World Trade Organization (WTO) obligations.

**Title IV, Nutrition:** Domestic food and nutrition and commodity distribution programs, such as food stamps and supplemental food assistance.

**Title V, Farm Credit:** Federal direct and guaranteed farm loan programs and farm ownership loans. Also specifies loan eligibility rules and other policies.

**Title VI, Rural Development:** Rural business and community programs for planning, feasibility assessments, and coordination activities with other local, state, and federal programs, including expanding rural broadband access.

**Title VII, Research:** Agricultural research and extension programs, including biosecurity and response, biotechnology, and organic production.

**Title VIII, Forestry:** U.S. Forest Service programs, including forestry management, enhancement, and agroforestry programs.

**Title IX, Energy:** Bioenergy programs and grants for procurement of biobased products to support development of biorefineries and assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems. Other programs include public education programs on the benefits of biodiesel fuel use.

**Title X, Miscellaneous:** Other types of farm programs and assistance, including crop insurance, disaster assistance, animal welfare and inspections, country-of-origin labeling, organic agriculture and some specialty commodities, among others.

**Source:** CRS Report RL33037, *Previewing a 2007 Farm Bill*; and USDA's Economic Research Service Farm Bill website at [<http://www.ers.usda.gov/Features/Farmbill/>]. For more detailed information about individual programs within individual titles in the farm bill, see CRS Report RL33037 and USDA's website.