



# What Is the Farm Bill?

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## Summary

The farm bill is an omnibus, multi-year piece of authorizing legislation that governs an array of agricultural and food programs. Although agricultural policies sometimes are created and changed by freestanding legislation or as part of other major laws, the farm bill provides a predictable opportunity for policymakers to comprehensively and periodically address agricultural and food issues. The farm bill is renewed about every five years.

The Food, Conservation, and Energy Act of 2008 (P.L. 110-246, “2008 farm bill”) is the most recent omnibus farm bill, and was enacted into law in June 2008. The farm bill is due for reauthorization, as portions of the 2008 farm bill expired beginning September 30, 2012. Some programs expire at the end of a farm bill and would cease to operate altogether unless reauthorized; in other cases new activities might not be initiated—either for lack of program authority or available funding.

The 112<sup>th</sup> Congress has considered several options to address reauthorization of the farm bill. The Senate approved its version of a farm bill (S. 3240) in June 2012. In the House, a farm bill (H.R. 6083) was approved by the House Agriculture Committee in July 2012 and awaits consideration by the full House of Representatives. Congress also considered various options for extending the current farm bill, among other options.

The most recent Congressional Budget Office (CBO) “baseline” budget (Mach 2012) estimates that about \$993 billion of mandatory outlays are available for farm bill programs over the next decade (FY2013-FY2022). Within this total, an estimated \$772 billion (78%) would be available for the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) as part of the bill’s nutrition title. Another \$154 billion (16%) would be available for farm commodity support and crop insurance, and \$64 billion (6%) for agricultural conservation.

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## What Is the Farm Bill?

The farm bill is an omnibus, multi-year piece of authorizing legislation that governs an array of agricultural and food programs. Although agricultural policies sometimes are created and changed by freestanding legislation or as part of other major laws, the farm bill provides a predictable opportunity for policymakers to comprehensively and periodically address agricultural and food issues. The farm bill is renewed about every five years.<sup>1</sup>

Since the 1930s, farm bills traditionally have focused on farm commodity price and income support for a handful of staple commodities—corn, soybeans, wheat, cotton, rice, and dairy. Yet farm bills have grown in breadth in recent decades. Among the most important additions have been nutrition assistance, conservation, horticulture, and bioenergy programs. The omnibus nature of the farm bill can create broad coalitions of support among sometimes conflicting interests for policies that individually might not survive the legislative process. This also can stir fierce competition for funds. In recent years, more parties have become involved in the farm bill debate, including national farm groups, commodity associations, state organizations, and nutrition and public health officials, as well as advocacy groups representing conservation, recreation, rural development, faith-based interests, local food systems, and certified organic production.

The Food, Conservation, and Energy Act of 2008 (P.L. 110-246, “2008 farm bill”) is the most recent omnibus farm bill. It was enacted in June 2008 and succeeded the 2002 farm bill. The 2008 farm bill contained 15 titles encompassing commodity price and income supports, farm credit, trade, agricultural conservation, research, rural development, energy, and foreign and domestic food programs, among other programs.<sup>2</sup> (See titles described in text box below.)

Without a new farm bill or an extension, some programs expire at the end of a farm bill and will cease to operate altogether unless reauthorized; in addition, new activities might not be initiated—either for lack of program authority or available funding. Nutrition assistance programs need reauthorization, if they are to continue. The farm commodity programs not only expire, but would revert to permanent law dating back to the 1940s. Many discretionary programs would not have statutory authority to receive appropriations in future years. Other farm bill programs have permanent authority and do not need to be reauthorized. Nonetheless, they may be included in a farm bill to make changes for policy or budgetary goals. Crop insurance is the major example of a permanently authorized program that is still addressed in the farm bill.

Currently, the farm bill is due for reauthorization, as portions of the 2008 farm bill expired beginning September 30, 2012.<sup>3</sup> The 112<sup>th</sup> Congress has considered several options to address reauthorization of the farm bill. In the House, a farm bill (H.R. 6083) was approved by the House Agriculture Committee in July 2012 and awaits consideration by the full House of Representatives.<sup>4</sup> Congress also considered various options for extending the current farm bill, among other options.

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<sup>1</sup> There have been sixteen farm bills since the 1930s (2008, 2002, 1996, 1990, 1985, 1981, 1977, 1973, 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933). Farm bills have become increasingly omnibus in nature since 1973 with the inclusion of a nutrition title.

<sup>2</sup> CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action*<http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34696>.

<sup>3</sup> CRS Report R42442, *Possible Extension or Expiration of the 2008 Farm Bill*, and CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

<sup>4</sup> CRS Report R42552, *The 2012 Farm Bill: A Comparison of Senate-Passed S. 3240 and the House Agriculture* (continued...)

### The 2008 Farm Bill (P.L. 110-246): Functions and Major Issues, by Title

- **Title I, Commodity Programs:** Provided income or other types of support (“safety net”) to farmers that grow the major commodity crops—wheat, corn, soybeans, cotton, and rice. Included programs to help farmers manage production risks, including volatile weather, natural disasters, as well as market fluctuations. Support to farmers was largely through direct payments, counter-cyclical payments, and marketing loans. Other support mechanisms included government purchases for dairy, and marketing quotas and import barriers for sugar.
- **Title II, Conservation:** Encouraged environmental stewardship of farmlands and improved management practices through a range of land retirement and/or working lands programs, among other programs geared to farmland conservation, preservation, and resource protection. Working lands programs include: Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP). Land retirement programs included: Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP), among others.
- **Title III, Trade:** Provided support for U.S. agricultural export programs and international food assistance programs. Major programs included: Market Access Program (MAP) and the primary U.S. food aid program, the P.L. 480 program, and other programs. Additionally, addressed program changes related to World Trade Organization (WTO) obligations.
- **Title IV, Nutrition:** Provided nutrition assistance for households and individuals through programs such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) and The Emergency Food Assistance Program (TEFAP), among other types of supplemental nutrition assistance. Additionally, provided support for a program making fresh fruits and vegetables available in schools, and other types of support for child nutrition programs.
- **Title V, Credit:** Provided support for federal direct and guaranteed loans to farmers and ranchers, and loan eligibility rules and policies.
- **Title VI, Rural Development:** Supported business and community programs for planning, feasibility assessments, and coordination activities with other local, state, and federal programs. Programs include rural development loan and grant programs and authorized several new provisions, rural infrastructure, economic development, and broadband and telecommunications development, among other programs.
- **Title VII, Research, Extension, and Related Matters:** Supported agricultural research and extension programs that help farmers and ranchers become more efficient, innovative, and productive. Other types of research programs included biosecurity and response, biotechnology, and organic production.
- **Title VIII, Forestry:** Supported forestry management programs run by the U.S. Forest Service.
- **Title IX, Energy:** Supported the development of farm and community renewable energy systems through various programs, grants, and procurement assistance initiatives. Provisions covered the production, marketing, and processing of biofuel feedstocks; expanded research, education, and demonstration programs for advanced biofuels; USDA coordination of federal biobased energy efforts; grants for procurement of biobased products to support development of biorefineries; assistance for eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems; and user education programs, among other programs.
- **Title X, Horticulture:** Supported the production of specialty crops—fruits, vegetables, tree nuts, and floriculture and ornamental products—through a range of initiatives, including market promotion; plant pest and disease prevention; and public research; among other initiatives. Additionally, provided assistance to certified organic agricultural production.
- **Title XI, Livestock:** Addressed a range of programs affecting livestock or poultry producers.
- **Title XII, Crop Insurance and Disaster Assistance:** Provided for federal crop insurance and disaster assistance, including policies for crop insurance coverage and risk management.
- **Title XII, Miscellaneous:** Other types of programs and assistance not covered in other bill titles, including provisions to assist limited-resource and socially disadvantaged farmers, and agricultural security, among others.

(...continued)

*Committee’s H.R. 6083 with Current Law.*

## What Is the Cost?

The farm bill sets the policies for an array of agricultural programs. Legislatively, the farm bill authorizes programs in two spending categories: mandatory and discretionary. Mandatory programs generally operate as entitlements; the farm bill pays for them based on multi-year budget estimates when the law is enacted via the Congressional Budget Office (CBO) “baseline.” Discretionary programs are authorized in the farm bill for their scope; they are not funded in the farm bill, but instead are subject to annual appropriations. While both types of programs are seen as important, mandatory programs and related budget issues often dominate the farm bill debate.

### 2008 Farm Bill at Enactment

When the 2008 farm bill was enacted, CBO estimated the total cost of mandatory programs at \$284 billion over five years (FY2008-FY2012) and \$604 billion over 10 years (FY2008-FY2017). The overwhelming share (97%) of estimated total net outlays for programs in the 2008 farm bill was anticipated to be spent on four titles: nutrition, farm commodity support, crop insurance, and conservation. Of the \$284 billion in projected total five-year net outlays for programs under the farm bill, about \$189 billion (67%) was for the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) and certain other nutrition assistance programs. An estimated \$42 billion (15%) was expected for farm commodity support and \$22 billion (8%) for crop insurance.<sup>5</sup> An estimated \$24 billion (9%) was expected to support mandatory conservation programs. Another \$10 billion was expected to be spent on trade, horticulture and livestock production, rural development, research, forestry, and energy, among other programs.<sup>6</sup> Actual spending for these programs differed from these original estimates.<sup>7</sup>

### 2012 House and Senate Farm Bill Proposals

If current law were continued, CBO estimates that mandatory outlays would be \$993 billion over 10 years (FY2013-FY2022, **Table 1**). This “baseline” serves as a starting point for how much is available to spend on the next farm bill.<sup>8</sup> Within this total, an estimated \$772 billion (78%) would be available for SNAP (**Figure 1**). Another \$154 billion (16%) would be available for farm commodities and crop insurance, and \$64 billion (6%) for conservation. The remaining roughly \$3 billion (less than one-half of 1%) would be available for the other farm bill titles (trade, horticulture, energy, rural development, research and forestry). These costs reflect mandatory outlays, and do not reflect discretionary spending for programs authorized in the farm bill and paid for separately in annual appropriations bills. **Table 1** also reflects estimates for the House committee and Senate farm bill proposals in 2012, which could reduce farm bill spending by 3.5% and 2.3%, respectively, as discussed in the next section.

<sup>5</sup> Another \$4 billion was allocated for supplemental farm disaster assistance (FY2008-2012) in the miscellaneous title.

<sup>6</sup> CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action*.

<sup>7</sup> CBO periodically re-estimates the baseline. New estimates show how changing economic conditions affect automatic entitlement outlays under current law. Increases in projected costs from prior year baselines may indicate that more people qualify for benefits, but the increase does not require budgetary offsets. Likewise, reductions in projected costs may indicate that less price support is needed, but reductions do not create savings that could offset new spending. For more information, see CRS Report R41195, *Actual Farm Bill Spending and Cost Estimates*.

<sup>8</sup> CRS Report R42484, *Budget Issues Shaping a 2012 Farm Bill*

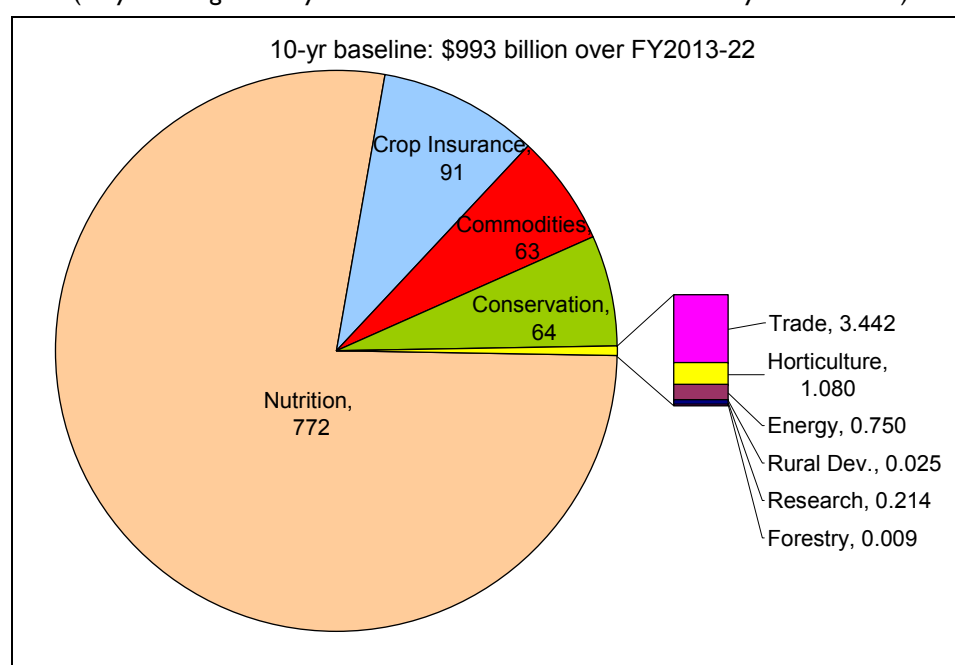
**Table I. 2012 Farm Bill Budget: Baseline, Scores, and Proposed Outlays, by Title**  
(outlays in millions of dollars, 10-year total FY2013-FY2022)

2012 Farm Bill Titles		CBO Baseline (outlays)	CBO Score of Bill (change to baseline)		Outlays Proposed (Baseline + Score)	
			S. 3240	H.R. 6083	S. 3240	H.R. 6083
I	Commodities	62,944	-19,428	-23,584	43,516	39,360
II	Conservation	64,067	-6,374	-6,148	57,693	57,919
III	Trade	3,442	0	0	3,442	3,442
IV	Nutrition	772,109	-4,000	-16,075	768,109	756,034
V	Credit	-2,665	0	0	-2,665	-2,665
VI	Rural Development	25	+115	+105	140	130
VII	Research	214	+681	+546	895	760
VIII	Forestry	9	+9	+4	18	13
IX	Energy	750	+780	0	1,530	750
X	Horticulture	1,080	+360	+435	1,440	1,515
XI	Crop Insurance	90,867	+5,036	+9,523	95,903	100,390
XII	Miscellaneous	0	-319	+50	-319	50
<b>Total</b>		<b>992,842</b>	<b>-23,140</b>	<b>-35,144</b>	<b>969,702</b>	<b>957,698</b>

**Source:** CRS Report R42484, *Budget Issues Shaping a 2012 Farm Bill*, using the CBO baseline (March 2012) and CBO cost estimates of Senate-passed S. 3240 (July 9, 2012), and House-drafted H.R. 6083 (July 26, 2012),

**Figure I. March 2012 CBO Baseline of Mandatory Outlays for Farm Bill Titles**

(10-year budget outlays FY2013-FY2022 in billions of dollars by farm bill title)



**Source:** CRS, using the March 2012 CBO baseline.

## What Are the Key Issues?

### Deficit Reduction and the Budget

Budget issues are among the primary factors affecting the development of a new farm bill. The desire by many to redesign farm policy and reallocate the remaining farm bill budget—in a sequestration and deficit reduction environment—is driving much of the farm bill debate. Political dynamics concerning sequestration and broader deficit reduction goals leave open difficult questions about how much and when the farm bill budget may be reduced. In this context, Congress faces difficult choices about how much total support to provide for agriculture, and how to allocate that support among competing constituencies.

Several high-profile congressional and Administration deficit reduction proposals have targeted agricultural programs specifically.<sup>9</sup> Across-the-board reductions to many farm bill programs also could occur in 2013 unless Congress avoids an automatic budget sequestration process, though nutrition assistance is exempt from sequestration, and crop insurance and some farm commodity and conservation outlays in 2013 appear to be exempt.<sup>10</sup>

Compared to the \$993 billion baseline of outlays over the 10-year period, the Senate-passed farm bill, S. 3240, would reduce spending by \$23.1 billion (-2.3%); and the House-reported bill, H.R. 6083, would reduce it by \$35.1 billion (-3.5%, **Table 1**). The \$23 billion 10-year reduction in the Senate bill is consistent with a joint House and Senate agriculture committees' proposal to the Joint Select Committee on Deficit Reduction in the fall of 2011. The \$35 billion reduction over 10 years in the House committee bill is consistent with the scale of budget reconciliation instructions in the House budget resolution for FY2013. The bills make fairly similar budgetary changes to the farm commodity programs, crop insurance, and conservation from a combined budget perspective. However, the changes to nutrition assistance are more stark between the bills, with a \$4 billion reduction in the Senate bill and \$16 billion reduction in the House committee bill. The reduction in the House committee bill is considered excessive by some groups and too small by others.

### Nutrition Assistance

The Supplemental Nutrition Assistance Program (SNAP), formerly called the Food Stamp Program, provides benefits to increase the food purchasing power of eligible low-income households. SNAP reaches a large share of low-income households. In April 2012, 46 million persons in 22 million households benefitted from SNAP.<sup>11</sup>

The nutrition share of the farm bill budget has increased over time. When the 2008 farm bill was enacted, the nutrition title was 67% of the 10-year total (\$406 billion out of \$604 billion). Five years later, it is 78% of the total (\$772 billion out of \$993 billion). This trend does not mean, however, that the nutrition programs have grown at the expense of the agricultural programs.

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<sup>9</sup> CRS Report R42484, *Budget Issues Shaping a 2012 Farm Bill*.

<sup>10</sup> Office of Management and Budget, *Report Pursuant to the Sequestration Transparency Act of 2012*, Sept. 2012.

<sup>11</sup> CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*.



Nonetheless, the growth in nutrition spending has been highlighted and is being considered for reduction, as discussed in the previous section.

Two nutrition issues stand out among those being considered in the 2012 farm bill: becoming eligible for SNAP benefits based on participation in other low-income assistance programs (“categorical eligibility”),<sup>12</sup> and how minimal payments from the Low-Income Home Energy Assistance Program (LIHEAP) can affect SNAP benefit calculations.<sup>13</sup> The House committee and Senate farm bills are identical on the LIHEAP change, but only the House bill would restrict categorical eligibility.

## **Farm Commodity Policy Reform**

Farm commodity price and income support programs raise farm income by making direct payments and reducing financial risks from uncertain weather and market conditions. Programs with government-set target prices (or revenue benchmarks) offer payments when market prices (or farm revenue) fall below support levels. Simultaneously, the federal crop insurance program protects producers against losses in crop revenue or yield through federally subsidized policies purchased by producers.<sup>14</sup>

The commodity programs usually are a contentious component of a farm bill. Proponents want a strong safety net for farmers, while opponents often cite costs relative to other policy priorities. Critics point out that farm bill dollars are not equitably shared across the sector. Benefits flow to a limited number of staple commodities—mainly corn, soybeans, wheat, cotton, rice, dairy, and sugar—and not to fruits, vegetables, or livestock. Subsidies are proportional to production, allowing larger farms to receive more than smaller ones. The farm economy also plays a role in the outcome. In recent years, farm sector income has been historically high, though variability has increased.<sup>15</sup> Some say agriculture does not need as much support as in prior years; others look at the same data and see high volatility justifying an enhanced safety net.

Of the non-nutrition funding available in the farm bill (about \$221 billion over 10 years), \$91 billion is available for crop insurance, \$63 billion is available for farm commodity price and income supports, and \$64 billion is available for conservation. The combined change that is proposed in the House committee bill to the farm commodity program and crop insurance (-\$14.1 billion over 10 years) is similar to those programs in the Senate bill (-\$14.4 billion), though each chamber takes a somewhat different approach to reform.

The House committee and Senate farm bills propose to restructure the farm programs by eliminating fixed direct payments and the existing counter-cyclical price and revenue programs. Some of the savings from eliminating direct payments would be used to offset the cost of new farm programs and enhance crop insurance. Both bills borrow conceptually from current programs, revising and renaming them to enhance price or revenue protection for producers.<sup>16</sup>

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<sup>12</sup> CRS Report R42054, *The Supplemental Nutrition Assistance Program: Categorical Eligibility*.

<sup>13</sup> CRS Report R42591, *2012 Farm Bill: Changing the Treatment of LIHEAP Receipt in the Calculation of SNAP Benefits*.

<sup>14</sup> CRS Report R40532, *Federal Crop Insurance: Background and Issues*.

<sup>15</sup> CRS Report R40152, *U.S. Farm Income*.

<sup>16</sup> CRS Report R42759, *Farm Safety Net Provisions in a 2012 Farm Bill: S. 3240 and H.R. 6083*.

## Disaster Assistance

In the summer of 2012, drought spread across much of the United States and adversely affected agricultural producers. As of October 3, 2012, the Secretary of Agriculture has designated nearly 2,100 counties as disaster areas. Agricultural disaster assistance has been common on an *ad hoc* basis since the 1980s. The 2008 farm bill also added “permanent” agricultural disaster assistance programs—permanent in the sense that a pool of money was available for disasters without needing supplemental appropriations, but not permanent in that authority expired in September 2011 without a budget for reauthorization. The 2012 drought fueled congressional interest in reauthorizing disaster programs.<sup>17</sup>

Five disaster programs were established in the 2008 farm bill for weather-induced losses in FY2008-FY2011. Both the House and Senate farm bills would reauthorize four programs covering livestock and tree assistance for FY2012-FY2017. The crop disaster program from the 2008 farm bill (i.e., Supplemental Revenue Assistance, or SURE) is not reauthorized in either bill, but elements of it are folded into the Senate bill by allowing producers to protect against farm-level revenue losses (not included in House bill). The Senate farm bill also provides disaster benefits to tree fruit producers who suffered crop losses in 2012.

In the absence of action House floor action on the committee-approved farm bill, the House passed a limited disaster assistance bill (H.R. 6233) on August 2, 2012. The House bill would extend for one year (for losses through September 30, 2012) the same four disaster provisions that are extended for six years in the omnibus farm bill proposals.

## The Rest of the Farm Bill

Beyond nutrition, farm commodity programs, disaster assistance and the budget, the breadth of the rest of the farm bill reflects important issues for various constituencies. The House committee and Senate proposals for the new farm bill indicate some differences in the direction of continued funding for various horticulture and specialty crop programs, bioenergy programs, conservation program reorganization, rural development and research programs. For more details of specific provisions in the farm bill proposals, see CRS Report R42552, *The 2012 Farm Bill: A Comparison of Senate-Passed S. 3240 and the House Agriculture Committee’s H.R. 6083 with Current Law*.

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<sup>17</sup> CRS Report RS21212, *Agricultural Disaster Assistance*.