



CRS Report for Congress

Possible Expiration of the 2002 Farm Bill

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Summary

Will an extension of current law be needed if Congress does not enact a new farm bill before September 30, 2007? Commodity provisions of the 2002 farm bill apply to crops harvested in 2007, and farmers entitled to payments will receive them even after September 30. Also, with past history as the example, it is unlikely that expired authority to appropriate funds will constrain the congressional appropriations process. With appropriations, basic nutrition programs would continue. But, these programs present some unique issues that would not be resolved without action beyond a regular appropriation. Looking back, the 1990 farm bill expired in 1995, but Congress did not adopt the replacement legislation until the spring of 1996.

What might happen if Congress does not enact a new farm bill before September 30, 2007 — the end of this fiscal year and the commonly reported expiration date of the 2002 farm bill?

The 2002 omnibus farm bill (P.L. 107-171) includes a wide range of program authorities, some of which are mandatory and others discretionary. Mandatory, in this context, means that the authority to spend necessary funds is provided by statute. This category includes the commodity support programs, export programs, some conservation programs, and food stamps. Discretionary programs are authorized, but annual funding is subject to congressionally approved appropriations. Discretionary programs in the farm bill include some conservation programs, federal farm loan programs, rural development programs, agricultural research, and foreign food aid.

In nearly all cases, a farm bill supersedes permanent authorizing law for a period of four to six years. The farm bill is important because it may substantially change program design from what is in the permanent law, as is the case with commodity support programs. Typically, with regard to appropriated programs, the farm bill sets upper limits on program activity levels and appropriations authority.

What would happen if a 2007 farm bill is not enacted by September 30, 2007? The mandatory commodity support programs authorized in the 2002 farm bill cover the 2007 crops. So, even if harvest is after September 30, the subsidized crops harvested in

calendar 2007 are covered by the law. The 1981 and 1985 farm bills were enacted in late December, and the 1990 farm bill was enacted in late November. Enactment of the anticipated 1995 farm bill in April 1996 is the most extreme case of belated action. The 1990 farm bill expired in 1995, but the subsequent replacement legislation was not signed into law until April 4, 1996, yet payments were made on the 1995 crops and farmers went ahead with planting operations for their 1996 crops.

Absence of a new farm bill poses some risk for crops harvested in 2008, particularly winter wheat that is harvested in early summer, but typically harvest comes late in the calendar year for most subsidized crops. Since the 1996 farm bill, farmers have had substantial planting flexibility and acreage reduction requirements have been eliminated. Absent reversion to supply controls, enactment of a new farm bill as late as the spring of 2008 would inconvenience few farmers. Lack of new commodity support legislation before harvest in 2008 does little harm other than to leave farmers uncertain about the size of payments they might receive. One exception might be some farmers' ability to acquire production credit if there is great uncertainty about future programs. If Congress deems a temporary extension necessary for the commodity support programs beyond the 2007 crop year, that action likely could wait until close to harvest 2008.

Most discretionary programs in the 2002 farm bill and some mandatory programs like food stamps would face the prospect of not having statutory authority for the appropriations committees to provide funding in FY2009 and subsequent years. The lack of authority to appropriate funds for authorized programs (and even for some programs not authorized) has not been a barrier for appropriations in past Congresses.

If Congress takes no action on commodity support before the beginning of the 2008 harvest, then the non-expiring provisions of primarily the Agriculture Adjustment Act of 1938 and the Agriculture Act of 1949 take effect. Provisions of these permanent laws are temporarily superseded by each farm bill. So, absent any amendments before the 2008 harvest, the permanent authority will apply. However, the commodity support provisions of the permanent law are so radically different from current policy and inconsistent with today's farming, marketing, and trade practices, as well as costly to the federal government, that Congress is unlikely to let permanent law take effect.

Permanent law provides mandatory support for basic crops through nonrecourse loans, but without the option of settling the loan obligations at posted county prices. The only settlement options would be forfeiture of the commodities used as loan collateral or full repayment of the loans. Permanent law does not authorize counter-cyclical payments or decoupled direct payments. Also, nonrecourse loan rates could be as high as 90% of parity and not less than 75% of parity for peanuts, 65% of parity for cotton, and 50% of parity for wheat and corn.¹ Acreage allotments and marketing quotas could be

¹ Parity is a formula that gives a unit of the commodity the same purchasing power it had in the 1910-1914 time period. For example, the June 2007 average farm price for wheat of was reported by USDA at \$5.28/bu. (49% of its \$10.80 parity price). Similarly, the average farm price for upland cotton of \$0.451/lb. was 22% of parity; and the average farm price for milk of \$20/cwt. was 51% of parity. (Prices received by farmers and parity prices are reported monthly by the USDA's National Agricultural Statistics Service report, *Agricultural Prices*.)

implemented for wheat and cotton. Milk support would be between 75% and 90% of parity. Support for rice and soybeans would not be mandatory.

Programs covered by the farm bill's nutrition title present a different set of issues if farm bill enactment is delayed. As long as appropriations are provided, the regular Food Stamp program, the Food Distribution Program on Indian Reservations, the Commodity Supplemental Food Program, and fruit and vegetable projects would continue, effectively unchanged. However, operation of the Senior Farmers' Market Nutrition Program (SFMNP), along with a number of major special authorities in the Food Stamp Act, would be affected unless additional action were taken. The most important effects would be: (1) mandatory funding from permanent appropriations (\$15 million) for the SFMNP would end; (2) the USDA would lose authority to use food stamp appropriations to purchase commodities (\$140 million) "guaranteed" for The Emergency Food Assistance Program (TEFAP); (3) there would be no authority to fund nutrition assistance grants (in lieu of food stamps) to Puerto Rico and American Samoa (\$1.6 billion) or employment/training programs for food stamp recipients (\$110 million); and (4) authority to reduce (by \$200 million) food stamp administrative cost payments to states would end.

Farm Bill Chronology of Major Actions

1973 Farm Bill — P.L. 93-86 (S. 1888), an original bill to extend and amend the Agricultural Act of 1970 for the purpose of assuring consumers of plentiful supplies of food and fiber at reasonable prices

Summary of Major Actions

Introduced May 23, 1973.

Enacted August 10, 1973.

Expiration:

- Appropriations authorities expire June 30, 1977.
- Commodity support authorities expire after the 1977 crop year.

Chronology of Major Actions

05/23/1973 — S. 1888 introduced in Senate

05/23/1973 — S. 1888 reported to Senate, S.Rept. 93-173.

06/08/1973 — S. 1888 passed by roll call vote (78-9).

06/20/1973 — H.R. 8860 introduced in House

06/27/1973 — H.R. 8860 reported to House, H.Rept. 93-337.

07/19/1973 — H.R. 8860 laid on table in House, S. 1888 passed in lieu.

08/10/1973 — Signed by President.

1977 Farm Bill — P.L. 95-113 (S. 275), Food and Agriculture Act of 1977

Summary of Major Actions

Introduced January 18, 1977.

Enacted September 29, 1977.

Expiration:

- Appropriations authorities expire September 30, 1981.
- Commodity support authorities expire after the 1981 crop year.

Chronology of Major Actions

01/18/1977 — S. 275 introduced in Senate.
 05/13/1977 — H.R. 7171 introduced in House.
 05/16/1977 — Reported to Senate, S.Rept. 95-180.
 05/16/1977 — H.R. 7171 reported from the House Ag. Committee, H.Rept. 95-348.
 05/24/1977 — Passed Senate by roll call, 69-18.
 07/28/1977 — Passed House in lieu of H.R. 7171 by roll call, 294-114.
 09/09/1977 — Conference report S.Rept. 95-418 agreed to 9/12/1977 by roll call, 63-8.
 09/16/1977 — Conference report agreed to in House by roll call, 283-107.
 09/29/1977 — Signed by President.

1981 Farm Bill — P.L. 97-98 (S. 884), Agriculture and Food Act of 1981

Summary of Major Actions

Introduced April 7, 1981.

Enacted December 22, 1981.

Expiration:

- Appropriations authorities expire September 30, 1985.
- Commodity support authorities expire after the 1985 crop year.

Chronology of Major Actions

04/07/1981 — S. 884 introduced in Senate.
 05/18/1981 — H.R. 3603 introduced in House.
 05/19/1981 — Reported by House Ag. Committee, H.Rept. 97-106, Part I. Reported by House Committee on Appropriations 6/11/1981, H.Rept. 97-106, Part II. Reported by House Committee on Ways and Means on 6/19/1981, H.Rept. 97-106, Part III. Discharged by House Committee on Banking, Finance and Urban Affairs on 6/19/1981.
 05/27/1981 — S. 884 reported by Senate Ag. Committee under the authority of the order of May 21, 1981, with written report S.Rept. 97-126.
 09/18/1981 — Passed Senate by yeas-nays, 49-32.
 10/22/1981 — Passed House by yeas-nays, 192-160.
 12/09/1981 — Conference Report H.Rept. 97-377 filed in House.
 12/10/1981 — Conference report agreed to in Senate by yeas-nays, 67-32.
 12/10/1981 — Conference report S.Rept. 97-290 filed in Senate on the disagreeing votes of the two Houses on the amendments of the House.
 12/16/1981 — Conference report agreed to in House by yeas-nays, 205-203.
 12/22/1981 — Signed by President.

1985 Farm Bill — P.L. 99-98 (H.R. 2854), Food Security Act of 1985

Summary of Major Actions

Introduced April 17, 1985.

Enacted December 23, 1985.

Expiration:

- Appropriations authorities expire September 30, 1990.
- Commodity support authorities expire after the 1990 crop year.

Chronology of Major Actions

04/17/1985 — H.R. 2854 introduced in House.

- 09/13/1985 — Reported to House by House Ag. Committee, H.Rept. 99-271, Part I; and reported to House by House Committee on Merchant Marine and Fisheries on 9/19/1985, H.Rept. 99-271, Part II.
- 09/19/1985 — Senate Ag. Committee incorporated provisions of related measures S. 501, S. 616, S. 843, S. 908, S. 1036, S. 1041, S. 1051, S. 1083, S. 1119, S. 42, S. 171, S. 1040, S. 1049, S. 1050, S. 250, S. 1069 into a single measure that was ordered to be reported.
- 09/30/1985 — S. 1714 introduced in Senate and reported to Senate with written report S.Rept. 99-145.
- 10/08/1985 — H.R. 2854 passed House by yeas-nays, 282-141.
- 11/23/1985 — H.R. 2854 passed Senate in lieu of S. 1714 by yeas-nays, 61-28.
- 12/17/1985 — Conference Report H.Rept. 99-447 filed in House and agreed to in House on 12/18/1985 by yeas-nays, 325-96; and agreed to in Senate by yeas-nays, 55-38.
- 12/23/1985 — Signed by President.

1990 Farm Bill — P.L. 101-624 (S. 2830), Food, Agriculture, Conservation, and Trade Act of 1990

Summary of Major Actions

Introduced July 6, 1990.

Enacted November 28, 1990.

Expiration:

- Appropriations authorities expire September 30, 1995.
- Commodity support authorities expire after the 1995 crop year.

Chronology of Major Actions

- 02/05/1990 — H.R. 3950 introduced in House.
- 7/3/1990 — H.R. 3950 reported by the House Ag. Committee with H.Rept. 101-569, Part I. Reported 7/16/1990 by the Committee on Foreign Affairs, H.Rept. 101-569, Part II. Supplemental report filed 7/17/1990 by the House Ag. Committee, H.Rept. 101-569, Part III. Reported 7/18/1990 by the Committee on Education and Labor, H.Rept. 101-569, Part IV. Reported 7/18/1990 by the Committee on Ways and Means, H.Rept. 101-569, Part V, filed late, pursuant to previous special order. Discharged 7/18/1990 by the Committee on Merchant Marine and Fisheries.
- 07/06/1990 — S. 2830 introduced in Senate.
- 07/06/1990 — S. 2830 reported to Senate under the authority of the order of June 26, 1990, with written report S.Rept. 101-357.
- 07/27/1990 — S. 2830 passed Senate by yeas-nays, 70-21.
- 8/1/1990 — H.R. 3950 passed House by recorded vote, 327-91.
- 08/04/1990 — S. 2830 passed in House without objection.
- 10/22/1990 — Conference report H.Rept. 101-916 filed.
- 10/23/1990 — Conference report agreed to in House by yeas-nays, 318-102.
- 10/25/1990 — Conference report agreed to in Senate by yeas-nays, 60-36.
- 11/28/1990 — Signed by President.

1996 Farm Bill — P.L. 104-127 (H.R. 2854), Federal Agriculture Improvement and Reform Act of 1996

Summary of Major Actions

Introduced January 5, 1996.

Enacted April 4, 1996.

Expiration:

- Appropriations authorities expires September 30, 2002.

- Commodity support authority expires after the 2002 crop year.

Chronology of Major Actions

01/05/1996 — H.R. 2854 introduced in House.
01/26/1996 — S. 1541 introduced in Senate.
02/07/1996 — S. 1541 passed Senate by yeas-nays, 64-32.
02/09/1996 — H.R. 2854 reported by House Ag. Committee with H.Rept. 104-462, Part I, and discharged on 2/9/1996 by Committee on Ways and Means.
02/29/1996 — H.R. 2854 passed House by yeas-nays, 270-155.
03/12/1996 — H.R. 2854 passed Senate by voice vote.
03/25/1996 — Conference report H.Rept. 104-494 filed.
03/28/1996 — Conference report agreed to in Senate by yeas-nays, 74-26.
03/29/1996 — Conference report agreed to in House by recorded vote, 318-89.
04/04/1996 — Signed by President.

2002 Farm Bill — P.L. 107-171 (H.R. 2646), Farm Security and Rural Investment Act of 2002

Summary of Major Actions

Introduced July 26, 2001.

Enacted May 13, 2002.

Expiration:

- Appropriations authorities expire September 30, 2007.
- Commodity support authorities expire after the 2007 crop year.

Chronology of Major Actions

07/26/2001 — H.R. 2646 introduced in House.
08/02/2001 — H.R. 2646 reported by House Ag. Committee, H.Rept. 107-191, Part I. Supplemental report filed 8/31/2001 by House Ag. Committee, H.Rept. 107-191, Part II. Reported by the Committee on International Relations 9/10/2001, H.Rept. 107-191, Part III.
10/05/2001 — Passed in House by yeas-nays, 291-120.
11/27/2001 — S. 1731 introduced in Senate and reported to Senate by the Senate Ag. Committee without a written report. S.Rept. 107-117 was filed on 12/7/2001.
02/13/2002 — Passed in Senate in lieu of S. 1731 by yeas-nays, 58-40.
05/01/2002 — Conference report H.Rept. 107-424 filed.
05/02/2002 — Conference report agreed to in House by yeas-nays, 280-141.
05/08/2002 — Conference report agreed to in Senate by yeas-nays, 64-35.
05/13/2002 — Signed by President.