



CRS Report for Congress

Farm Bill Budget and Costs: 2002 vs. 2007

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Summary

Since many provisions of the current omnibus farm bill (P.L. 107-171, the Farm Security and Rural Investment Act of 2002) expire this year, the 110th Congress soon will be making final decisions about the content of a new farm bill. Unlike the 2002 farm bill, which was crafted at a time of large budget surpluses, the 2007 farm bill debate is being driven in part by relatively large budget deficits and growing demands for fiscal constraint. Questions frequently asked about farm bill spending are: What is the estimated cost of the soon-to-expire 2002 farm bill? How much more or less has actually been spent on the 2002 farm bill than what was estimated at the time of enactment? How much will Congress be allowed to spend on the next farm bill? This report answers these questions in terms of the actual and estimated expenditures on major farm bill programs for the last six years, and projections of the Congressional Budget Office (CBO) for the next several years, which, together with the FY2008 budget resolution, determine the fiscal parameters of the 2007 farm bill.

The Cost of the 2002 Farm Bill

As of March 2007, the total estimated six-year (FY2002-FY2007) cost of the major provisions of the 2002 farm bill is \$271.1 billion. Of this amount, \$178.2 billion, or nearly two-thirds, is for the food stamp program, while \$92.9 billion is for the three major categories of farm support: farm commodity programs, conservation, and trade. (See **Table 1.**) All of these programs are defined as mandatory spending, which means that eligibility is determined by their authorizing statute (the 2002 farm bill), and any person or business that meets the eligibility requirements is entitled to the benefits authorized by the law.¹

¹ Mandatory farm bill spending for research, rural development, and energy are relatively small and are not included in this report. The farm bill also authorizes appropriations for many U.S. Department of Agriculture (USDA) discretionary programs. Spending for these programs is ultimately determined in annual appropriations bills, not by the farm bill, and is not part of this analysis.

Table 1. Actual Cost of Major Provisions of the 2002 Farm Bill
(outlays in million \$)

	Farm Commodity Programs	Conservation	Exports	Subtotal, Farm Support	Food Stamps	Grand Total, Farm Support and Food Stamps
FY2002	13,164	2,286	416	15,866	22,069	37,935
FY2003	12,125	2,758	503	15,386	25,325	40,711
FY2004	8,021	2,729	13	10,763	28,621	39,384
FY2005	14,120	3,443	223	17,786	32,614	50,400
FY2006	16,903	3,420	231	20,554	34,620	55,174
FY2007 (est.)	8,601	3,687	262	12,550	34,909	47,459
Total, 6-yr cost	72,934	18,323	1,648	92,905	178,158	271,063
Annual Average	12,156	3,054	275	15,484	29,693	45,177

Source: Compiled by CRS, using actual spending data from USDA for FY2002-FY2006, and estimates for FY2007 from the Congressional Budget Office as provided in its March 2007 baseline budget.

Of the estimated six-year spending of \$92.9 billion for total farm support (commodities, conservation, and trade), \$72.9 billion (78%) was for the farm commodity programs. The commodity programs support the incomes of farmers producing grains, oilseeds, cotton, peanuts, sugar, and milk. Commodity-related spending depends substantially on farm market prices and so can vary widely from year to year. Although farm commodity spending averaged \$12.2 billion per year since FY2002, actual annual spending ranged from a high of \$16.9 billion in FY2006 to a low of \$8.0 billion in FY2004.

The other major category of farm support in the 2002 farm bill is conservation. Several mandatory conservation programs compensate farmers for retiring environmentally fragile land (primarily the Conservation Reserve Program and the Wetlands Reserve Program) and for instituting resource stewardship practices (e.g., the Environmental Quality Incentives Program and the Conservation Security Program), among other things. All of the mandatory conservation programs account for an estimated \$18.3 billion over the six-year life of the 2002 farm bill, or an average of \$3.05 billion per year. Spending for the mandatory conservation programs is less volatile and more predictable than the commodity programs, since most of the conservation programs receive a fixed authorized level of spending (or maximum acreage enrollment).

The 2002 farm bill also contains funding authority for several mandatory agricultural export programs (including the Market Access Program, Export Enhancement Program, Export Donations, and the Foreign Market Development Cooperator Program). Total estimated six-year spending (FY2002-FY2007) for these programs is \$1.6 billion, an average of \$275 million per year.

**Table 2. Cost of the 2002 Farm Bill:
Estimated Actual Cost vs. CBO Estimate at Time of Enactment**
(outlays in million \$)

	Annual Average, FY2002-FY2007		6-Year Total		Amount current estimate is over (+) or under (-) 2002 CBO Estimate
	2002 CBO Estimate	Current Estimate	2002 CBO Estimate	Current Estimate	
Farm Commodities	15,697	12,156	94,185	72,934	(-) 21,251
Conservation	3,132	3,053	18,794	18,323	(-) 471
Exports	296	275	1,775	1,648	(-) 127
Subtotal, Farm Spending	19,125	15,484	114,754	92,905	(-) 21,849
Food Stamps	24,898	29,963	149,387	178,158	(+) 28,871
Grand Total, Farm Spending & Food Stamps	44,023	45,177	264,141	271,063	(+) 6,922

Source: Compiled by CRS. The 2002 estimate represents the March 2002 CBO baseline combined with the CBO estimate for new spending in the 2002 farm bill. The current estimate is actual USDA spending for FY2002-FY2006, and the March 2007 CBO estimate for FY2007 from **Table 1**.

2002 Farm Bill Costs: Current Estimates vs. 2002 Estimates

Each year, the Congressional Budget Office (CBO) issues a baseline budget for all federal spending under current law over a multi-year period. Projected spending in the baseline represents CBO's estimate at a particular point in time of what federal spending and revenues likely would be under current law if no policy changes were made over the projected period. The baseline serves as a benchmark or starting point for future budget analyses. Whenever new legislation (such as a farm bill) is introduced that affects federal mandatory spending, its impact is measured by CBO as a difference from the baseline.

When the 2002 farm bill was enacted in May 2002, CBO estimated that the six-year cost (FY2002-FY2007) of the major farm support programs (commodities, conservation, and trade) would be \$114.75 billion, or an average of \$19.1 billion per year (see **Table 2**, above). Current estimates for these programs (as of March 2007) show that actual spending over the six-year life of the 2002 farm bill likely will be \$92.9 billion (an average of \$15.5 billion per year), or a total of \$21.8 billion below the 2002 CBO estimate. Almost all of the difference between the 2002 CBO estimate and actual spending was accounted for within the farm commodity support programs, as stronger than expected commodity market prices (particularly for corn) reduced the need for counter-cyclical payments. Conversely, actual food stamp spending over the six-year period was significantly higher than originally projected in 2002 (\$178 billion actual vs. \$149 billion estimated in 2002), as program participation rates exceeded earlier estimates. When farm spending is combined with food stamp spending, the actual six-year cost of the farm bill (\$271 billion) is relatively close to the 2002 CBO estimate (\$264 billion).

As part of the budgetary nature of mandatory programs, whenever actual spending is below the original cost estimate, this does not create savings that can be used to either reduce the deficit or finance future spending. Likewise, if actual spending turns out to be above the original budget estimate, no budgetary offsets are required.

CBO's March 2007 Baseline Budget Estimate

Table 3, below, summarizes CBO's most recent (March 2007) baseline budget estimate for the major mandatory USDA programs. It is CBO's estimate of future spending under current law (the 2002 farm bill) for these programs given generally expected economic and market conditions for the next several years.

CBO projects that total farm support (commodities, conservation, and trade) spending under current law over the next six years will be \$70.9 billion, which is nearly \$22 billion less than the amount actually spent over the last six years (FY2002-FY2007). This lower estimate is driven primarily by projections for sustained high commodity prices for the foreseeable future. The \$22 billion reduction consists of about \$30.5 billion in reduced commodity spending, but about \$8.2 billion in increased conservation spending, and \$357 million in increased export spending. In contrast, spending for food stamps increases by about \$25.7 billion over the six-year period.

The FY2008 budget resolution (S.Con.Res. 21), adopted by Congress earlier this year, established the fiscal parameters for spending on the next farm bill. The resolution allows the agriculture committees to formulate legislation at the same projected cost level as current law. Any changes made to current law (both new spending and reductions) will be scored by CBO against the baseline to determine whether the new farm bill is budget-neutral. A separate provision in the FY2008 budget resolution allocates a deficit-neutral reserve fund of up to \$20 billion over five years (FY2008-FY2012) to the agriculture committees for the next farm bill. However, any spending from this fund would have to be offset with comparable spending reductions elsewhere or by revenue increases.

Table 3. CBO's March 2007 Baseline Estimates for Major Farm Bill Programs, FY2008-FY2013, Compared with FY2002-FY2007 Actual Spending

	Farm Commodity Programs	Conservation	Exports	Subtotal, Farm Support	Food Stamps	Grand Total, Farm Support and Food Stamps
FY2008	7,202	3,988	334	11,524	36,108	47,632
FY2009	7,307	4,159	334	11,800	36,641	48,441
FY2010	6,988	4,196	335	11,519	36,898	48,417
FY2011	6,851	4,439	334	11,624	37,635	49,529
FY2012	6,950	4,774	334	12,058	38,722	50,780
FY2013	7,148	4,940	334	12,422	39,841	52,263
6-year total, FY08-FY13	42,446	26,496	2,005	70,947	225,845	296,792
6-year actual, FY02-FY07	72,934	18,323	1,648	92,905	178,158	271,063
Difference btw. FY08-FY13 baseline and FY02-FY07 actual	(30,488)	8,173	357	(21,958)	47,687	25,729

Source: Compiled by CRS using CBO's March 2007 baseline budget estimates (FY2007-FY2013) and actual spending data from USDA for FY2002-FY2006.