Congressional Research Service
Informing the legislative debate since 1914

The Commodity Credit Corporation: In Brief

name redacted
Specialist in Agricultural Conservation and Natural Resources Policy

August 29, 2016

Congressional Research Service
7-....
www.crs.gov
R44606

Contents

Figures

Contacts

The Commodity Credit Corporation (CCC) has served as the financial institution for carrying out federal farm commodity price support and production programs since 1933. It is a wholly government-owned entity that exists solely to finance authorized programs that support U.S. agriculture. It is subject to the supervision and direction of the Secretary of Agriculture at the U.S. Department of Agriculture (USDA). The CCC mission began as mostly commodity support but over time has expanded to include an increasingly broad array of programs—export and commodity programs, resource conservation, disaster assistance, agricultural research, and bioenergy development.

While CCC operates according to a large number of statutory authorities, its broad powers allow it to carry out almost any operation required to meet its objectives of supporting U.S. agriculture. This broad mandate and significant borrowing authority has traditionally drawn little attention. For most of its history, CCC's responsibilities have expanded, but Congress has recently taken actions to prohibit the funding of various CCC activities. These prohibitions highlight a tension between authorizers and appropriators—as well as Congress and the Administration—when it comes to the use of the CCC. These restrictions also raise questions related to what the CCC is, how it operates, what it is currently used for, and what it may be used for in the future. This report provides a brief review of CCC's unique history, funding structure, general operation, and recent issues associated with its use. Other CRS reports cover in detail programs and activities authorized through CCC.[1]

Origin of the CCC

For over a decade prior to the creation of CCC in 1933, the farm economy struggled with low levels of income from depressed commodity prices and increasing costs for needed supplies and services. The first major federal effort to boost commodity prices was through the Federal Farm Board, established by the Agricultural Marketing Act of 1929.[2] An inadequate and ultimately failed effort to eliminate surpluses was attempted by making loans to cooperative associations for the purpose of carrying out surplus purchase operations. Without the ability to control production, it was impossible to eliminate surplus stocks. This led to proposals to regulate the harvested acreage of farm commodities and quantities sold. The concept of acreage and marketing controls was incorporated in to the Agricultural Adjustment Act of 1933 (AAA).[3]

The AAA sought to reduce production by paying producers to participate in acreage control programs. Funding came from a tax on companies that processed farm products. Additional provisions of the law dealt with fair marketing practices and voluntary agreements between producers and handlers of commodities to regulate marketing. A financial institution was needed to carry out the newly authorized farm legislation, and this was accomplished with the creation of the Commodity Credit Corporation. Executive Order 6340, of October 17, 1933, directed the incorporation of CCC in the state of Delaware.[4]

The Delaware charter authorized CCC, among other things, to buy and sell farm commodities; lend; undertake activities for the purpose of increasing production, stabilizing prices, and insuring

[1] For additional information regarding programs and activities authorized through CCC, see CRS farm bill reports at http://www.crs.gov/Cli/SubIssue?cliId=641&itemType=Ibc&preview=False&topCat=Agriculture&topCatId=1.

[2] P.L. 71-10; 46 Stat. 11.

[3] P.L. 73-10; 48 Stat. 31.

[4] Executive Order 6340, "Creating the Commodity Credit Corporation," *Public Papers of the Presidents of the United States: Franklin D. Roosevelt* (Washington: GPO, October 16, 1933).

adequate supplies; and facilitate the efficient distribution of agricultural commodities. It was originally capitalized with $3 million appropriated by Congress. In 1936, sufficient stock was acquired to raise the capitalization to $100 million. Its capital stock remains at this level today.[5] In 1939, Executive Order 8219 ordered that all rights of the United States arising out of the ownership of CCC be transferred to the Secretary of Agriculture.[6]

At that time, low prices became so critical for cotton and corn producers that waiting another season for supply controls to impact the market became insupportable. With the establishment of CCC, it became possible to make nonrecourse loans so that farmers would have funds to hold their products off the market until prices improved. The first loans were made to cotton farmers at the rate of 10 cents per pound, while the average market price was between eight and nine cents per pound. Since loans were higher than the market price and could be satisfied by forfeiting the cotton pledged as collateral against the loan, they served as a form of price support and set the floor for the domestic market.[7] Funding for these first loan operations came from processing tax revenues and CCC's $3 million capital account, which was appropriated under authority of the National Industrial Recovery Act and the Fourth Deficiency Act.[8]

Constitutional difficulties with some provisions of the AAA and practical shortcomings with elements of the law led to additional legislation in the 1930s that continues today as permanent authority for many activities of USDA. Subsequent omnibus "farm bills" now set most of the policy goals and program constraints for farm price and income support operations that are funded through CCC.

CCC Charter Act

The Government Corporation Control Act of 1945[9] (GCCA) required all wholly owned government corporations to be reincorporated as agencies or instrumentalities of the United States. Accordingly, Congress passed the Commodity Credit Corporation Charter Act of 1948 (Charter Act).[10] All CCC rights, duties, assets, and liabilities were assumed by the federal corporation, and the Delaware corporation was dissolved.

Government Corporations in General

Government corporations have existed for over a century. The exact number of government corporations depends on how they are defined (ranging from around a dozen to over 40). While no single definition exists, they are generally defined as an agency of the federal government established by Congress to perform a public purpose. Commonly, they provide a market-oriented product or service and are intended to produce revenue that meets or approximates its expenditures. Generally, government corporations must submit annual management reports to Congress and are assigned to committees of subject matter jurisdiction. Most have a board of directors but, on the

[5] The Reconstruction Finance Corporation originally acquired the $100 million capitalization stock. The Reconstruction Finance Corporation was a New Deal–era government corporation that provided financial support and loans, including the recapitalization of banks.

[6] Executive Order 8219, 4 *Federal Register* 3565, August 10, 1939.

[7] David Godfrey, "The Commodity Credit Corporation," Texas Tech University.

[8] 48 Stat. 195, and 48 Stat. 274, respectively.

[9] The GCCA (31 U.S.C. §§9101-9110) standardized budget, auditing, debt management, and depository practices for government corporations. The GCCA is not a general incorporation act such as is in effect in the states. The charter for each federal government corporation is the separate enabling legislation passed by Congress. The GCCA also does not offer a general definition of what constitutes a government corporation. It simply enumerates the organizations covered by the act. For additional information, see CRS Report RL30365, *Federal Government Corporations: An Overview*.

[10] P.L. 80-89; 62 Stat. 1070; 15 U.S.C. §714.

whole, are largely unsupervised unless there are indications of wrongdoing. For more information on government corporations, see CRS Report RL30365, *Federal Government Corporations: An Overview*.

According to the Charter Act, the purpose of CCC is to stabilize, support, and protect farm income and prices; assist in maintaining balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of commodities. A list of some of CCC's authorities (paraphrased from Section 5 of the Charter Act, 15 U.S.C. Section 714(c)) conveys a sense of its broadly stated powers:

- Support agricultural commodity prices[11] through loans, purchases, payments, and other operations.
- Make available materials and facilities in connection with the production and marketing of agricultural products.
- Procure commodities for sale to other government agencies; foreign governments; and domestic, foreign, or international relief or rehabilitation agencies and for domestic requirements.
- Remove and dispose of surplus agricultural commodities.
- Increase the domestic consumption of commodities by expanding markets or developing new and additional markets, marketing facilities, and uses for commodities.
- Export, or cause to be exported, or aid in the development of foreign markets for commodities.
- Carry out authorized conservation or environmental programs.

Congress has further authorized CCC to fund an increasing number of diverse programs and activities related to its charter (see text box below). In carrying out operations, CCC is directed, to the maximum extent practicable, to use the usual and customary channels, facilities, and arrangements of trade and commerce.

Select CCC Activities and Programs by Type

CCC is authorized to fund a broad array of programs supporting U.S. agriculture. These programs are typically authorized through omnibus farm bills. A general description of the assistance offered and examples of associated programs are listed below. This is not an exhaustive list. For additional information on these and other CCC-funded programs, see CRS farm bill reports at http://www.crs.gov/Cli/SubIssue?cliId=641&itemType=lbc&preview=False&topCat=Agriculture&topCatId=1.

Commodity and Income Support provides farm payments and loans when crop prices or revenues decline for major commodity crops—including wheat, corn, soybeans, peanuts, and rice—as well as other support mechanisms for dairy, cotton, and sugar (e.g., Agriculture Risk Coverage, Price Loss Coverage, and Dairy Margin Protection).

Conservation provides financial and technical assistance for voluntary participation in resource conservation programs to protect soil, water, wildlife, and other natural resources on private lands (e.g., Environmental Quality Incentives Program, Conservation Reserve Program, and Agricultural Conservation Easement Program).

Disaster provides payments for livestock and crop production losses resulting from weather events and disease outbreaks (e.g., Livestock Forage Program, Noninsured Crop Assistance Program, and Tree Assistance Program).

Export and Foreign Food Assistance promotes U.S. agricultural products abroad, develops export markets, and supports international food assistance programs (e.g., Market Access Program, Export Credit Guarantee Program, and Food for Peace Program).

[11] Amendments to the Charter Act in 2004 preclude tobacco from being considered within the definition of "agricultural commodities" (P.L. 108-357).

Bioenergy provides assistance for the research, development, and adoption of renewable energy—primarily biofuels (e.g., Biorefinery Assistance program, Renewable Energy for America Program, and Biomass Crop Assistance Program).

Specialty Crops supports research, market promotion (including organic certification), and pest and disease prevention for fruits, vegetables, tree nuts, floriculture, and other ornamental products (e.g., Specialty Crop Block Grant Program, Specialty Crop Research Initiative, and Plant Pest and Disease Program).

Management of CCC

The Charter Act makes CCC an agency and instrumentality of the United States within USDA, subject to the supervision and direction of the Secretary of Agriculture. A board of directors appointed by the President, consisting of the Secretary and seven other USDA officials, is responsible for the management of CCC. CCC officers and advisors—also USDA officials—are charged with maintaining liaisons with other governmental and private trade operations on the CCC's behalf.[12]

The CCC has no personnel of its own. Rather, USDA employees and facilities carry out all of its activities. Administrative functions generally fall to the USDA agencies directed to administer the various CCC programs. The majority of its functions are administered by the Farm Service Agency (FSA), which operates most of the commodity and income support programs. Other agencies that administer CCC programs include the Natural Resources Conservation Service, the Agricultural Marketing Service, the Foreign Agricultural Service, and the United States Agency for International Development (USAID). CCC directly pays salaries and expenses incurred by FSA for CCC activities and also reimburses other agencies for their administrative costs.

CCC cannot acquire property or interest in property unless it is related to providing storage for program implementation or protecting CCC's financial interests.[13] CCC is allowed to rent or lease space necessary to conduct business (e.g., warehousing of commodities).

Financing CCC

CCC is responsible for the direct spending and credit guarantees used to finance the federal government's agricultural commodity price support and related activities undertaken by authority of agricultural legislation (such as farm bills) or the Charter Act itself. It is, in brief, a broadly empowered financial institution. The money CCC needs comes from its own funds (including its $100 million capital stock, appropriations from Congress, and its earnings) and from borrowings. In accordance with government accounting statutes and regulations, CCC is required to submit an annual business-type budget statement. This is released annually with the President's budget request.[14]

The Office of Management and Budget (OMB) also plays a role in how CCC funds are administered through an apportionment process, which allows OMB to set a limit on the funds available for obligation and subsequent outlay.[15] OMB apportions funds for select CCC programs

[12] For a list of current CCC Board of Directors, officers, and advisors, see http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/AboutFSA/CCC/ccc_whoswho.pdf.

[13] 16 U.S.C. §714b(h).

[14] CCC budget documents may be found at http://www.fsa.usda.gov/about-fsa/budget-and-performance-management/budget/ccc-budget-essentials/index.

[15] U.S. Government Accountability Office (GAO), *Commodity Credit Corporation: Information on the Availability,* (continued...)

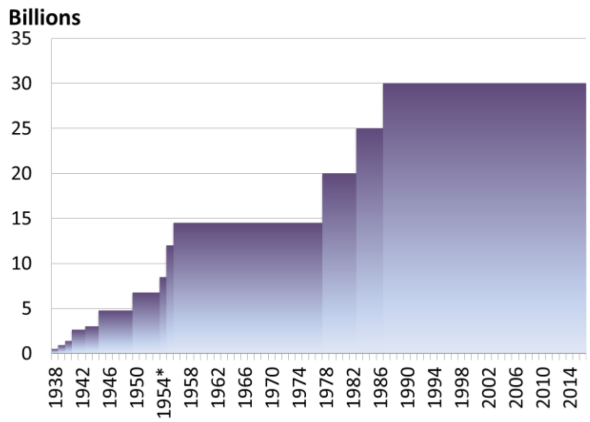
and operating expenditures.[16] OMB is precluded, however, from apportioning funds "for price support and surplus removal of agricultural commodities."[17]

Borrowing Authority

Most CCC-funded programs are classified as mandatory spending programs and therefore do not require annual appropriations in order to operate. CCC instead borrows from the U.S. Treasury to finance its programs. CCC has permanent indefinite authority to borrow from the Treasury (and also private lending institutions) within limits set by Congress. As the amount of money needed to carry out its activities has grown over time, the borrowing limit has been steadily increased (**Figure 1**). At present, CCC's borrowing authority is limited to $30 billion,[18] an amount that has not been increased since 1987.

Figure 1. CCC's Borrowing Authority

1938-2016



Source: CRS from USDA, "Reports of Financial Conditions and Operations of the CCC," various years.

Notes: The graph illustrates the year in which legislation authorized an increase in the borrowing authority. Prior to 1938, CCC had no specific borrowing authority. In 1954, Congress passed two increases, one to $8.5 billion and a second to $10 billion.

CCC recoups some money from authorized activities (e.g., sale of commodity stocks, loan repayments, and fees), though not nearly as much money as it spends, resulting in net expenditures. Net expenditures include all cash outlays minus all cash receipts, commonly referred to as "cash flow." CCC outlays or expenditures represent the total cash outlays of the CCC-funded programs (e.g., loans made, conservation program payments, commodity purchases, and disaster payments). Outlays are offset by receipts (e.g., loan repayment, sale of commodities, and fees). In FY2015, CCC gross outlays were $12.4 billion. Gross cash receipts were $6.0 billion, resulting in net expenditures in FY2015 of approximately $6.4 billion.[19] In practice a portion of these net expenditures may be recovered in future years (e.g., through loan repayments).

CCC also has "net realized losses," referred to as nonrecoverable losses. These refer to the outlays that CCC will never recover, such as the cost of commodities sold or donated,

---

(...continued)

Use, and Management of Funds, GAO/RCED-98-114, April 1998, http://www.gao.gov/assets/230/225533.pdf.

[16] In accordance with the Antideficiency Act, as amended (31 U.S.C. §1512), among others.

[17] 31 U.S.C. §1511(b)(1)(A).

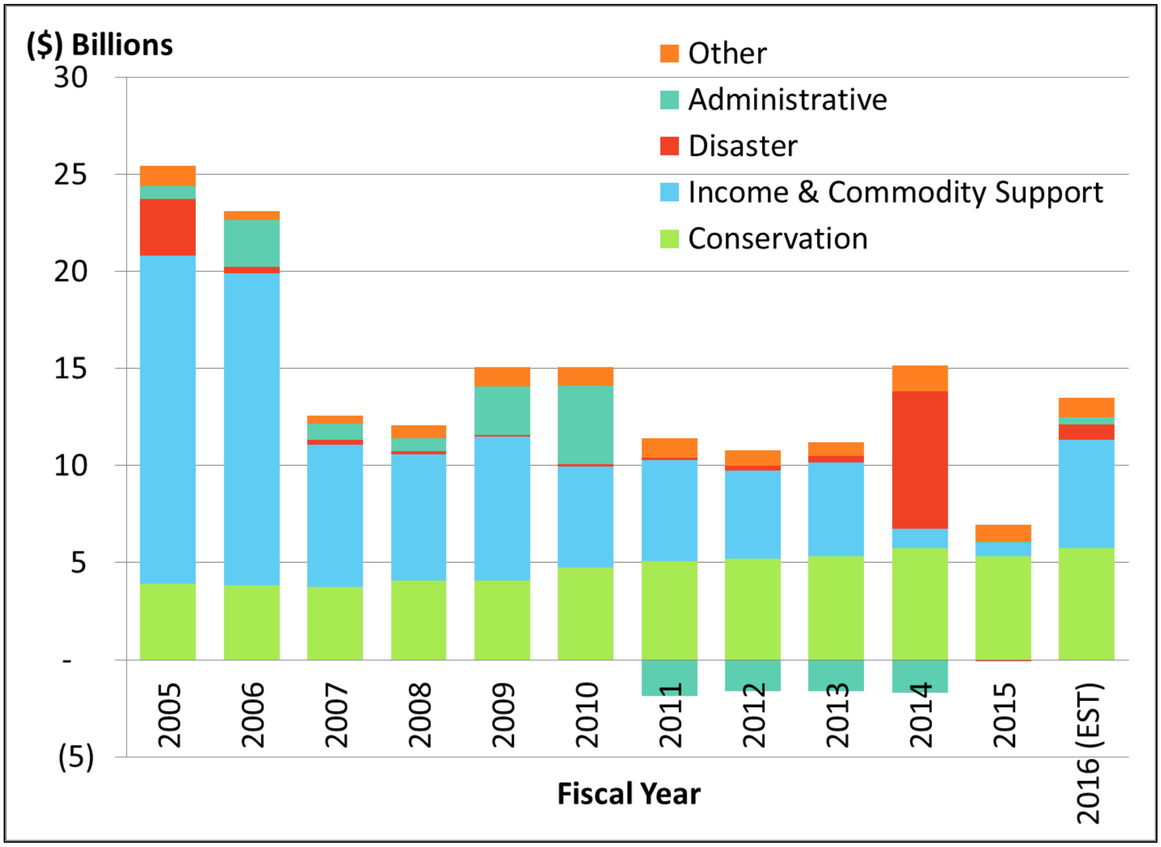
[18] 15 U.S.C. §714b(i).

[19] CCC also includes the change in working capital, therefore increasing the total CCC net expenditure in FY2015 to $6.65 billion. See USDA, FSA, *Commodity Estimates Book FY2017 President's Budget Commodity Credit Corporation*, Presentation Number: 2017-01, February 9, 2016, Output 2, http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/AboutFSA/Budget/pdf/ebooks/FY%202017%20Commodity%20Estimates%20Book%20-%20Web%20Version.pdf.

uncollectible loans, storage and transportation costs, interest paid to the Treasury, program payments, and operating expenses. The net realized loss is the amount that CCC, by law, is authorized to receive by appropriations to replenish the CCC's borrowing authority (see **Figure 2**).[20]

Figure 2. CCC Net Realized Losses

FY2005-FY2016



Source: Compiled by CRS from USDA, FSA, *Commodity Estimates Book,* FY2008 through FY2017 President's Budgets (Output 3), and USDA, FSA, *Data Master*, FY2008 through FY2017 President's Budgets. Files may be found on http://www.fsa.usda.gov/about-fsa/budget-and-performance-management/budget/ccc-budget-essentials/index.

Notes: The "other" category includes funding for export activities, horticulture and specialty crop programs, bioenergy assistance, research, and rural development. Fiscal years 2005 through 2015 are actual funding levels as reported by USDA. The negative administrative expense in FY2011 through FY2014 represents net gains in years where the receipt of funding (e.g., interest expense and Tobacco Trust Fund payments) exceeded net expenses (e.g., salaries and overhead).

The annual appropriation varies each year based on the net realized loss of the previous year.[21] For example, the FY2016 appropriation (P.L. 114-113) continues to provide an indefinite

[20] Ibid., p. A-5.

[21] According to a GAO report, CCC changed the manner in which it calculates its request for an appropriation to cover its net realized losses in 1998 in response to recommendations from USDA's Office of Inspector General. Prior to 1998, the annual appropriation request included estimates for prior and future losses. This resulted in an over-appropriation of about $5 billion in FY1996 due to overestimates of CCC's prior and future losses. GAO, *Commodity Credit Corporation: Information on the Availability, Use, and Management of Funds*, GAO/RCED-98-114, April 1998.

appropriation, covering the net realized loss for FY2015, which was $6.871 billion, down 49% from the net realized loss in FY2014 of $13.445 billion. The reduction does not indicate any action by Congress to reduce program support but rather changes in farm program payments and other CCC activities that fluctuate based on economic and weather conditions. Also, CCC's assets, which include loans and commodity inventories, are not considered to be "losses" until CCC ultimately disposes of the asset (e.g., by sales, exports, or donations). At that time, the total cost is realized and added to other program expenses less any other program income.

Non-Borrowing Authority Appropriations

CCC also receives annual appropriations for several of its foreign assistance programs and special activities, such as disaster aid. These activities include a specific statutory authority for separate reimbursement, namely export credit guarantee programs, foreign donations, and concessional sales under the Food for Peace Program (also known as P.L. 480).[22] The appropriations provided for these programs are unrelated to the borrowing authority described above.[23]

CCC has what it refers to as a "parent/child" account relationship with USAID. CCC allocates funds (as the parent) to USAID (as the child) to fund P.L. 480 Title II and Bill Emerson Humanitarian Trust transportation and other administrative costs in connection with foreign commodity donations. CCC then reports USAID's budgetary and proprietary activities in its financial statements.[24] In FY2015, CCC provided $1.3 billion to USAID for donation-related activities.[25]

Issues for Congress

Expansion

Over time, a number of new activities have been added to CCC's original mission, including conservation, specialty crop support, and bioenergy development. Some have suggested adding other agriculture-related activities to CCC. The idea of expanding CCC's activities generates both concern and support. Some consider this expansion to be beyond CCC's chartered purpose. Others, however, prefer the stability and consistency of mandatory funding to that of the annual appropriations process. Any expansion of mandatory funding authority, however, would require a spending or revenue offset under current budgetary rules.

Although Congress as a whole makes final funding decisions, the rise in the number of agricultural programs with mandatory budget authority from the authorizing committees has not gone unnoticed or untouched by appropriators. In recent years, appropriations bills have reduced mandatory program spending below authorized levels. These reductions, as estimated by the Congressional Budget Office, are commonly referred to as changes in mandatory program

[22] P.L. 83-480.

[23] USDA, Office of Inspector General, *Commodity Credit Corporation's Financial Statements for Fiscal Years 2015 and 2014*, Audit Report 06401-0005-11, February 2016, https://www.usda.gov/oig/webdocs/06401-0005-11.pdf.

[24] OMB, *Financial Reporting Requirements*, Circular No. A-136, September 18, 2014, https://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a136/a136_revised_2014.pdf.

[25] USDA, Office of Inspector General, *Commodity Credit Corporation's Financial Statements for Fiscal Years 2015 and 2014*.

spending (CHIMPS). CHIMPS can be used to offset increases in discretionary spending that are above discretionary budget caps.[26]

Tension Between Authorizers and Appropriators

The U.S. Constitution grants the power over appropriations (the "power of the purse") to Congress. House and Senate rules create a division of labor through the procedural separation between authorizations and appropriations. Legislative committees (such as, for agriculture, the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry) are responsible for authorizing legislation. Appropriations committees (such as the House and Senate Appropriations Subcommittees on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies) are responsible for establishing annual appropriations. Procedural rules generally prohibit encroachment on these distinct committee responsibilities. However, multiyear funding for mandatory programs is provided in one step by authorizing legislation, which bypasses the two-step authorization-appropriation process.[27]

The current tension over which committee is responsible for bringing final budget recommendations to the floor for certain agricultural programs—appropriators or authorizers—dates from when CCC was originally chartered and the creation of the farm commodity programs. Some farm commodity subsidies are volatile and therefore difficult to budget because they depend upon both market prices and yields. These payments resemble entitlements,[28] and any appropriation set in advance would likely be too little or too much. Thus, CCC was created, in part, as a funding mechanism to deal with the variable nature of farm program payments.

This separation operated for many decades with little tension. But the dynamic changed, particularly with the 1996 and 2002 farm bills,[29] when authorizers began writing laws using CCC to fund programs that were typically discretionary (e.g., conservation programs). This often led to a more complicated and bifurcated process of establishing budget authority for certain agricultural programs. Tension arose over whether authorizers or appropriators should set final funding levels for these activities.

Ultimately, Congress as a whole—not individual committees—makes the final funding decisions when it passes authorizing and appropriations legislation. Congress may fund programs both in authorizing laws and in appropriations acts. Some contend that tension among committees, interest groups, and political parties is part of the process by which Congress passes legislation.

In general, commodity interest groups have not strongly objected to the recently enacted reductions in mandatory programs because USDA farm commodity programs have not been targeted. Nonetheless, they tend to object to any reductions that are intended as offsets for increases in funding for nonagricultural programs. Conversely, environmental and conservation-focused interest groups have been more vocal and have expressed significant concern over the reductions—by both authorizers and appropriators—because many cuts have targeted conservation programs.[30] These groups argue that when authorizers reduce conservation funding, they undercut many of the programs that generated political support for the farm bill's initial passage.[31] They also argue that cuts by appropriators circumvent commitments made in the farm bill by the authorizers.

[26] For additional information about CHIMPS in the FY2016 appropriation, see CRS Report R44240, *Agriculture and Related Agencies: FY2016 Appropriations*, p. 70.

[27] For additional information on mandatory and discretionary funding, see CRS Report R44582, *Overview of Funding Mechanisms in the Federal Budget Process, and Selected Examples*. For additional information on the appropriations process, see CRS Report R42388, *The Congressional Appropriations Process: An Introduction*.

[28] Entitlements are programs that require payments if specific eligibility criteria in an authorizing law are met. This form of mandatory spending is not controlled through the annual appropriations process. The total amount of entitlement spending is determined by the aggregate total of all individual benefits and, in most cases, is not capped. See CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*.

[29] Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127, 1996 farm bill) and Farm Security and Rural Investment Act of 2002 (P.L. 107-171, 2002 farm bill).

[30] For additional information, see CRS In Focus IF10041, *Reductions to Mandatory Agricultural Conservation Programs in Appropriations Law*.

[31] Letter from Alaska Association of Conservation Districts, American Bird Conservancy, American Farmland Trust et al. to the Honorable Hal Rogers, chairman, House Appropriations Committee, et al., September 17, 2015, http://sustainableagriculture.net/wp-content/uploads/2008/09/Cons-Coalition-FY16-approps-conference-ltr-FINAL.pdf.

Restrictions on Use

Recent restrictions in appropriations have limited USDA's use of CCC's authority to provide ad hoc disaster assistance. The FY2016 appropriation continues a provision that has appeared in each annual appropriation since FY2012 that effectively prohibits the use of CCC for emergency disaster payments to farmers:[32]

> [N]one of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries or expenses of any employee of the Department of Agriculture or officer of the Commodity Credit Corporation to carry out clause 3 of Section 32 of the Agricultural Adjustment Act of 1935 (P.L. 74-320, 7 U.S.C. 612c, as amended), or for any surplus removal activities or price support activities under section 5 of the Commodity Credit Corporation Charter Act.[33]

This recurring provision is a reaction to administrative activities following 2009 crop losses, in which the Administration announced that it would implement a disaster program for 2009 losses under "Section 32" authority.[34] In fall 2010, USDA spent $348 million distributed across three categories: (1) select crop production (upland cotton, rice, soybeans, and sweet potatoes),[35] (2) poultry producers, and (3) aquaculture producers. USDA used CCC authority to make required purchases usually made with Section 32 funds for domestic feeding program needs.[36]

Critics of the 2009 disaster assistance, in Congress and elsewhere, questioned whether USDA had authority to make such payments without a legislative mandate. Similar concerns have been raised recently related to assistance—or lack thereof—for cottonseed payments, dairy assistance, and biofuel infrastructure (see box below).

USDA's ability to use its administrative powers in the Charter Act may also be restricted by executive budgetary rules such as "administrative PAYGO"—that is, the need to offset additional spending created by administrative action.[37] Administrative PAYGO has been cited as a potential roadblock to undertaking actions but has also been waived or not raised as an issue in other cases.

Biofuels and Cotton

USDA has at times been both assertive and reluctant to use the general powers of CCC based on its interpretation

[32] P.L. 114-113, §715.

[33] Clause 3 of Section 32 provides that funds shall be used to reestablish farmers' purchasing power by making payments in connections with the normal production of any agricultural commodity for domestic consumption (7 U.S.C. §612c). Section 5 of the Charter Act authorizes CCC to support the prices of agricultural commodities through loans, purchases, payments, and other operations (15 U.S.C. §714c). Note that this provision does not affect USDA's ability to administer permanently authorized disaster programs under the 2014 farm bill (P.L. 113-79).

[34] USDA's Section 32 program is funded by a permanent appropriation of 30% of the previous year's customs receipts, less certain mandatory transfers. Section 32 funds are used for a variety of activities, including child nutrition programs, the purchase of commodities for domestic food programs, and farm disaster relief. For more information, see CRS Report RL34081, *Farm and Food Support Under USDA's Section 32 Program*.

[35] On October 22, 2010, USDA announced it would begin making payments to producers in eligible counties under the "Crop Assistance Program" using payment rates established for each crop. A fact sheet is available at http://www.fsa.usda.gov/Internet/FSA_File/cap10pfs.pdf.

[36] USDA, *Background on 2009 Disaster Assistance*, http://www.agri-pulse.com/uploaded/Disaster_Backgrounder.pdf.

[37] "Administrative PAYGO" is different from the statutory budget enforcement process often referred to as "pay-as-you-go" (PAYGO) in several significant respects, including stages of the budget process in which activities occur, the actors who are involved, and transparency to Congress and the public. For additional background on administrative PAYGO, see CRS Report R41375, *OMB Controls on Agency Mandatory Spending Programs: "Administrative PAYGO" and Related Issues for Congress*.

of congressional intent. This has created policy debates between Congress and the Administration.

In June 2015, USDA announced the availability of $100 million in matching grants under a Biofuel Infrastructure Partnership (BIP) initiative.[38] Grants were aimed at overcoming infrastructure constraints that limit the market for biofuels, specifically higher-level ethanol blends such as E15 (gasoline blends with up to 15% ethanol content) and E85 (blends with between 51% and 83% ethanol content). CCC funds the BIP initiative at the discretion of the Secretary. USDA cited Section 5 of the Charter Act (62 Stat. 1070; 15 U.S.C. §714) as providing the authority for CCC to undertake actions consistent with BIP.[39]

Critics of the initiative questioned the use of CCC authority, citing amendments made in the 2014 farm bill (Section 9001 of P.L. 113-79) that prohibit USDA from using farm bill energy programs to fund the blender pumps.[40] They argued that the initiative runs counter to the congressional intent expressed in the farm bill. USDA supports the BIP initiative, pointing to the marketing expansion and development authorities of the Charter Act.

In a reversal of roles, the issue of CCC authority and congressional intent was raised again in early 2016 when USDA announced that it was denying the cotton industry's request to provide subsidies for cottonseed.[41] A recent trade dispute with Brazil resulted in the 2014 farm bill removing cotton from primary farm support programs. Low cotton prices and reduced program support payments in the 2014 farm bill caused the industry to petition Congress and USDA to consider declaring cottonseed an "other oilseed" as allowed by the farm bill and therefore eligible for traditional farm support programs. USDA denied the request, citing other changes in the 2014 farm bill (removal of cotton as an eligible commodity and establishment of a separate temporary cotton program) and restrictions in the annual appropriation law on the use of CCC funds as the primary reasons for not granting cotton producer's request.[42] USDA Secretary Tom Vilsack called on Congress to either amend the 2014 farm bill language that excludes cotton as an eligible commodity or remove the CCC restrictions included in the annual appropriation law.[43]

In a different approach, USDA used CCC authority to create the Cotton Ginning Cost Share program, which provides payments based on 2015 cotton acres and average ginning costs. The program is estimated to cost $300 million in 2016 and will "expand and maintain the domestic market of cotton."[44] The Cotton Ginning Cost Share program appears to use CCC authorities similar to those of the BIP initiative: market expansion.

Conclusion

Generally defined, CCC is a broadly empowered financial institution that supports U.S. agriculture. Its programs and actions are derived from authorities granted by Congress. While it is the primary funding mechanism used in omnibus farm bills, its existence, use, and operations are frequently not understood and often confused with USDA itself. Perhaps this is because much of CCCs functional operation overlaps with USDA—CCC has no staff of its own, operates through USDA agencies, and is funded to conduct activities authorized by Congress.

Beyond operational interest, there is continued attention by Congress and interest groups because of the broad powers granted to it. Furthermore, these authorities have been expanded over time, thus allowing CCC to carry out almost any operation that is consistent with the objective of supporting U.S. agriculture.

[38] For additional analysis of BIP, see CRS In Focus IF10377, *USDA Initiative Is Funding New Ethanol Infrastructure*.

[39] USDA, "Biofuels Infrastructure Partnership (BIP): Frequently Asked Questions," http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Energy/FAQs_Biofuel_Infrastruct_Prtnrship.pdf.

[40] Daniel Enoch, "USDA Seeks to Boost Availability of E15, E85 at the Pump," *Agri-Pulse*, May 29, 2015.

[41] For additional analysis of the cottonseed issue, see CRS Insight IN10451, *Cottonseed as a Potential Farm Program Crop: What Are the Issues?*

[42] Letter from Thomas J. Vilsack, Secretary of Agriculture, to Mike Conaway, chairman of the House Committee on Agriculture, February 3, 2016, http://www.agri-pulse.com/Uploaded/Conaway-Feb-3-2016%20.pdf.

[43] House Agriculture Committee, "House Agriculture Committee Review State of the Rural Economy," February 24, 2016, http://agriculture.house.gov/calendar/eventsingle.aspx?EventID=3159.

[44] USDA, "USDA Provides Targeted Assistance to Cotton Producers to Share in the Cost of Ginning," press release, June 6, 2016, http://www.fsa.usda.gov/news-room/news-releases/2016/nr_20160606_rel_0140.

The mandatory funding nature of CCC activities makes it an attractive funding mechanism for Congress to expand. Any expansion of mandatory funding authority, however, would require a spending/revenue offset or amendment to current budgetary rules. Recent congressional actions reducing CCC's authority have led some to wonder what changes, if any, the next omnibus farm bill may bring—an expansion, a reduction, or a continuation of CCC's existing authority.

Author Contact Information

(name redacted)
Specialist in Agricultural Conservation and Natural Resources Policy
[redacted]@crs.loc.gov7-....