

February 16, 2018

## Agriculture Funding in the Bipartisan Budget Act of 2018

On February 9, 2018, Congress passed the Bipartisan Budget Act of 2018 (P.L. 115-123), which broadly authorized supplemental appropriations, including for crop and livestock losses from the 2017 hurricane season and wildfires. The act also revised several existing agriculture programs, which has long-term policy implications because it changed farm bill statutes. This report discusses four of the changes and accounts for all agriculture-related funding in **Table 1** (excluding the FY2018 continuing resolution for general agricultural appropriations). The act adds \$3.6 billion of disaster assistance in FY2018, adds \$1.4 billion to the 10-year farm bill baseline, and offsets an estimated \$2.6 billion from agriculture by extending sequestration two more years through FY2027.

### Block Grants for Agricultural Losses

Title I, Division B, provides \$2.36 billion to the Secretary of Agriculture to cover crop, tree, bush, and vine losses from 2017 hurricanes and wildfires that were not covered under the Federal Crop Insurance Program (crop insurance) and the Noninsured Crop Disaster Assistance Program (NAP). Assistance is through block grants to eligible states, as determined by the Secretary. Historically, assistance for production losses has been provided directly from the U.S. Department of Agriculture (USDA) to eligible farmers and ranchers. It remains to be seen whether the requirement to implement this assistance through states may add complexity for participants or delay implementation.

The new program limits payments to no more than 85% of losses, including payments from crop insurance and NAP. For producers who did not purchase crop insurance or NAP in advance of the natural disasters, payments are limited to 65% of losses. All participants are required to purchase crop insurance or NAP for the next two years.

Because crop insurance and NAP are federally administered programs, data needed to calculate payments under the block grants are not currently available to states. Also, covering the losses of farmers who chose not to purchase insurance, as well as those who did, has the potential to create a moral hazard for future participation. It is unclear whether the new program duplicates payments under other existing disaster programs (e.g., Tree Assistance Program and Livestock Indemnity Program) that were not mentioned specifically under the 85/65 loss coverage limitation.

### Amended Permanent Disaster Programs

Section 20101 amends select permanent disaster assistance programs through expanded coverage and funding levels. The Livestock Indemnity Program (LIP), which makes payments for livestock losses in excess of normal mortality, was amended to include losses from selling livestock at a reduced price due to adverse weather. The Emergency Assistance for Livestock, Honey Bees, and Farm-Raised

Fish (ELAP) was amended to remove the \$20 million annual mandatory funding cap; effectively authorizing such sums as necessary from mandatory funding sources. The Tree Assistance Program (TAP), which pays to replant or rehabilitate trees, bushes, and vines damaged by natural disasters, was amended to increase the individual limit from 500 acres to 1,000 acres. Payment limitations of \$125,000 per crop year for TAP and LIP were also eliminated. All amendments apply retroactively to losses incurred on or after January 1, 2017. In total, the Congressional Budget Office (CBO) projects the cost of these changes to be \$240 million over 10 years.

### Treatment of Seed Cotton

Section 60101(a) amends the 2014 farm bill to add seed cotton as a “covered commodity,” making cotton eligible for farm commodity programs such as Price Loss Coverage (PLC). Cotton had long been a covered commodity, but was removed by the 2014 farm bill in order to comply with a World Trade Organization dispute settlement. CBO projects the cost of adding seed cotton as a covered commodity to be \$3 billion over 10 years; however, budget offsets—including reallocating farm program payment acres back to cotton, and repealing eligibility for the cotton stacked income protection revenue insurance plan (created under the 2014 farm bill) by cotton producers that participate in Title I revenue support programs—are projected to lower the net cost to \$62 million. These changes, along with changes to the disaster and dairy programs described below, become part of the baseline to write the farm bill.

### Dairy and Livestock Program Changes

Section 60101(b) amends the 2014 farm bill for the Margin Protection Program (MPP) for dairy producers based on the difference between milk price and feed cost. It raises the default, or catastrophic, protection (from \$4 per hundredweight (cwt) to \$5 per cwt), and raises the eligible production level for reduced margin premiums from 4 million pounds to 5 million pounds. It also lowers the premium cost for margin coverage under 5 million pounds. MPP payments will be based on monthly instead of a two-month average margin. The act extends MPP enrollment for 2018, and eliminates fees for beginning, veteran, or socially disadvantaged producers. The CBO score of the provision is a cost of \$794 million over 10 years.

Separately, Section 60101(c) removes the \$20 million cost limitation on the livestock gross margin (LGM) insurance programs. LGM allows cattle, dairy, and swine producers to manage price risk by insuring their margins (market value minus feed costs), though dairy producers are prohibited from participating in both MPP and LGM. In 2016, dairy producers represented 93% of LGM liability. CBO projects the cost of removing the cap to be \$308 million over 10 years.

**Table I. Funding for Agriculture in the Bipartisan Budget Act of 2018**  
(Budget authority in millions of dollars)

Program	FY2018	FY2018-FY2027
<b>Disaster Assistance (Division B)</b>		
Block grants for agricultural disasters	2,360.0	2,360.0
Purchase requirement (2 yr.) for crop insurance	0.0	68.0
Watershed and Flood Prevention Operations (Emergency Watershed Protection)	541.0	541.0
Emergency Conservation Program	400.0	400.0
Rural Water and Waste Disposal Program	165.5	165.5
Agricultural Research Service, Buildings and Facilities	22.0	22.0
Commodity Assistance Program (food assistance)	24.0	24.0
Rural Housing Insurance Fund	18.7	18.7
Nutrition Program for Women, Infants, and Children (WIC, infrastructure repairs)	14.0	14.0
Food and Drug Administration, Buildings and Facilities	7.6	7.6
Office of Inspector General	2.5	2.5
<b>Subtotal, disaster assistance</b>	<b>3,555.2</b>	<b>3,555.2</b>
<b>Other disaster assistance through changes to the farm bill (Division B)</b>		
Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish program (ELAP)	30.0	156.0
Tree Assistance Program (TAP; 1,000 acre limit, no cap)	7.0	52.0
Livestock Indemnity Payments (LIP; allow losses from reduced sales price)	3.0	21.0
Payment limitation removed on TAP, LIP	2.0	11.0
<b>Subtotal, Division B effect on farm bill budget</b>	<b>42.0</b>	<b>240.0</b>
<b>Improvements to Agriculture Programs (Division F)</b>		
Seed cotton as covered commodity	0.0	2,961.0
Reallocate generic base acres	0.0	-2,188.0
Effect on Stacked Income Protection Plan (STAX)	0.0	-711.0
<b>Subtotal, seed cotton</b>	<b>0.0</b>	<b>62.0</b>
Dairy Margin Protection Program (MPP)	47.0	794.0
Eliminate limit on Livestock Gross Margin (LGM) insurance program	0.0	308.0
<b>Subtotal, dairy</b>	<b>47.0</b>	<b>1,102.0</b>
<b>Subtotal, changes affecting the farm bill baseline</b>	<b>89.0</b>	<b>1,404.0</b>
<b>Total additions (Division F&amp;B)</b>	<b>3,644.2</b>	<b>5,027.2</b>
<b>Offsets affecting agricultural programs</b>		
Extend sequestration two more years through FY2027 (Division C, Sec. 30101(c))	0.0	-2,600.0 <sup>a</sup>
<b>Total, Agriculture</b>	<b>3,644.2</b>	<b>2,427.2</b>

**Source:** CRS, compiled from P.L. 115-123; and CBO, "Cost Estimate for the Bipartisan Budget Act of 2018."

- a. Accounts in Agriculture appropriations are reduced by \$1.3 billion of sequestration in FY2018 (OMB, "Report to the Congress," May 23, 2017). This amount was used to estimate the two-year Agriculture share from extending sequestration.

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