



Budget Issues Shaping a Farm Bill in 2013

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March 11, 2013

Congressional Research Service

7-5700

www.crs.gov

R42484

CRS Report for Congress

Prepared for Members and Committees of Congress

Summary

The desire by many to redesign farm policy and reallocate the remaining farm bill baseline—in a sequestration and deficit reduction environment—is driving much of the farm bill debate this year. Several high-profile congressional and Administration proposals for deficit reduction have specifically targeted agricultural programs with mandatory funding. The political dynamics of sequestration and broader deficit reduction goals leave open difficult questions about how much and when the farm bill baseline 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.

Funding to write the next farm bill is based on Congressional Budget Office (CBO) baseline projections of the cost of farm bill programs, and on varying budgetary assumptions about whether programs will continue. The CBO baseline is an estimation (projection) at a particular point in time of what federal spending on mandatory programs likely would be under current law. In February 2013, CBO projected that the current farm bill programs, if they were to continue beyond the 2008 farm bill, would cost \$976 billion over the next 10 years (FY2014-FY2023).

When new bills are proposed that affect mandatory spending, their impact (or “score”) is measured as a difference from the baseline. This baseline and scoring process sets the mandatory budget for considering a new farm bill. As a starting point for the 113th Congress, CBO re-estimated two farm bill proposals from 2012 against the new baseline and with new analysis about the provisions. The Senate-passed farm bill in the 112th Congress, S. 3240, would reduce spending by \$13.1 billion (-1.3%); and the House-reported bill, H.R. 6083, would reduce it by \$26.6 billion (-2.7%). Both of these estimates reflect about \$10 billion less in savings than was scored last year, primarily because of the impact of drought and market prices, and because of new understandings about the implementation of nutrition programs. Thus, compared to last year, a new farm bill may cost more than expected, or additional reductions may be necessary to achieve the same deficit reduction.

Also, across-the-board reductions of about 5%, known as budget sequestration, have occurred and total \$1.9 billion in FY2013 for agriculture and related agencies spending—\$1.2 billion from discretionary spending and \$700 million from mandatory programs. Moreover, some popular 2008 farm bill programs do not have a baseline to continue, and will require additional budgetary offsets if they are included in a new farm bill.

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Congress periodically establishes agricultural and food policy in an omnibus farm bill.¹ The 2008 farm bill (P.L. 110-246) expired in 2012, but because Congress did not enact a new five-year farm bill in the 112th Congress, a one-year extension was enacted in the American Taxpayer Relief Act of 2012 (P.L. 112-240).² Further consideration may occur in 2013.

Budget issues are one of the primary factors affecting the development of a new farm bill, particularly in a Congress that is focused on deficit reduction. How much funding is available? How much might be used for deficit reduction? What are the budget issues and uncertainties?³

Budget Background

Agriculture Appropriations Compared to Farm Bill Spending

The total annual federal budget for agriculture-related programs was about \$137 billion in FY2012, but not all of this total was farm bill spending or for farm bill programs (**Figure 1**). The total can be divided several ways using budget terms such as mandatory spending and discretionary spending, and with overlapping components based on committee jurisdiction.

Of the \$137 billion appropriation, about \$117 billion was for mandatory programs (entitlements both inside and outside the farm bill) and \$20 billion was for discretionary programs (authorized both inside and outside the farm bill). Of the \$117 billion mandatory subtotal, about \$99 billion was for mandatory programs authorized in the farm bill (the farm bill “baseline,” discussed later) and \$18 billion was for child nutrition programs⁴ authorized outside the farm bill and not in the jurisdiction of the House Agriculture Committee (**Figure 1**).

Discretionary spending is controlled by annual appropriations acts and is under the jurisdiction of the House and Senate Appropriations Committees. The farm bill may authorize appropriations for discretionary programs, but the programs are not funded until an appropriation is made. Most agency operations (salaries and expenses) are financed with discretionary funds. From a program perspective, the primary discretionary programs in agriculture appropriations include the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Food and Drug Administration; agricultural research; most rural development programs; the Food for Peace and other international food aid programs; agricultural credit and administration of farm supports; meat and poultry inspection; certain conservation programs; and food marketing, plant and animal health, and regulatory programs(**Figure 1**).

The Agriculture appropriations bill carries—but does not pay for, nor generally determine—amounts for mandatory programs that are from authorizing legislation.

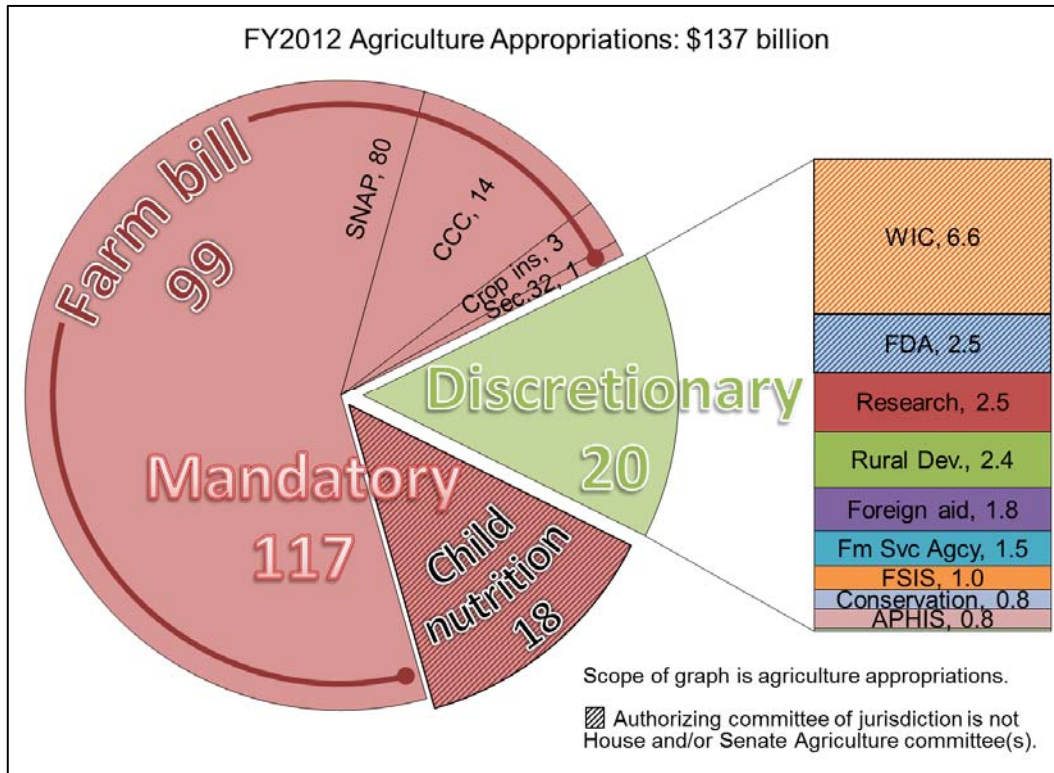
¹ For more on the scope of a farm bill, see CRS Report RS22131, *What Is the Farm Bill?*

² For more on the extension of the 2008 farm bill, new expiration dates, and consequences of legislative delays, see CRS Report R42442, *Expiration and Extension of the 2008 Farm Bill*.

³ For more on the policies proposed in 2012, 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*.

⁴ The federal “child nutrition programs” fund meals, snacks, and milk for children (and, in one program, some adults) in congregate, institutional settings. The account includes funding for the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program, and Special Milk Program.

Figure 1. Agriculture Appropriations Relationship to Farm Bill Baseline
(appropriated annual budget authority in billions of dollars)



Source: CRS, based on FY2012 Agriculture Appropriations Act, P.L. 112-55.

Notes: Graph is based on appropriations bill amounts and jurisdiction. Authorizing committee jurisdiction generally is with House and Senate Agriculture committees, except for child nutrition and WIC (House Education and Workforce; Senate Agriculture), FDA (House Commerce; Senate Health, Education, Labor & Pensions). The small amount below APHIS is for other departmental administration and the Commodity Futures Trading Commission, net of limitations and rescissions offsets.

SNAP = Supplemental Nutrition Assistance Program; CCC = Commodity Credit Corp.; WIC = Special Supplemental Nutrition Program for Women, Infants, and Children; FDA = Food and Drug Admin.; FSA = Farm Service Agency; FSIS = Food Safety Inspection Service; APHIS = Animal and Plant Health Inspection Service.

Mandatory spending is controlled by authorizing legislation and—for farm bill programs—is under the jurisdiction of the House and Senate Agriculture Committees. Allocating mandatory spending is one of the primary purposes of the farm bill. The farm bill “pays for” mandatory spending by creating the necessary budget authority, using resources available under budget enforcement rules. The primary mandatory spending categories in the Agriculture appropriations bill are the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), Commodity Credit Corporation (CCC), crop insurance, some Section 32 programming, and child nutrition. The CCC is the funding mechanism for most mandatory farm bill programs, including, historically, the farm commodity programs and, in recent decades, the mandatory spending for the conservation, trade, research, horticulture, bioenergy, and rural development titles⁵ of the farm

⁵ Over time, authorizing committees began providing mandatory funds to programs that generally were considered discretionary. Appropriators have argued that this reduces their oversight, and sometimes have limited outlays for the relatively newer mandatory programs using Changes in Mandatory Program Spending (CHIMPS).

bill. Section 32 is a separate mandatory fund—supported by customs receipts—created to assist non-price-supported commodities; not all farm bills include Section 32 provisions.

Differences over what is included in the Agriculture appropriations bill compared to the farm bill primarily appear in nutrition programs and the Food and Drug Administration. The child nutrition programs and WIC, which are in Agriculture appropriations, are not part of the farm bill because they are not in the jurisdiction of the House Agriculture Committee (the Senate Agriculture Committee does have jurisdiction). The Food and Drug Administration (FDA), part of Agriculture appropriations, is not in the jurisdiction of the House or Senate Agriculture Committees (House Commerce Committee; and Senate Health, Education, Labor & Pensions Committee).

The remainder of this report focuses on mandatory spending authorized in the farm bill. For more on discretionary agriculture appropriations, see CRS Report R42596, *Agriculture and Related Agencies: FY2013 Appropriations*.

What Is the CBO Baseline?

Funding to write the next farm bill will be based on the Congressional Budget Office (CBO) baseline projection of the cost of these farm bill programs, and on varying budgetary assumptions about whether programs will continue. These amounts are shown in the CBO baseline projections for mandatory spending (direct spending) and in budget scores of proposed bills. CBO develops the baseline under the supervision of the House and Senate Budget Committees.⁶ This process sets the mandatory budget for the farm bill.

The CBO baseline is an estimate (projection) at a particular point in time of what federal spending on mandatory programs likely would be under current law.⁷ CBO periodically re-estimates the baseline to incorporate changes in economic conditions. When CBO makes periodic updates to the baseline, the changes do not trigger budget enforcement mechanisms but instead show how changing economic conditions affect outlays under current law. That is, increases in projected costs from last year's baseline to this year's re-estimate (e.g., because more people qualify for entitlements) do not require offsets to pay for higher costs. Likewise, reductions in projected costs from last year's baseline to this year's re-estimate (e.g., because less government intervention is needed) do not create savings that can be used to pay for other programs.

A primary purpose of the baseline is to evaluate the effect of new legislation. The baseline serves as a benchmark or starting point for changes that a bill would make. When new bills affect mandatory spending, their impact (or "score") is measured as a difference from the baseline. Projected increases in budgetary cost above the baseline (that is, a positive score, a score greater than zero) may be subject to budget rules such as statutory or other types of PAYGO.⁸ Reductions in cost below the baseline (that is, a negative score, a score less than zero) provide savings for deficit reduction or offsets that can be used to help pay for other provisions with positive scores.

⁶ For more information, see CRS Report 98-560, *Baselines and Scorekeeping in the Federal Budget Process*.

⁷ The most recent, detailed CBO baseline projection for agriculture is from February 2013. A new "scoring" baseline for 2013 legislative proposals will be released in March 2013. The February 2013 baseline for the farm commodity programs, conservation programs, crop insurance, and trade programs is available at <http://cbo.gov/publication/43893>.

⁸ PAYGO generally requires that direct spending and revenue legislation enacted into law not increase the deficit. It does not address deficit increases that are projected to occur under existing law, nor does it apply to discretionary spending. See CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*.

From a budget perspective, programs with a continuing baseline are assumed to go on under current law, and have their own funding for reauthorization if policymakers want them to continue.⁹ Normally, a program that receives mandatory funding in the last year of its authorization will be assumed to continue at that level of funding into the future as if there were no change in policy. This allows major farm bill provisions such as the farm commodity programs or nutrition assistance to be reauthorized periodically without assuming that funding will cease or following zero-based budgeting. However, some programs may not be assumed to continue in the budget baseline beyond the end of a farm bill because

- the program did not receive new mandatory budget authority during the last year of a farm bill, or
- the baseline during the last year of a farm bill is below a minimum \$50 million scoring threshold that is needed to continue a baseline, or
- the budget committees and agriculture committees did not agree to give the program a baseline in the years beyond the end of the farm bill—either to reduce the program’s 10-year cost at the time the farm bill was written, or to prevent it from having a continuing baseline.¹⁰

CBO Baseline for Farm Bill Programs

The February 2013 CBO baseline for mandatory farm bill programs is \$976 billion for the 10-year period FY2014-FY2023 (**Figure 2**).¹¹ Most of this baseline (\$761 billion, or 77.9%) is for domestic nutrition assistance programs, primarily the Supplemental Nutrition Assistance Program (SNAP).¹² The rest, about \$216 billion, is divided among various agriculture-related programs, primarily crop insurance (\$85 billion, or 8.7%), farm commodity price and income supports (\$64 billion, or 6.6%), and conservation (\$64 billion, or 6.6%). Less than 1% of the baseline is for mandatory spending on international trade (\$3.4 billion) and horticulture programs (\$1.1 billion).

The baseline shows that the 2008 farm bill’s programs, if they were to continue, are expected to spend about \$100 billion per year through FY2016, and then decline through the rest of the baseline period. The nutrition portion is expected to decline, while conservation and crop insurance outlays are expected to increase slightly (**Figure 3**).

Table 1 lists the baseline totals shown in **Figure 2** and **Figure 3**, and the amounts for individual programs that have baseline within each title. The table provides data for each year FY2014-FY2018, the 5-year total (FY2014-FY2018), and the 10-year total (FY2014-FY2023).

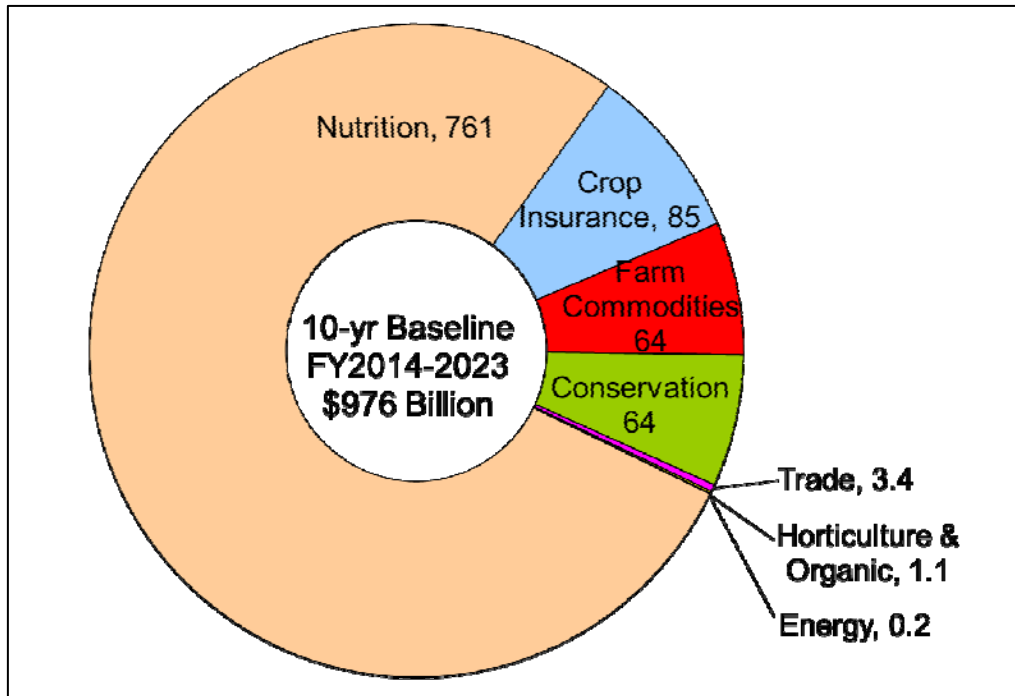
⁹ This report does not explain the issue of certain mandatory programs not having future baseline. For that discussion, see CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

¹⁰ Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177, 2 U.S.C. 907), as amended, specifies that expiring mandatory spending programs are assumed to continue in the budget baseline if they have outlays of more than \$50 million in the current year and were established before the Balanced Budget Act of 1997. Programs established later are not automatically assumed to continue, and are assessed program by program in consultation with the House and Senate Budget Committees. (CBO, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, p. 22, at <http://cbo.gov/sites/default/files/cbofiles/attachments/43907-BudgetOutlook.pdf>).

¹¹ CBO, “February 2013 Baseline for the 2008 Farm Bill Programs and Provisions, by Title,” unpublished, February 2013. See also “The Budget and Economic Outlook: Fiscal Years 2013 to 2023,” at <http://cbo.gov/publication/43907>.

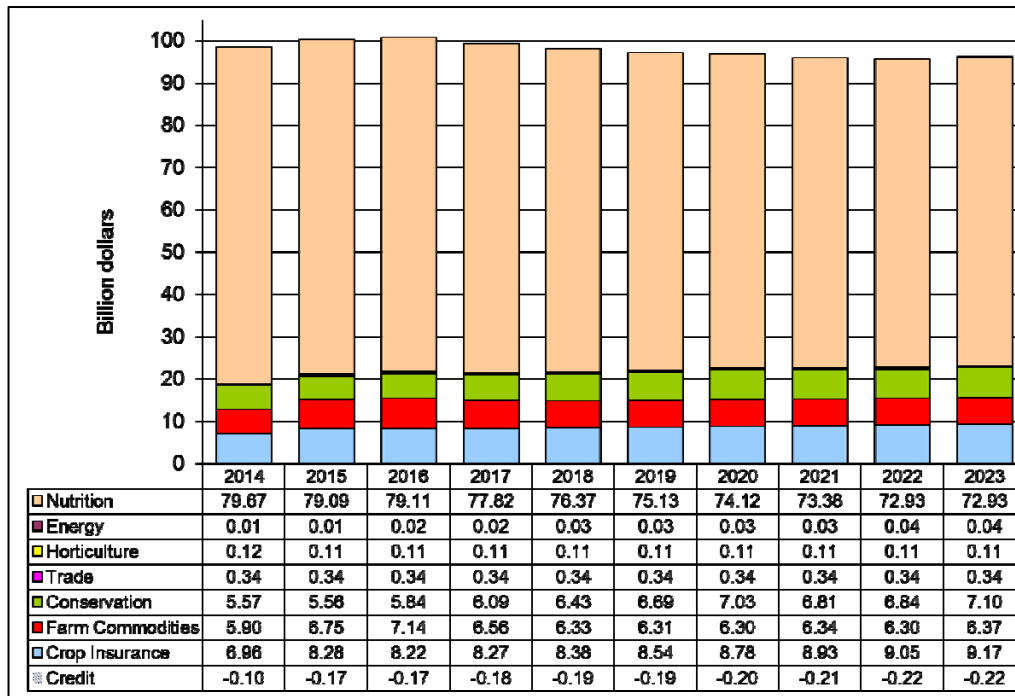
¹² The farm bill baseline includes SNAP but not child nutrition programs (e.g., school lunch) due to jurisdictional differences (see earlier discussion of **Figure 1**).

Figure 2. Ten-Year Mandatory Baseline for Farm Bill Titles
 (10-year expected outlays FY2014-FY2023 in billions of dollars by farm bill title)



Source: CRS, using the February 2013 CBO baseline.

Figure 3. Mandatory Baseline for Farm Bill Titles, FY2014-FY2023
 (annual expected outlays in billions of dollars by farm bill title)



Source: CRS, using the February 2013 CBO baseline.

Table I. Baseline for Mandatory Farm Bill Programs, FY2014-FY2023

(expected outlays in millions of dollars)

2008 Farm Bill Titles and Programs	FY2014	FY2015	FY2016	FY2017	FY2018	5- and 10-year totals	
						FY2014-FY2018	FY2014-FY2023
I Commodity Programs	5,898	6,750	7,141	6,557	6,325	32,671	64,284
Direct payments	4,946	4,946	4,946	4,946	4,946	24,732	49,464
Counter-cyclical, ACRE, Marketing loans	314	1,184	1,561	983	762	4,804	8,595
MILC and other dairy assistance	34	34	36	32	26	161	284
Economic assistance to cotton mills	48	50	50	50	49	247	493
Interest and operating expenses	45	90	130	144	143	552	1,259
Other	511	445	417	402	399	2,174	4,188
II Conservation	5,566	5,563	5,843	6,086	6,427	29,485	63,954
Conservation Reserve Program	2,175	2,172	2,286	2,249	2,310	11,192	23,299
Conservation Security/Stewardship Prog.	1,369	1,415	1,579	1,812	2,034	8,209	19,792
Environmental Quality Incentives Prog.	1,282	1,434	1,558	1,622	1,676	7,572	16,285
Farmland Protection Program	156	174	184	192	200	906	1,906
Wildlife Habitat Incentives Program	64	73	72	77	77	363	784
Wetlands Reserve Program ^a	371	153	26	0	0	550	550
Agricultural Water Enhancement Prog.	63	62	61	60	60	306	606
Chesapeake Bay Watershed Program	50	51	51	50	50	252	502
Agricultural Management Assistance	11	13	11	11	11	57	107
Grassland Reserve Program ^a	20	11	10	8	8	57	97
Emergency Forestry Conserv. Reserve	5	5	5	5	1	21	26
III Trade (CCC)	344	344	344	344	344	1,718	3,435
Market Access Program (MAP)	200	200	200	200	200	1,000	2,000
Export donations ocean transportation	100	100	100	100	100	500	1,000
Foreign market development coop.	35	35	35	35	35	173	345
Specialty crop technical assistance	9	9	9	9	9	45	90
IV Nutrition (SNAP)^b	79,672	79,091	79,106	77,816	76,368	392,053	760,542
V Credit^c	-100	-169	-174	-181	-187	-811	-1,850
VI Rural Development	10	3	0	0	0	13	13
Rural Microenterprise Assistance Prog. ^a	10	3	0	0	0	13	13
VII Research and Related Matters	93	18	0	0	0	111	111
Organic; Specialty Crop; Beg. Farmers ^a	93	18	0	0	0	111	111
VIII Forestry	2	1	0	0	0	3	3
Healthy Forest Reserve Program ^a	2	1	0	0	0	3	3

						5- and 10-year totals		
2008 Farm Bill Titles and Programs		FY2014	FY2015	FY2016	FY2017	FY2018	FY2014- FY2018	FY2014- FY2023
IX	Energy	8	5	21	23	27	84	243
	Feedstock Flexibility Program	0	0	19	23	27	69	228
	Other (expiring programs, incl. BCAP) ^a	8	5	2	0	0	15	15
X	Horticulture and Organic Agriculture	116	105	105	105	105	536	1,061
	Specialty Crop Block Grants	55	55	55	55	55	275	550
	Plant Pest & Disease Management	50	50	50	50	50	250	500
	Farmers Markets; Clean Plant Network ^a	11	0	0	0	0	11	11
XII	Crop Insurance	6,955	8,279	8,216	8,274	8,383	40,107	84,576
	Premium Subsidy	4,874	5,798	5,762	5,818	5,916	28,168	59,860
	Delivery Expenses	1,148	1,372	1,352	1,343	1,336	6,552	13,268
	Underwriting Gains	932	1,109	1,102	1,113	1,131	5,387	11,449
Total—Farm Bill Baseline		98,564	99,989	100,601	99,024	97,792	495,969	976,372
	Nutrition	79,672	79,091	79,106	77,816	76,368	392,053	760,542
	Non-nutrition	18,892	20,898	21,495	21,208	21,424	103,916	215,830
<i>Alternate total</i>								
	<i>Minus baseline of programs not continuing</i>	<i>-515</i>	<i>-191</i>	<i>-38</i>	<i>-8</i>	<i>-8</i>	<i>-760</i>	<i>-800</i>
	<i>Remainder for continuing programs</i>	<i>98,049</i>	<i>99,798</i>	<i>100,563</i>	<i>99,016</i>	<i>97,784</i>	<i>495,209</i>	<i>975,572</i>
	<i>Remainder for non-nutrition programs</i>	<i>18,377</i>	<i>20,707</i>	<i>21,457</i>	<i>21,200</i>	<i>21,416</i>	<i>103,156</i>	<i>215,030</i>

Source: CRS, using the February 2013 CBO baseline.

Note: Several titles in the 2008 farm bill—Titles XI (Livestock), XIII (Commodity Futures Trading Commission), XIV (Miscellaneous), and XV (Trade and Taxes)—have no programs with budget baseline for the next 10 years. Some 2008 farm bill programs in these titles, however, may have received mandatory funding in FY2008-FY2012; these programs are listed in CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

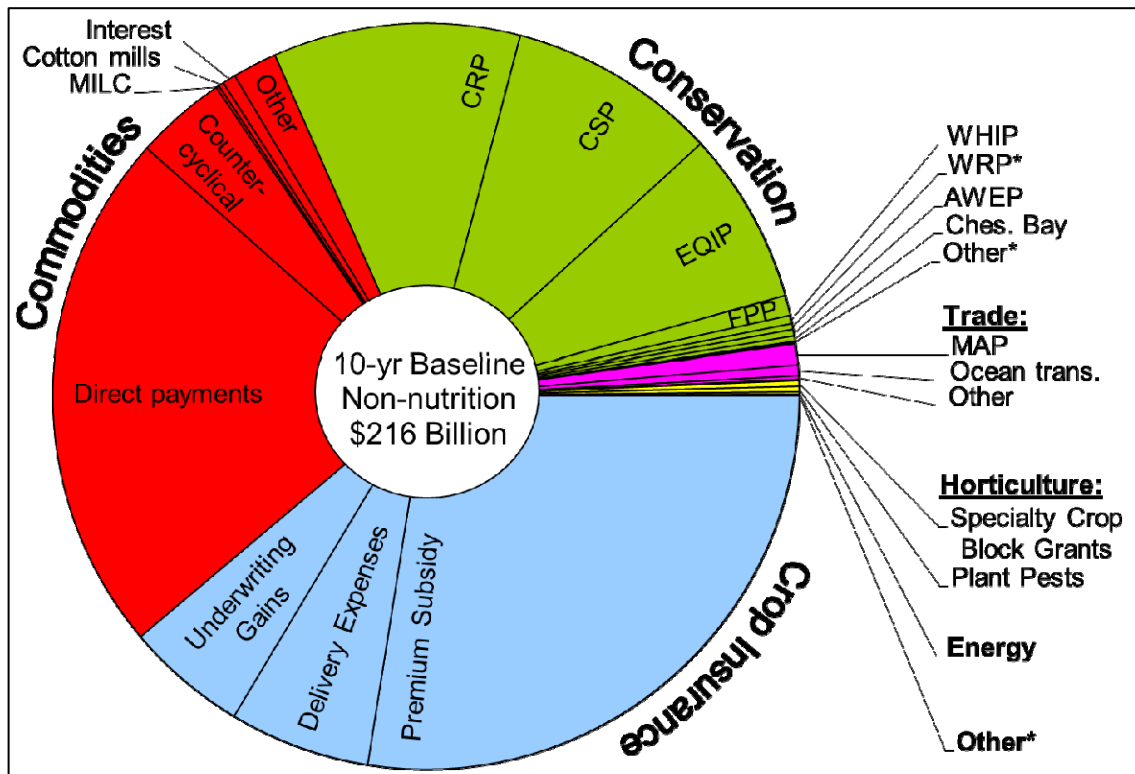
- Some programs have outlays listed during the baseline period but are not considered to have funding to continue beyond the end of the 2008 farm bill. These are discussed in CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.
- The nutrition title of the farm bill includes only the Supplemental Nutrition Assistance Program (SNAP) and related programs, given joint jurisdiction between the House and Senate Agriculture committees. Child nutrition programs, while in the jurisdiction of the Senate Agriculture Committee, are not in the jurisdiction of the House Agriculture Committee. Child nutrition programs would add \$246 billion over 10 years.
- The Credit title has negative outlays that reflect receipts into the Farm Credit System Insurance Fund.

Table 1 also shows an alternative total that is slightly smaller. Some programs have baseline for expected outlays from the 2008 farm bill, but are not considered to have funding available for reauthorization beyond the end of the 2008 farm bill. These include the Wetlands Reserve Program, Grasslands Reserve Program, Biomass Crop Assistance Program and other bioenergy programs, Rural Microenterprise Assistance Program, and organic and specialty crops research. Without these programs, the 10-year baseline for “continuing” farm bill programs is \$800 million smaller. The alternative 10-year total still rounds to \$976 billion, and the alternative total for the non-nutrition agricultural programs is \$215 billion.

Figure 4 shows the baselines for the individual programs comprising the \$216 billion 10-year subtotal of the non-nutrition programs (all of the programs except SNAP). The colors assigned to the programs are consistent with the colors of the titles in earlier figures, and show which programs in each title have the most baseline.

In the farm commodity programs, “direct payments” are the primary program with a mandatory funding baseline. Direct payments have become vulnerable politically in this high farm-income environment because they are made regardless of market price and farm income conditions.¹³ The other farm commodity programs that make “counter-cyclical payments” do not have much baseline presently because high market prices for farm commodities have reduced the need for government support.

Figure 4. Ten-Year Mandatory Baseline for Non-Nutrition Agricultural Programs
(expected outlays over FY2013-FY2022 in billions of dollars for programs in a subset of farm bill titles)



Source: CRS, using the February 2013 CBO baseline.

Notes: MILC = Milk Income Loss Contract Program; CRP=Conservation Reserve Program; CSP = Conservation Security/Stewardship Program; EQIP = Environmental Quality Incentives Program; FPP = Farmland Protection Program; WHIP = Wildlife Habitat Incentive Program; WRP = Wetlands Reserve Program; AWEP = Agricultural Water Enhancement Program; MAP=Market Access Program. Includes baseline for expiring programs (*) that do not have baseline to continue, as noted in **Table I**.

¹³ For more background and terminology, see CRS Report R42759, *Farm Safety Net Provisions in a 2012 Farm Bill: S. 3240 and H.R. 6083*.

The crop insurance baseline is larger by comparison, but is considered by most farmers and policymakers to be the most important remaining component of the farm “safety net.” Premium subsidies to farmers are the largest component, but reimbursements to insurance companies for delivery expenses and underwriting gains are not insignificant.

Total estimated costs of the conservation programs are now about as large as estimated farm commodity spending. The largest three conservation programs have 93% of total conservation baseline (the Conservation Reserve Program, the Conservation Security Program, and the Environmental Quality Incentives Program).

Two other farm bill titles have more than \$1 billion of 10-year baseline. The Trade title has \$3.4 billion, with most of it in the Market Access Program (MAP). The Horticulture and Organic Agriculture title has \$1.1 billion of 10-year baseline, with half in specialty crop block grants, and half for pest and disease prevention. The Energy title has \$0.2 billion of 10-year baseline for continuing programs, specifically the Feedstock Flexibility program to convert sugar to ethanol. The Forestry, Research, and Rural Development titles are combined under “Other” in the figure and do not have programs with baseline for reauthorization. The Credit title is not shown because it has a negative baseline, reflecting receipts into a Farm Credit System insurance fund.

Scores of the 2012 House and Senate Farm Bills

In the 112th Congress, both the House and Senate Agriculture Committees marked up drafts for a 2012 farm bill. The Senate passed its version (S. 3240) on June 21, 2012, by a vote of 64-35. The House Committee on Agriculture reported its version (H.R. 6083) on July 11, 2012, by a vote of 35-11. House floor action, however, never occurred, and a one-year extension was enacted (P.L. 112-240). While these bills ended with the 112th Congress, they may indicate a starting point as the 113th Congress develops a new farm bill. The Senate bill has been reintroduced as S. 10.

In 2012, the CBO scores of the 2012 bills indicate that the Senate bill would have reduced the baseline by \$23.1 billion over 10 years, a reduction of 2.3% from the March 2012 10-year baseline of \$993 billion.¹⁴ The House bill would have reduced spending by \$35.1 billion over 10 years, a reduction of 3.5%.¹⁵ These are the savings that would have been achieved, against the March 2012 baseline, had the bills been enacted in 2012 during the 112th Congress.

In March 2013, CBO released updated scores of the two 2012 farm bill proposals.¹⁶ The updated scores indicate that the Senate bill would reduce the baseline by \$13.1 billion over 10 years, a reduction of 1.3% from the February 2013 10-year baseline of \$976 billion. The House bill would reduce spending by \$26.6 billion over 10 years, a reduction of 2.7% from the February baseline. These are the savings that would be achieved, against the February 2013 baseline, if the bills were enacted in 2013 during the 113th Congress. Even though the farm bills would expire after 5 years, budget rules require bills to be evaluated over 10 years.

¹⁴ CBO, “Cost Estimate of S. 3240, Agriculture Reform, Food, and Jobs Act of 2012,” July 6, 2012, at <http://cbo.gov/publication/43417>.

¹⁵ CBO, “Cost Estimate of H.R. 6083, Federal Agriculture Reform and Risk Management Act of 2012,” July 26, 2012, at <http://cbo.gov/publication/43486>.

¹⁶ CBO, “Updated cost estimates of the farm bills that were considered in the Senate and the House during the 112th Congress,” March 1, 2013, at <http://cbo.gov/publication/43966>.

The updated Senate score is \$10 billion less in savings than scored in 2012; the updated House score is \$9 billion less in savings than scored in 2012. These new scores are different from the 2012 scores in two important ways: (1) they are relative to the February 2013 baseline insofar as expectations of the economy and commodity prices, and (2) they reflect new CBO analysis of the effect of the bills' provisions. Given the adjustments that were made, the same bills in the 113th Congress would achieve less budgetary savings than was expected last year, thus implying that a new farm bill could cost more than might have been expected unless additional changes are made.¹⁷

- Among the differences accounting for the \$10 billion change in the Senate bill's score are \$4.5 billion of savings that are no longer achieved from the nutrition title's standard utility allowance provision, given new information about implementation of the program; \$2.4 billion of additional costs for the new Agricultural Risk Coverage program in Title I due to higher prices; \$1.5 billion of additional costs for disaster assistance due to the severity of the 2012 drought; and \$1.4 billion of additional conservation program costs.
- Among the differences accounting for the \$9 billion change in the House bill's score are the same \$4.5 billion of savings that are no longer achieved from the standard utility allowance provision, \$1.7 billion of additional conservation program costs, \$1.5 billion of additional crop insurance costs because of interaction with a new commodity program, and \$1.1 billion of additional costs for disaster assistance due to the severity of the 2012 drought.

Figure 5 illustrates the magnitude of the budgetary reductions and additions to each farm bill title that would be made by S. 3240 and H.R. 6083 under the updated score for the 113th Congress.

Table 2 contains the data in tabular form.

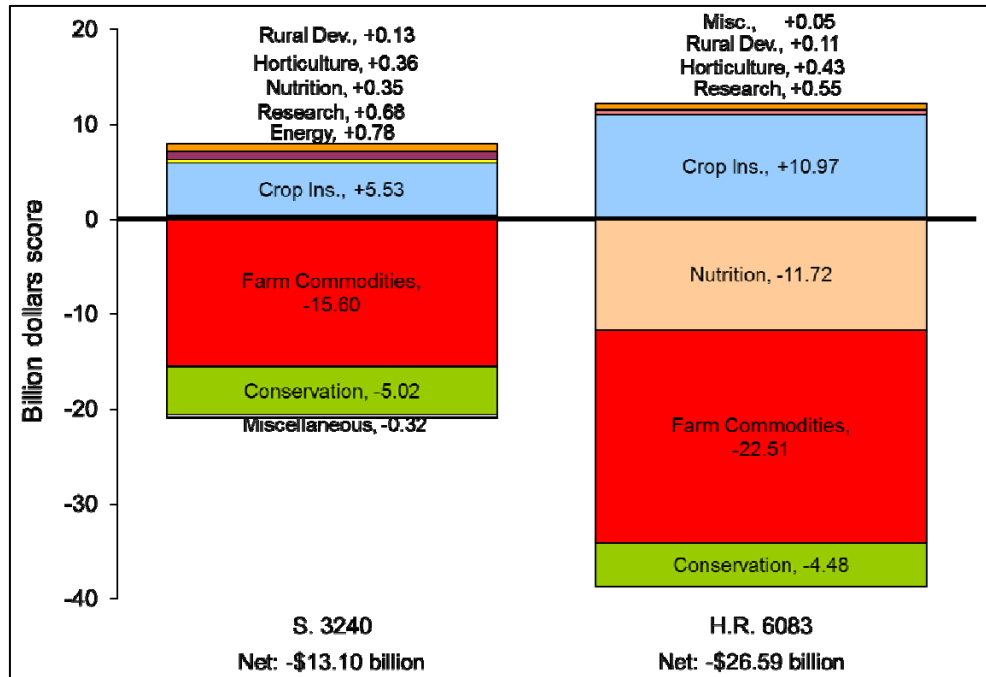
- Under the Senate bill, seven titles would receive a combined \$7.8 billion increase relative to their baselines, and three titles would offer a combined budgetary reduction of \$20.9 billion. The net reduction is therefore \$13.1 billion over the 10-year period FY2014-FY2023.
- Under the House bill, six titles would receive a combined \$12.1 billion increase relative to their baselines, and three titles would offer a combined budgetary reduction of \$38.7 billion. The net reduction is therefore \$26.6 billion over the 10-year period FY2014-FY2023.

One of the most noticeable budget differences between House and Senate bills remains the reduction proposed for the nutrition title, with the Senate bill no longer reducing the nutrition baseline (and actually increasing it by \$350 million) and the House bill reducing it by \$12 billion. This difference emerged as one of the most important political issues for the bill in 2012—especially in the House—with some calling for less reduction and others for more. For crop insurance and farm commodities, the combined change for these titles in the House bill (-\$11.5 billion) is somewhat close to the Title I and Title XI subtotal in the Senate bill (-\$10.0 billion), even though larger policy differences exist. Conservation changes are similar between the bills. Energy received more funding in the Senate bill but not in the House. **Figure 6** (Senate) and **Figure 7** (House) illustrate the same budgetary changes by farm bill title, but for each year.

¹⁷ Craig Jagger, "Why do CBO cost estimates change?," March 7, 2013, at <http://agchallenge2050.org/farm-and-food-policy/2013/03/why-do-cbo-cost-estimates-change>.

Figure 5. Ten-Year Scores of the Senate and House 2012 Farm Bills

(change in outlays over FY2013-FY2022 in billions of dollars by farm bill title, relative to baseline)



Sources: CRS, using updated CBO cost estimate of S. 3240 and H.R. 6083 (March 1, 2013, at http://cbo.gov/sites/default/files/cbofiles/attachments/s3240_hr6083_Stabenow_Ltr.pdf).

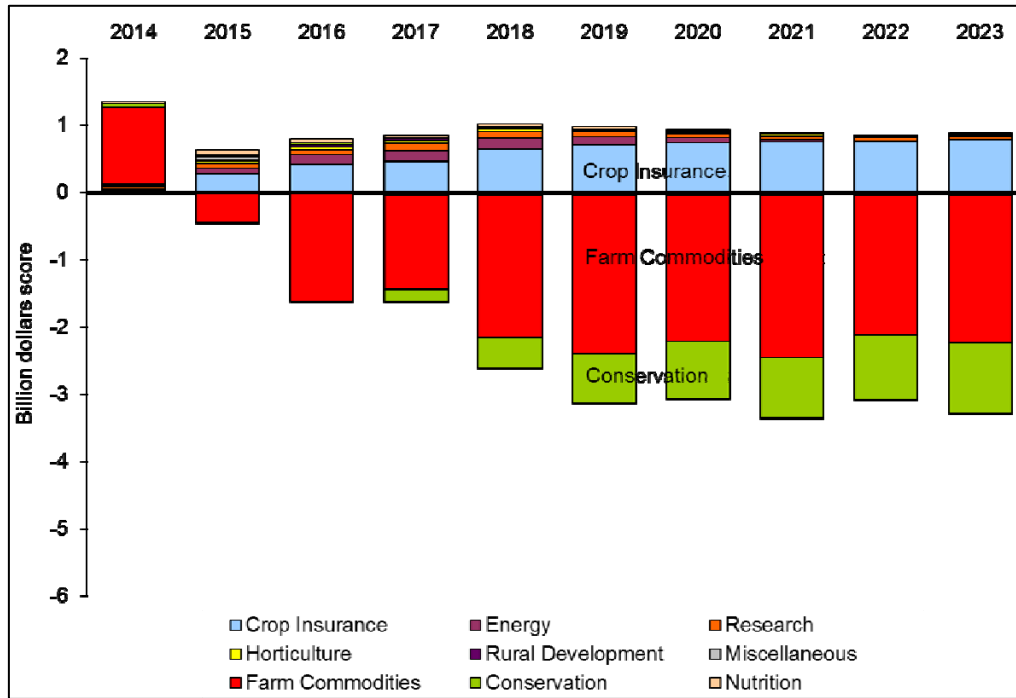
Table 2. 2012 Farm Bill Budget: Baseline, Scores, and Proposed Outlays, by Title

(outlays in millions of dollars, 10-year total FY2014-FY2023)

2012 Farm Bill Titles	CBO Baseline FY2014-FY2023	CBO Score of Bill (change to baseline)		Outlays Proposed (Baseline + Score)	
		S. 3240	H.R. 6083	S. 3240	H.R. 6083
I Farm Commodities	64,284	-15,596	-22,507	48,688	41,777
II Conservation	63,954	-5,021	-4,480	58,933	59,474
III Trade	3,435	0	0	3,435	3,435
IV Nutrition	760,542	+354	-11,715	760,896	748,827
V Credit	-1,850	0	0	-1,850	-1,850
VI Rural Development	13	+131	+112	144	125
VII Research	111	+681	+546	792	657
VIII Forestry	3	+10	+4	13	7
IX Energy	243	+780	+5	1,023	248
X Horticulture	1,061	+359	+428	1,420	1,489
XI Crop Insurance	84,576	+5,526	+10,971	90,102	95,547
XII Miscellaneous	0	-319	+50	-319	50
Total	976,372	-13,095	-26,586	963,277	949,786

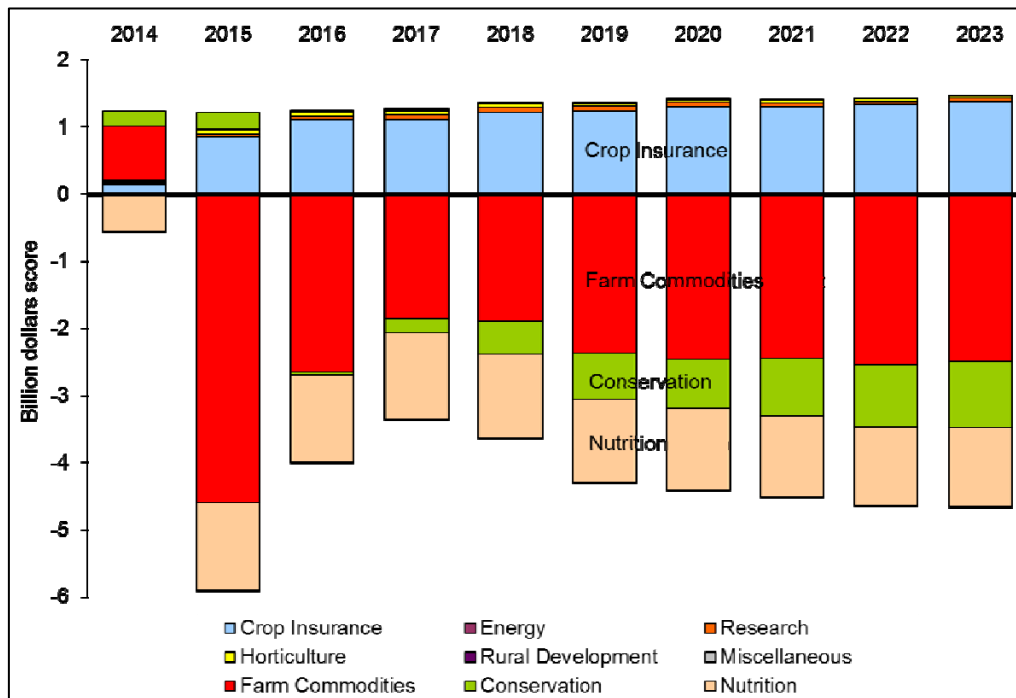
Source: CRS, using the February 2013 CBO baseline and updated CBO cost estimates (March 1, 2013),

Figure 6. Score of the 2012 Senate Farm Bill S. 3240, by Title and Fiscal Year
(change in outlays in billions of dollars by farm bill title, relative to baseline)



Source: CRS, using updated CBO cost estimate of S. 3240, March 1, 2013.

Figure 7. Score of the 2012 House Farm Bill H.R. 6083, by Title and Fiscal Year
(change in outlays in billions of dollars by farm bill title, relative to baseline)

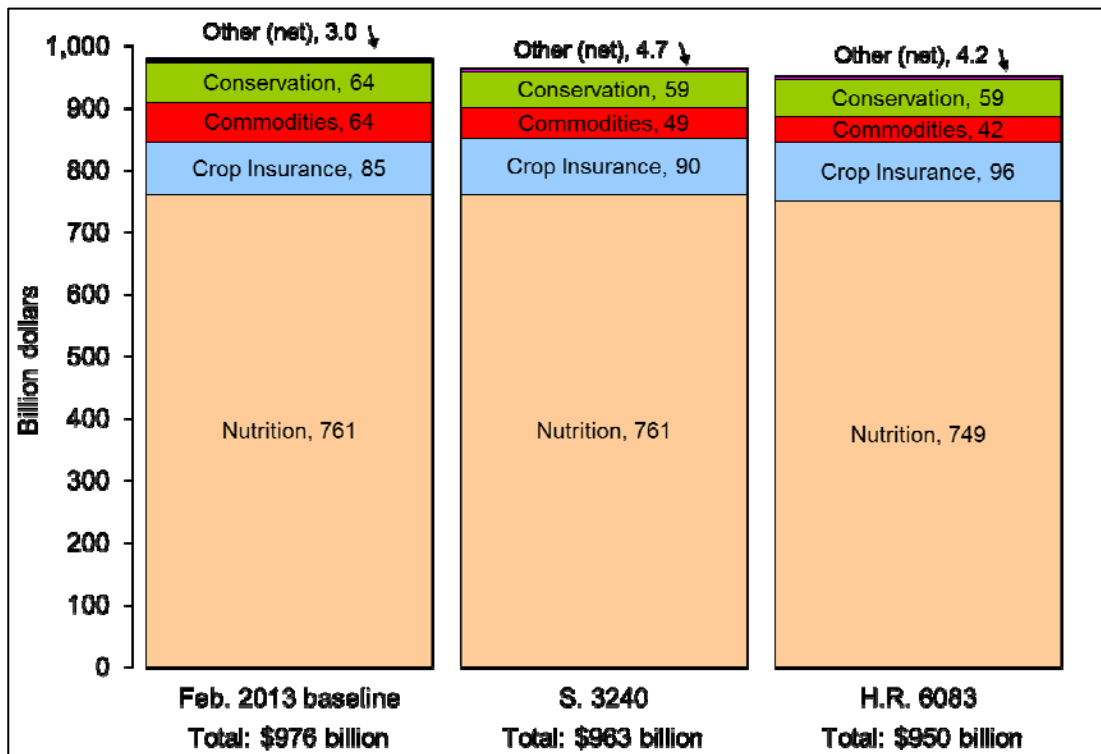


Source: CRS, using updated CBO cost estimate of H.R. 6083, March 1, 2013.

Table 3 (for the Senate bill) and **Table 4** (for the House bill) present the detailed cost estimates of each bill, relative to the baseline, as estimated by CBO. These tables, and the year-by-year figures (**Figure 6** and **Figure 7**), reveal additional differences between the House and Senate bills. For example, the budgetary savings from the commodity title would not begin until FY2015, because direct payments for the 2013 crop year under the extension of the 2008 farm bill are paid in FY2014, the first year of the new farm bill baseline. Also, the reduction in FY2015 in the commodity title of the House bill is much larger than the comparable reduction in the Senate bill. This is because outlays under the new House counter-cyclical program are delayed into a later fiscal year and would not begin until FY2016, whereas outlays under the Senate bill would begin a year sooner in FY2015. Thus, if the score were expressed on a crop year basis, rather than a fiscal year basis, the reductions in the House bill could be about \$3 billion less (that is, the House bill could cost about \$3 billion more than its actual score). The tables and figures also show that changes to both crop insurance and conservation grow gradually through the budget window, with more of the effect in the second five years.

Figure 8 illustrates the total outlays expected for farm bill programs under the current law baseline, and after incorporating the changes proposed in S. 3240 and H.R. 6083. The first stacked bar is the same \$976 billion baseline distribution from **Figure 2**. The Senate bill’s \$13.1 billion reduction over 10 years represents a 1.3% reduction to \$963 billion of expected outlays over the FY2014-FY2023 period (the second bar). The House bill’s \$26.6 billion reduction represents a 2.7% reduction to \$950 billion over the FY2014-FY2023 period (the third bar).

Figure 8. Ten-Year Farm Bill Baseline, and Proposed Outlays in Senate-Passed S. 3240 and House-Reported H.R. 6083 (112th Congress)
(outlays over FY2013-FY2022 in billions of dollars by farm bill title)



Source: CRS, using the February 2013 CBO baseline and updated CBO cost estimates (March 1, 2013),

The original score of the Senate bill in June 2012 with \$23.1 billion of savings was consistent with the total savings proposed by the House and Senate Agriculture committees for the Joint Select Committee on Deficit Reduction (a.k.a. the Super Committee, discussed later) in the fall of 2011. The reductions in S. 3240 from the conservation and nutrition titles were nearly the same as in the Super Committee proposal. And the \$13 billion reduction from commodity programs in the Super Committee proposal was roughly the same as the \$14.4 billion of net savings in S. 3240 from the farm commodity program and crop insurance. The original score of the House bill in July 2012, with \$35.1 billion of savings, was consistent with the \$33.2 billion of reconciliation instructions in the FY2013 House budget resolution (H.Con.Res. 112, discussed later) and the \$35.8 billion of savings identified by the Agriculture Committee for budget reconciliation. A primary difference, though, was that all of the reconciliation savings were from nutrition programs, while only about half of the original savings in H.R. 6083 were from nutrition programs. These consistencies with prior broader deficit reduction proposals, whether intentional or not, disappeared when the updated scores were released in March 2013. The same bills in the 113th Congress would achieve less budgetary savings than was expected last year, thus implying that a new farm bill could cost more than might have been expected unless additional changes are made.

Also, **Table 3** and **Table 4** indicate which programs in a new farm bill might become concerns over “programs without baseline” in the future.¹⁸ The scores for the FY2019-FY2023 period reveal which programs would receive baseline beyond the expected five-year life of a new farm bill and which would receive baseline only for the five-year window of the bill (see footnote 10, and a discussion in the Issues section later). For example, the specialty crops research program would receive a 10-year baseline in the Senate bill, but three other research programs would receive baseline only through FY2018. This also was an issue for all of the programs the energy and rural development titles, the farmers market promotion program and other horticulture programs, outreach for socially disadvantaged farmers, whole grain products and hunger-free community programs, and desert terminal lakes, among other programs. The House bill had similar issues, such as for organic research and other organic programs, the beginning farmers program, the farmers market promotion program, some conservation programs, a nutrition pilot program, and value-added marketing grants.

Finally, separate from the mandatory spending figures above, the original CBO cost estimates in 2012 included a projection of discretionary appropriations that would be needed to carry out the authorized farm bill programs. For S. 3240 and H.R. 6083, CBO estimated that \$29.0 billion and \$22.1 billion, respectively, of discretionary appropriations would be needed over the five-year period FY2013-FY2017. However, not all of these amounts represented new programs or spending, since much of the totals were for reauthorizing programs that are already appropriated in the annual Agriculture appropriations bill. Moreover, these amounts would be subject to annual decisions by the budget committees and the appropriations committees. The updated CBO scores of the bills in March 2013 did not address the discretionary estimates.

¹⁸ For more background, see a discussion later in the Issues section and CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

Table 3. Score of Mandatory Programs in S. 3240 (Senate-Passed 2012 Farm Bill)

(change in annual outlays in millions of dollars, relative to baseline)

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Title I – Commodity Programs												
Repeal Direct Payments	0	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-19,784	-44,514
Repeal Countercyclical Payments	0	0	-162	-175	-191	-209	-212	-205	-191	-188	-528	-1,533
Repeal Average Crop Election Payments	0	0	-1,304	-708	-469	-426	-413	-453	-428	-504	-2,481	-4,705
Popcorn as a Covered Commodity	8	9	11	12	10	10	10	10	11	11	50	102
Agricultural Risk Coverage	0	4,155	4,530	4,127	3,189	2,894	3,042	2,848	3,112	3,100	16,001	30,997
Nonrecourse Marketing Assistance Loans	0	3	3	3	3	4	5	5	5	5	13	37
Dairy Program	-31	-8	-4	18	18	48	72	66	85	58	-7	322
Supplemental Agriculture Disaster Assistance	1,072	320	287	282	283	285	288	290	291	294	2,244	3,692
Adjusted Gross Income Limitation of \$750,000	0	-9	-11	-11	-10	-10	-10	-11	-11	-11	-41	-94
Implementation	85	15	0	0	0	0	0	0	0	0	100	100
Subtotal – Title I	1,134	-461	-1,596	-1,398	-2,113	-2,350	-2,164	-2,396	-2,072	-2,181	-4,433	-15,596
Title II - Conservation												
Conservation Reserve Program	25	37	-82	-236	-336	-453	-447	-457	-483	-529	-592	-2,961
Conservation Stewardship Program	-7	-50	-87	-130	-173	-221	-265	-308	-351	-394	-447	-1,986
Environmental Quality Incentives Program	-69	-89	-80	-92	-100	-111	-121	-101	-100	-100	-430	-963
Agricultural Conservation Easement Program	-53	138	315	321	211	122	58	49	56	60	932	1,277
Regional Conservation Partnership Program	-4	-7	-8	-8	-10	-10	-10	-10	-10	-10	-37	-87
Other Conservation Programs	158	8	8	8	8	0	0	0	0	0	190	190
Funding	10	10	10	10	10	10	10	10	10	10	50	100
Repeal Wildlife Habitat Incentives Program	-7	-26	-41	-51	-61	-70	-80	-85	-85	-85	-186	-591

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Subtotal – Title II	53	21	35	-178	-451	-733	-855	-902	-963	-1,048	-520	-5,021
Title IV - Nutrition												
Retailers	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-40	-80
Assistance for Community Food Projects	5	5	5	5	5	5	5	5	5	5	25	50
Emergency Food Assistance	21	37	17	11	2	2	2	2	2	2	88	98
Retailer Trafficking	9	19	19	19	19	19	19	19	19	19	83	176
Whole Grain Products	5	5	0	0	0	0	0	0	0	0	10	10
Hunger-Free Communities	6	14	19	20	22	14	5	0	0	0	81	100
Subtotal – Title IV	38	72	52	47	40	32	23	18	18	18	247	354
Title VI – Rural Development												
Value-Added Marketing Grants	0	4	8	12	13	13	8	4	0	0	37	62
Rural Microenterprise Program	1	3	4	4	4	3	0	0	0	0	16	19
Rural Water and Waste Disposal	2	11	13	10	8	4	2	0	0	0	44	50
Subtotal – Title VI	3	18	25	26	25	20	10	4	0	0	97	131
Title VII – Research, Extension, and Related Matters												
Organic Agriculture Research and Extension	8	13	16	16	16	8	3	0	0	0	69	80
Specialty Crop Research	13	23	29	48	50	53	50	50	50	50	163	416
Beginning Farmer and Rancher Development	4	9	14	17	17	13	8	3	0	0	61	85
Foundation for Food Agriculture Research	10	20	20	30	20	0	0	0	0	0	100	100
Subtotal – Title VII	35	64	79	111	103	74	61	53	50	50	392	681
Title VIII – Forestry	1	1	1	1	1	1	1	1	1	1	5	10
Title IX – Energy												
Biorefinery Assistance	5	32	50	55	44	20	10	0	0	0	186	216

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Rural Energy for America Program	10	30	42	48	48	38	20	4	0	0	178	240
Biomass Research and Development	1	5	16	25	26	25	21	10	1	0	73	130
Biomass Crop Assistance Program	4	12	20	27	31	29	23	16	8	4	94	174
Other Energy Programs	-2	-1	12	6	4	1	0	0	0	0	19	20
Subtotal – Title IX	18	78	140	161	153	113	74	30	9	4	550	780
Title X – Horticulture												
Farmers Market and Local Food Promotion	20	20	20	20	20	0	0	0	0	0	100	100
Coordinated Plan Management Program	3	6	8	9	11	13	14	15	15	15	36	108
Specialty Crop Block Grants	8	14	15	15	15	15	15	15	15	15	66	141
Other Horticulture Programs	2	2	2	2	2	0	0	0	0	0	10	10
Subtotal – Title X	32	42	45	46	48	28	29	30	30	30	212	359
Title XI – Crop Insurance												
Supplemental Coverage Option	23	224	300	307	324	318	348	348	361	370	1,178	2,923
Catastrophic Crop Insurance Rerating	-4	-38	-50	-51	-52	-53	-54	-54	-55	-56	-195	-467
Enterprise Units Irrigated Nonirrigated Crops	5	47	62	63	64	66	68	69	71	72	241	586
Adjustment in Average Producer History Yields	2	22	50	76	104	131	139	141	143	146	253	952
Stacked Income Protection For Cotton	28	278	362	347	423	438	459	451	467	488	1,438	3,741
Peanut Revenue Crop Insurance	3	26	30	30	30	30	30	30	30	30	119	269
Implementation	2	21	16	15	15	14	2	0	0	0	69	85
Crop Insurance for Organic Crops	0	0	1	1	1	1	1	1	1	1	3	8
Index-Based Weather Insurance	0	1	9	10	10	10	9	1	0	0	30	50
Beginning Farmer Provisions	2	20	26	28	31	34	35	36	36	36	106	283
Agricultural Management Assistance & Educ.	1	5	9	10	11	10	-2	-4	-6	-7	36	27

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Crop Production on Native Sod	0	-5	-12	-18	-23	-24	-24	-24	-24	-24	-58	-178
Conservation Compliance for Crop Insurance	0	-2	-4	-6	-8	-9	-9	-9	-9	-9	-20	-65
Participation Effects of Commodity Programs	-33	-320	-389	-359	-288	-258	-262	-241	-267	-273	-1,388	-2,689
Subtotal – Title XI	28	279	409	454	642	707	740	746	747	774	1,812	5,526
Title XII - Miscellaneous												
Outreach for Socially Disadvantaged Farmers	3	4	5	5	5	2	1	0	0	0	22	25
Sheep Production & Marketing Grant Program	1	1	0	0	0	0	0	0	0	0	2	2
Noninsured Crop Disaster Assistance Program	6	48	-36	-52	-52	-52	-52	-52	-52	-52	-86	-346
Subtotal – Title XII	10	53	-31	-47	-47	-50	-51	-52	-52	-52	-62	-319
Total Changes in S. 3240	1,352	166	-842	-778	-1,598	-2,159	-2,133	-2,469	-2,232	-2,404	-1,700	-13,096

Source: CRS, using updated CBO cost estimate of S. 3240, March 1, 2013, at http://cbo.gov/sites/default/files/cbofiles/attachments/s3240_hr6083_Stabenow_Ltr.pdf.

Table 4. Score of Mandatory Programs in H.R. 6083 (House-Reported 2012 Farm Bill)

(change in annual outlays in millions of dollars, relative to baseline)

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Title I – Commodity Programs												
Repeal Direct Payments	0	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-4,946	-19,784	-44,514
Repeal Countercyclical Payments	0	0	-162	-175	-191	-209	-212	-205	-191	-188	-528	-1,533
Repeal Average Crop Revenue Election Payments	0	0	-1,304	-708	-469	-426	-413	-453	-428	-504	-2,481	-4,705
Farm Risk Management Election	0	0	3,475	3,711	3,427	2,876	2,758	2,844	2,679	2,806	10,613	24,576
Nonrecourse Marketing Assistance Loans	4	3	3	3	3	4	5	5	5	5	16	40
Dairy Program	-31	10	22	11	34	78	98	53	83	83	46	441
Supplemental Agriculture Disaster Assistance	773	300	260	247	247	249	251	252	253	256	1,827	3,088
Administration	65	35	0	0	0	0	0	0	0	0	100	100
Subtotal – Title I	810	-4,598	-2,652	-1,857	-1,895	-2,374	-2,459	-2,450	-2,545	-2,488	-10,191	-22,507
Title II – Conservation												
Conservation Reserve Program	20	18	-226	-218	-279	-346	-292	-349	-355	-356	-685	-2,383
Conservation Stewardship Program	-10	-79	-136	-203	-269	-344	-412	-479	-546	-613	-697	-3,091
Agricultural Conservation Easement Program	108	256	318	234	122	73	57	47	63	59	1,038	1,337
Regional Conservation Partnership Program	-4	-7	-8	-8	-10	-10	-10	-10	-10	-10	-37	-87
Other Conservation Programs	122	83	44	30	6	0	0	0	0	0	285	285
Funding	10	10	10	10	10	10	10	10	10	10	50	100
Repeal Wildlife Habitat Incentives Program	-18	-37	-47	-57	-66	-76	-85	-85	-85	-85	-225	-641
Subtotal – Title II	228	244	-45	-212	-486	-693	-732	-866	-923	-995	-271	-4,480
Title IV – Nutrition												
Upgrading Program Eligibility	-535	-1,295	-1,295	-1,270	-1,240	-1,220	-1,200	-1,175	-1,165	-1,160	-5,635	-11,555

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Retailers	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-40	-80
Repeal Grant Program	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-25	-50
Repeal Bonus Program	-48	-48	-48	-48	-48	-48	-48	-48	-48	-48	-240	-480
Assistance for Community Food Projects	10	10	10	10	10	10	10	10	10	10	50	100
Emergency Food Assistance	25	25	26	26	27	27	27	28	28	29	129	268
Retailer Trafficking	5	5	5	5	5	5	5	5	5	5	25	50
Northern Mariana Islands Pilot Program	1	1	10	10	9	2	0	0	0	0	31	33
Subtotal – Title IV	-555	-1,315	-1,305	-1,280	-1,251	-1,237	-1,219	-1,193	-1,183	-1,177	-5,706	-11,715
Title VI – Rural Development												
Value-Added Marketing Grants	0	18	15	15	2	0	0	0	0	0	50	50
Rural Economic Development Loans and Grants	1	5	7	7	7	7	7	7	7	7	27	62
Subtotal – Title VI	1	23	22	22	9	7	7	7	7	7	77	112
Title VII – Research, Extension, and Related Matters												
Organic Agriculture Research and Extension	8	13	16	16	16	8	3	0	0	0	69	80
Specialty Crop Research	13	23	29	48	50	53	50	50	50	50	163	416
Beginning Farmer and Rancher Development	3	5	8	10	10	8	5	2	0	0	36	50
Subtotal – Title VII	23	40	53	74	76	68	58	52	50	50	267	546
Title VIII – Forestry	1	1	1	1	0	0	0	0	0	0	4	4
Title IX – Energy	-5	8	2	0	0	0	0	0	0	0	5	5
Title X – Horticulture												
Farmers Market and Local Food Promotion	20	20	20	20	20	0	0	0	0	0	100	100
Organic Agriculture	1	1	1	1	1	0	0	0	0	0	5	5
Specialty Crop Block Grants	8	14	15	15	15	15	15	15	15	15	67	142

	Fiscal year										5- and 10-year total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Plant Pest and Disease Management	5	13	16	17	22	22	22	22	22	22	73	181
Subtotal – Title X	34	48	52	53	58	37	37	37	37	37	245	428
Title XI – Crop Insurance												
Supplemental Coverage Option	41	409	542	554	578	574	627	628	645	666	2,124	5,264
Catastrophic Crop Insurance Rerating	-4	-38	-50	-51	-52	-53	-54	-54	-55	-56	-195	-467
Enterprise Units for Irrigated Nonirrigated Crops	5	47	62	63	64	66	68	69	71	72	241	586
Adjustment in Average Producer History Yields	10	97	126	128	131	134	139	141	143	146	492	1,194
Equitable Relief for Specialty Crop Producers	82	41	41	41	0	0	0	0	0	0	205	205
Crop Production Native Sod (Prairie Potholes)	0	-4	-8	-11	-15	-16	-16	-16	-16	-16	-38	-118
Coverage Level by Practice	2	17	20	20	21	21	21	22	22	22	80	188
Beginning Farmer and Rancher Provisions	2	20	26	28	31	34	35	36	36	36	106	283
Stacked Income Protection For Cotton	0	285	375	350	440	455	476	467	479	504	1,450	3,831
Peanut Revenue Crop Insurance	3	26	30	30	30	30	30	30	30	30	119	269
Implementation	2	21	16	15	15	14	2	0	0	0	69	85
Limitation on Livestock Pilot Program	0	3	26	30	30	30	30	30	30	30	89	239
Noninsured Assistance Program	1	10	12	12	12	12	12	12	12	12	48	108
Participation Effects of Commodity Programs	-9	-89	-109	-97	-71	-60	-65	-60	-67	-69	-375	-696
Subtotal – Title XI	135	845	1,108	1,112	1,214	1,240	1,304	1,305	1,330	1,377	4,414	10,971
Title XII – Miscellaneous	5	8	10	10	10	5	2	0	0	0	43	50
Total Changes in H.R. 6083	678	-4,695	-2,753	-2,077	-2,264	-2,947	-3,002	-3,108	-3,228	-3,190	-11,112	-26,586

Source: CRS using updated CBO cost estimate of H.R. 6083, March 1, 2013, at http://cbo.gov/sites/default/files/cbofiles/attachments/s3240_hr6083_Stabenow_Ltr.pdf.

Farm Bill Budget and Baseline Issues

The budget situation is more difficult and uncertain this year than for recent farm bills because of the attention to the federal debt. Across-the-board reductions are occurring under an automatic budget sequestration process. The desire by many to redesign farm policy and reallocate or reduce the remaining farm bill baseline is driving much of the debate. Uncertainty persists about broader deficit reduction plans, some of which have targeted agricultural programs with mandatory funding. Much of that uncertainty affects the farm bill but is beyond the control of the agriculture committees. Moreover, some 2008 farm bill programs do not have a baseline to continue and will require budgetary offsets.

Thus, the political dynamics of sequestration and deficit reduction pose difficult questions about how much and when the farm bill baseline may be reduced. In an era of deficit reduction, Congress faces difficult choices about how much total support to provide for agriculture, and how to allocate it among competing constituencies.

Budget Sequestration

Sequestration is a process of automatic, largely across-the-board spending reductions under which budgetary resources are permanently canceled to enforce budget goals specified in statute. Many of the sequestration provisions currently used were authorized by the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (Title II of P.L. 99-177, also known as the Gramm-Rudman-Hollings Act). The current sequestration requirements were included in the Budget Control Act of 2011 (BCA; P.L. 112-25) as a last resort to enforce deficit reduction.¹⁹

Given the failure of the Joint Select Committee on Deficit Reduction to propose budget reductions by January 2012, and in the absence of a “grand bargain” for deficit reduction by Congress during the remainder of 2012,²⁰ budget sequestration was ordered on March 1, 2013.²¹ Sequestration is reducing both discretionary budget authority and mandatory budget authority in FY2013 by \$85 billion across the government. The sequestration rate is a reduction of 5.0% from non-defense discretionary spending and 5.1% from non-defense mandatory programs.²² (These are lower rates of sequestration than were forecast previously, prior to some savings being achieved in the American Taxpayer Relief Act.)²³

The nutrition programs and the Conservation Reserve Program in the farm bill are exempt from sequestration.²⁴ Other programs, including prior legal obligations in crop insurance and some of

¹⁹ CRS Report R42050, *Budget “Sequestration” and Selected Program Exemptions and Special Rules*.

²⁰ See CRS Report R41965, *The Budget Control Act of 2011* and CRS Report R42884, *The “Fiscal Cliff” and the American Taxpayer Relief Act of 2012*.

²¹ White House, “Sequestration Order for Fiscal Year 2013,” March 1, 2013, at <http://www.whitehouse.gov/sites/default/files/2013sequestration-order-rel.pdf>. The trigger and timing for sequestration was based on Section 302 of the BCA (P.L. 112-25) and a two-month extension in the American Taxpayer Relief Act of 2012 (P.L. 112-240).

²² OMB, *Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013*, March 1, 2013, at http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjesequestrationreport.pdf.

²³ OMB, *Report Pursuant to the Sequestration Transparency Act*, September 2012, at http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/stareport.pdf.

²⁴ 2 U.S.C. 905 (g)(1)(A).

the farm commodity programs,²⁵ may be exempt, as determined by the Office of Management and Budget (OMB).

The OMB report on sequestration indicates that about \$1.9 billion will be sequestered from accounts in Agriculture and related agencies appropriations—\$1.2 billion from discretionary accounts and \$700 million from mandatory accounts (**Table 5**). Nearly all of discretionary budget authority, \$23 billion, is subject to sequestration. About \$14 billion of mandatory budget authority in Agriculture and related agencies programs is sequesterable, according to OMB. This latter amount is a fraction of total mandatory spending exceeding \$100 million (including child nutrition), since most of SNAP and child nutrition are exempt from sequestration, and OMB has exempted most of crop insurance. The table shows that user-fee funded accounts and trust funds (including disaster payments) are subject to sequestration.

Table 5 presents sequestration amounts at the account or agency level, as outlined in the OMB report. But sequestration actually is implemented at the more detailed level of “programs, projects, and activities” (PPAs). PPAs are defined in different ways, but for accounts in appropriations acts, PPAs are delineated in the appropriation itself or in the accompanying appropriations committee reports. Other PPAs are delineated in the President’s budget.²⁶

Once the uniform sequestration rate is applied at the PPA level, executive branch agencies may take various actions to implement the reductions. These actions may include transferring funds between accounts (which is limited by statute and generally is not available to agencies without specific legislative or appropriations action), reprogramming funds within an account among one or more PPAs (usually subject to appropriations committee notification), managing procurement and contracting options, and furloughing agency personnel.²⁷

To date, USDA has indicated how it intends to manage sequestration in two letters sent to Congress: one outlining furloughs and estimated effects prior to sequestration²⁸ and one in response to congressional questions after sequestration.²⁹

Implementing sequestration at the PPA level may restrict the flexibility of the Administration to manage the reductions (e.g., requiring furloughs of employees, or canceling some desired activities while preserving portions of other activities). On the other hand, in the absence of new budget directions from Congress, sequestration at the PPA level preserves the intended allocation of resources that Congress more recently appropriated, albeit at a prorated basis.

²⁵ 2 U.S.C. 906 (j).

²⁶ 2 USC 902 (k)(2); Balanced Budget and Emergency Deficit Control Act, Section 256(k)(2), P.L. 99-177.

²⁷ CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*.

²⁸ USDA Secretary Vilsack, Letter on impacts of sequestration to Senate Appropriations Committee Chairwoman Mikulski, February 5, 2013, at <http://www.appropriations.senate.gov/ht-full.cfm?method=hearings.download&id=cda06eef-0c7b-4d77-819e-d8fefb5f32db>.

²⁹ USDA Secretary Vilsack, “Letter on impacts of sequestration to Senator Grassley,” March 8, 2013, at <http://www.grassley.senate.gov/about/upload/Signed-Copy-to-Sen-Grassley.pdf>.

Table 5. Sequestration of Agriculture and Related Agencies Appropriations Accounts
(FY2013, dollars in millions)

Account	Sequesterable Budget Authority	Sequestration rate: 5.0% discretionary 5.1% mandatory	Amount Sequestered
Offices of Secretary and Chief Economist	27	5.0%	1
Office of Inspector General	86	5.0%	4
Buildings, facilities, and rental payments	232	5.0%	12
National Appeals Division	13	5.0%	1
Office of Civil Rights	21	5.0%	1
Hazardous materials management	4	5.0%	0
Department Administration	86	5.0%	4
Office of Communications	8	5.0%	0
General Counsel	40	5.0%	2
Agricultural Research Service	1,102	5.0%	55
National Institute of Food & Agriculture	1,213	5.0%	61
Economic Research Service	78	5.0%	4
National Agricultural Statistics Service	160	5.0%	8
Animal & Plant Health Inspection Service	825	5.0%	41
Other spending authority	18	5.0%	1
User fees (mandatory)	266	5.1%	14
Agricultural Marketing Service	84	5.0%	4
Section 32	792	5.1%	40
Other mandatory accounts	76	5.1%	4
Grain Inspection, Packers & Stockyards	38	5.0%	2
User fees (mandatory)	41	5.1%	2
Food Safety & Inspection Service	1,010	5.0%	51
User fees (discretionary)	45	5.0%	2
Farm Service Agency: Salaries and Expenses	1,254	5.0%	63
FSA Farm Loan Program	408	5.0%	20
Grassroots mediation; source water protection	8	5.0%	0
Risk Management Agency: Salaries & Expenses	75	5.0%	4
Federal Crop Insurance Corporation	58	5.1%	3
Commodity Credit Corporation	6,460	5.1%	329
Agricultural Disaster Relief Trust Fund	1,372	5.1%	70
Tobacco Trust Fund	960	5.1%	49
Conservation Operations	842	5.0%	42
Conservation mandatory programs	3,357	5.1%	171
Watershed and Flood Prevention	180	5.0%	9

Account	Sequesterable Budget Authority	Sequestration rate: 5.0% discretionary 5.1% mandatory	Amount Sequestered
Watershed Rehabilitation Program	15	5.0%	1
Water Bank Program	8	5.0%	0
Rural Development Salaries and Expenses	183	5.0%	9
Rural Housing Service	1,529	5.0%	76
Rural Business-Cooperative Service	179	5.0%	9
Rural Energy for America Program (mandatory)	22	5.1%	1
Rural Utilities Service	591	5.0%	30
Nutrition Programs Administration	140	5.0%	7
WIC Program	6,659	5.0%	333
Child Nutrition Programs	49	5.1%	2
SNAP, Food & Nutrition Act Programs	93	5.1%	5
Commodity Assistance Programs	73	5.0%	4
Mandatory accounts	21	5.1%	1
Foreign Agric. Service: Salaries and Expenses	177	5.0%	9
Public Law (P.L.) 480	1,475	5.0%	74
McGovern-Dole Food for Education	185	5.0%	9
CCC Export Loan Salaries	3	5.0%	0
Food and Drug Administration	2,521	5.0%	126
User fees (discretionary)	1,328	5.0%	66
Other accounts (mandatory)	327	5.1%	17
Commodity Futures Trading Commission	206	5.0%	10
Mandatory accounts	13	5.1%	1
Subtotal of mandatory accounts	13,907	5.1%	709
Subtotal of discretionary accounts	23,129	5.0%	1,156
Total, Agriculture and Related Agencies Appropriations	37,036		1,866

Source: CRS, using *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013*, March 1, 2013, at http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjsequestrationreport.pdf.

Because the 10-year window of the baseline to write a new farm bill generally begins in FY2014, the sequestration occurring to FY2013 may not affect the 10-year baseline that is available to write a new farm bill as immediately or as much as might be expected. The Office of Management and Budget's report on sequestration imposes sequestration amounts on FY2013 only. Under budget enforcement rules, this reduces the budget limits and expectations for government-wide discretionary totals in future years, but the baseline for mandatory programs is being sequestered on a year-by-year basis. Thus, the effect of sequestration on future fiscal years' mandatory outlays may or may not be reflected in CBO baselines that are released later this year.

Budget Reconciliation

Another example of an approach to deficit reduction is budget reconciliation.³⁰ The reconciliation process was started in 2012, but did not proceed beyond the House. A similar approach could be used in the 113th Congress, but would require a joint budget resolution between the House and Senate to be enforced.

In the 112th Congress, the House of Representatives passed a budget resolution for FY2013 on March 29, 2012, that required the House Agriculture Committee to report by April 27, 2012, recommendations to the House Budget Committee for a reconciliation bill (H.Con.Res. 112, Section 201). The House Agriculture Committee identified \$35.8 billion of reductions from nutrition programs in its jurisdiction over a 10-year period, more than the \$33.2 billion requirement in H.Con.Res. 112. The Agriculture Committee's recommendation was incorporated into H.R. 5652, which was passed by the House on May 10, 2012.

The House Agriculture Committee's reconciliation package was focused on nutrition programs alone rather than a more comprehensive farm bill that was discussed earlier regarding the score of S. 3240. The House Budget Committee report noted that reductions in nutrition programs could be used to meet reconciliation goals, but left the allocation decision to the authorizing committee.³¹

The Senate did not pass a budget resolution for FY2013, instead opting to use the budget levels intended for FY2013 under the Budget Control Act of 2011 (P.L. 112-25). Without a Senate budget resolution, the budget reconciliation process that was started in the House stalled.

Separate from the budget reconciliation process, the House Budget Committee's FY2013 budget resolution (H.Con.Res. 112) recommended \$179 billion of cuts over 10 years to programs in the House Agriculture Committee's jurisdiction.³² These cuts were not required to be enacted or considered by the Agriculture Committee, but were part of the broader long-term House Budget Committee plan for deficit reduction. The non-binding resolution proposed \$29 billion of cuts over 10 years to agriculture programs such as direct payments, crop insurance, and export assistance;³³ \$134 billion of cuts to nutrition assistance programs;³⁴ and an unspecified reduction of \$16 billion, likely from conservation programs.³⁵ For agriculture, the FY2013 budget resolution was very similar to FY2012 (H.Con.Res. 34).

Nutrition Title Share of Farm Bill Baseline

The proportion and size of the farm bill budget contained in the nutrition title has increased over time. When the 2008 farm bill was enacted, the nutrition title was 67% of the 10-year total (\$406

³⁰ CRS Report 98-814, *Budget Reconciliation Legislation: Development and Consideration*.

³¹ H.Rept. 112-421, at p. 166.

³² H.Rept. 112-421, at p. 159.

³³ *Ibid.*, at pp. 67-68.

³⁴ *Ibid.*, at p. 100. See also footnote 35.

³⁵ House Committee on Agriculture (minority), "FY2013 Budget—Implications for Agriculture," March 28, 2012, at <http://democrats.agriculture.house.gov/inside/Pubs/FY2013%20Republican%20Budget%20Implications%20for%20Agriculture.pdf>.

billion out of a \$604 billion 10-year projected total).³⁶ Five years later, it is 78% of the total (\$761 billion out of a \$976 billion 10-year projected total). This trend does not mean, however, that the nutrition programs have grown at the expense of the agricultural programs.

In the CBO baseline, each program is evaluated separately to determine its own expected costs using the formulas in law. Baseline projections rise and fall based on changes in economic conditions. In recent years, the nutrition program baseline has risen because current and expected food assistance needs increased as an automatic safety net during the recession. At the same time, crop insurance baseline increased as expected crop market prices rose, causing the insured value of crops and premium subsidies to grow. Conversely, farm commodity program baseline fell as those market prices rose and less counter-cyclical price support is expected. The CBO baseline thus reflects expectations under current law. The allocation of baseline among titles and the size of each amount is not a zero-sum game when CBO updates the baseline projection over time.

Farm Bill Programs Without Baseline

The budget picture is further clouded by other factors. While some programs (like most farm commodity programs and nutrition assistance) have assumed future funding, other programs (mostly newer ones) do not. Thirty-seven programs that received mandatory funding throughout nearly all titles of the 2008 farm bill do not continue to have assured funding for the next farm bill. Continuing all of these programs could require an estimated \$9 billion to \$14 billion of offsets from other programs. If Congress desires to continue some of these programs, finding the offsets needed could be doubly difficult during a simultaneous baseline contraction from sequestration or deficit reduction. Also, new pay-as-you-go budget rules enacted in 2010 (P.L. 111-139) restrict some of the budget-related maneuvers that were used in past farm bills to offset new spending.³⁷

The one-year extension of the 2008 farm bill in P.L. 112-240 did not provide any additional mandatory funding for any of the 37 programs without baseline.³⁸ In lieu of mandatory funding, the farm bill extension made numerous “authorizations of appropriations” to allow discretionary funding for FY2013, but this does not provide funding. Discretionary funding, subject to availability in a tight budget environment, conceptually could be provided by the appropriations committees in a supplemental appropriation, an omnibus appropriation, or a continuing resolution that may be used to complete FY2013. The programs also could be funded with mandatory funding in a five-year farm bill developed in the 113th Congress, though perhaps not for FY2013. In fact, the House and Senate Agriculture Committees envisioned providing funding for many of these programs in the five-year farm bills that were developed in 2012. For more information, see CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

³⁶ See CRS Report R41195, *Actual Farm Bill Spending and Cost Estimates*.

³⁷ For example, timing shifts are no longer allowed to be counted as savings or revenue for statutory PAYGO (that is, shifting the timing of existing program payments by delaying an outlay beyond the budget window or accelerating a receipt into the budget window). P.L. 111-139, Section 4 (b)(1)(A); 2 U.S.C. 639 (a)(3)(C).

³⁸ CRS Report R42442, *Expiration and Extension of the 2008 Farm Bill*.

Possible Expiration and Reversion to Permanent Law

The farm commodity programs could become more expensive if outdated “permanent law” provisions are resurrected. A set of non-expiring provisions from the 1938 and 1949 farm bills, as amended, remain in statute, but have been suspended by the more recent farm bills. The current suspension of permanent law, as extended in P.L. 112-240, expires after the 2013 crop year (December 31, 2013, for dairy).

There are no official estimates of the budgetary effect of reverting to permanent law. But the support levels under permanent law are likely to be above even the currently high market prices for many commodities. This could result in greater subsidy outlays than under the current baseline. For more information, see CRS Report R42442, *Expiration and Extension of the 2008 Farm Bill*.

Government-Wide Deficit Reduction Proposals

In recent years, increasing attention has been given to reducing government spending and balancing the federal budget through comprehensive reforms. In February 2010, President Obama created the National Commission on Fiscal Responsibility and Reform, with bipartisan leaders, to identify changes to balance the budget. Since then, several other government-wide proposals have been made for deficit reduction, and most have included agriculture to some extent (**Table 6**).

In these government-wide deficit reduction proposals, cuts from the agriculture committees’ baseline range from \$10 billion in the President’s Fiscal Commission, \$11 billion in the “Gang of Six” proposal, \$30 billion in the Bipartisan Policy Center plan, \$32 billion in the President’s FY2013 budget, and \$33 billion in House budget reconciliation instructions, to as much as \$179 billion in the House-passed FY2013 budget resolution. These proposals often are compared to the \$23 billion reduction offered by the leadership of the House and Senate Agriculture Committees in November 2011 to the Joint Select Committee of Deficit Reduction.

Each of these proposals specifically recommended some reduction to the farm commodity programs—often mentioning eliminating direct payments, but sometimes also with limits on farm payments or reductions to crop insurance. Export promotion programs and certain conservation programs also were commonly targeted. Only the House budget resolutions for FY2012 and FY2013, and to a much smaller extent the agriculture committees’ bicameral recommendation to the Joint Select Committee on Deficit Reduction, recommend reductions to the nutrition program baseline. To date, none of these plans has been enacted. But together, they represent a range of common ideas and the visibility for deficit reduction of the agriculture and nutrition baselines.

Table 6. Broad Deficit Reduction Proposals That Affect Farm Bill Programs

Proposal	Total Farm Bill Reduction	Detailed Provisions	Individual Savings (-) or Costs (+)
1. Bipartisan Policy Center (Domenici-Rivlin Task Force, Nov. 2010)	\$30 billion [2012-2020]	Reduce farm program spending by eliminating farm payments to producers with adjusted gross income greater than \$250,000 and setting a lower maximum payment for direct payments.	-\$15 billion
		Reduce subsidies to private crop insurance companies. Reduce premium subsidy for farmers from 60% to 50%.	-\$9 billion
		Consolidate and cap certain agriculture conservation programs.	-\$6 billion
2. President's Fiscal Commission (Simpson-Bowles, Dec. 2010)	\$10 billion [2012-2020]	Reduce mandatory agricultural programs, including reductions in direct payments, limits on conservation programs (CSP and EQIP), and reductions for the Market Access Program.	-\$15 billion
		Extend disaster assistance programs in the 2008 farm bill.	+\$5 billion
3. House Budget Resolution for FY2012 (H.Con.Res. 34, Apr. 2011)	\$178 billion [2012-2021]	Reduce direct payments, crop insurance subsidies, and export assistance programs.	-\$30 billion
		Convert SNAP into an allotment tailored for each state.	-\$127 billion
		Unspecified remainder, much of which is likely conservation.	-\$21 billion
4. Gang of Six (July 2011)	\$11 billion [10 years]	Require agriculture committees to reduce mandatory spending, and encourage them to protect SNAP (food stamps).	-\$11 billion
5. President's Deficit Reduction Plan (Sept. 2011; amounts updated in Feb. 2012 for FY2013 budget request)	\$32 billion [2013-2022]	Eliminate direct payments. (Ten-year baseline is \$49 billion, but CBO assumes interaction effect from increased enrollment in ACRE. Net effect is shown.)	-\$30 billion
		Reduce crop insurance outlays by (1) reducing administrative and overhead reimbursements to crop insurance companies and (2) reducing premium subsidies to farmers.	-\$7.7 billion
		Extend disaster assistance programs in 2008 farm bill for five years, through 2017.	+\$8 billion
		Reduce conservation payments by better targeting cost-effective programs. Reduce CRP by \$1 billion and EQIP by \$1 billion.	-\$2 billion
6. House and Senate Agriculture Committees, for Joint Select Committee on Deficit Reduction (Oct. 2011)	\$23 billion [10 years]	Specific proposal not released, but a draft indicates a plan could eliminate direct payments, develop a new farm safety net with crop insurance, and make changes to conservation, nutrition, and other farm bill programs. Reported savings included:	
		Farm commodity programs (net)	-\$13 billion
		Conservation programs	-\$6 billion
		Nutrition programs	-\$4 billion
7. House Budget Resolution for FY2013 (H.Con.Res. 112, Mar. 2012)	\$179 billion [2013-2022]	<u>Budget resolution (recommendations):</u>	
		Reduce direct payments, crop insurance subsidies, and export assistance programs.	-\$29 billion
		Convert SNAP into an allotment tailored for each state.	-\$134 billion
		Unspecified remainder, likely in conservation programs	-\$16 billion
		<u>Reconciliation instructions, by April 27, 2012:</u> By April 27, 2012, the Agriculture committee must recommend to the Budget committee specific cuts for a \$33.2 billion reduction over FY2012-2022; \$8.2 billion over FY2012-2013; and \$19.7 billion over FY2012-2017.	-\$33.2 billion

Sources: CRS, compiled from the following documents:

- (1) Bipartisan Policy Center, "Restoring America's Future," Nov. 2010, pp. 106-110, at <http://www.bipartisanpolicy.org/sites/default/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%202%2028%2011.pdf>;
- (2) National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," Dec. 2010, p. 45, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf;
- (3) H.Rept. 112-58 (for H.Con.Res. 34, the FY2012 Budget Resolution), Apr. 2011, pp. 76, 108, and 152;
- (4) Gang of Six, "A Bipartisan Plan to Reduce Our Nation's Deficits," July 2011, p. 3, at <http://warner.senate.gov/public/index.cfm?p=gang-of-six> <http://assets.nationaljournal.com/pdf/071911ConradBudgetExecutiveSummary.pdf>;
- (5) The White House, "Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction," Sept. 2011, available at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jointcommitteereport.pdf>; and USDA FY2013 Budget Summary, Feb. 2012, pp. 124-126, at <http://www.obpa.usda.gov/budsum/FY13budsum.pdf>;
- (6) House and Senate Agriculture Committees, letter to Joint Select Committee on Deficit Reduction, Oct. 2011, at <http://agriculture.house.gov/pdf/letters/jointletter111017.pdf>; and press coverage of draft at <http://www.iatp.org/files/Ag%20Committees%20Bicameral%20Agreement%20Draft%202011%20Super%20Committee.pdf>; and Hagstrom Report, "Conrad: Farm Bill Content Now Moving Target," Nov. 8, 2011, at http://www.hagstromreport.com/news_files/110811_farmbill.html;
- (7) H.Rept. 112-421 (for H.Con.Res. 112, the FY2013 Budget Resolution), Mar. 2012, pp. 67-68, 100, 135, 159; and House Committee on Agriculture (minority), "FY2013 Budget-Implications for Agriculture," March 28, 2012, at <http://democrats.agriculture.house.gov/inside/Pubs/FY2013%20Republican%20Budget%20Implications%20for%20Agriculture.pdf>.

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