

Commodity Credit Corporation: Q&A

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On July 24, 2018, the U.S. Department of Agriculture (USDA) announced the use of up to \$12 billion in funding authorized under the Commodity Credit Corporation (CCC) to compensate agricultural producers for losses in response to retaliatory tariffs on certain U.S. agricultural commodities. This has raised general questions related to the CCC, its use, and authorities. In brief, CCC makes payments to producers and conducts other operations to support U.S. agriculture. Typically, Congress passes laws, such as omnibus farm bills, that specifically direct USDA on how to administer these activities and in what amounts to fund them. The underlying authorization for CCC also provides the Secretary of Agriculture with general powers to take certain actions in support of U.S. agriculture at the discretion of the Secretary. This discretionary use has historically been somewhat intermittent and limited in its scale. It is this discretionary use of CCC authority that USDA cites for the supplemental, tariff-related activities it announced on July 24. This CRS Insight answers frequently asked questions about the CCC and its authorities and uses. For additional information on the CCC and its authorities, see CRS Report R44606, *The Commodity Credit Corporation: In Brief*.

What Is the CCC?

The CCC is a wholly government-owned entity that exists solely to finance authorized programs that support U.S. agriculture. It is federally chartered by the CCC Charter Act of 1948 (P.L. 80-806; 15 U.S.C. 714 *et seq.*), as amended, and subject to the supervision and direction of the Secretary of Agriculture at USDA.

How Is the CCC Funded?

CCC is responsible for the direct spending and credit guarantees used to finance the federal government's agricultural commodity price support and related activities that are undertaken by authority of agricultural legislation (such as farm bills) or the CCC Charter Act itself.

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Borrowing Authority

Most CCC-funded programs are classified as mandatory spending programs and therefore do not require annual discretionary appropriations in order to operate. CCC instead borrows from the U.S. Treasury to finance its programs. CCC has permanent, indefinite authority to borrow up to \$30 billion from the Treasury.

Cash Flow

CCC recoups some of the money it expends for authorized activities (e.g., loan repayments, and fees), though not nearly as much money as it spends. CCC outlays, or expenditures, represent the total cash outlays of CCC-funded programs (e.g., loans, conservation programs, and commodity payments). Outlays are partially offset by receipts (e.g., loan repayment and fees), resulting in net expenditures, or cash flow.

Appropriations

CCC also has “net realized losses,” referred to as nonrecoverable losses. These are outlays that CCC will never recover, such as uncollectible loans, interest paid to the Treasury, direct payments to agricultural producers, and operating expenses. The net realized loss is the amount that CCC, by law, is authorized to receive through appropriations to replenish the CCC’s borrowing authority. The annual appropriation for CCC varies each year based on the net realized loss of the previous year. The change in appropriation does not indicate any action by Congress to change program support but rather reflects farm program payments and other CCC activities that fluctuate based on economic circumstances and weather.

What Is the CCC Authorized to Do?

The CCC serves as the funding institution for carrying out federal farm support programs, such as the farm-bill-authorized commodity and conservation programs, disaster assistance, research, and bioenergy development. In addition, the general powers of the CCC Charter Act provide broad authorities allowing CCC, at the direction of the Secretary of Agriculture, to carry out almost any operation that is consistent with the objective of supporting U.S. agriculture. It is these broad general powers that USDA references in its July 24 announcement related to tariff relief.

Section 5 of the Charter Act (15 U.S.C. 714c) lists CCC’s general powers (paraphrased)

- Support agricultural commodity prices 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, cause to be exported, or aid in the development of foreign markets for commodities.
 - Carry out authorized conservation or environmental programs.
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How Has USDA Used CCC's General Powers in the Past?

Recent discretionary uses of the CCC's general powers have included the following:

- In June 2015, USDA announced the availability of \$100 million from the CCC in matching grants under an administratively created Biofuel Infrastructure Partnership (BIP) initiative. Grants were aimed at overcoming infrastructure constraints that limit the market for biofuels. USDA justified the initiative by citing the marketing expansion and development authorities of the Charter Act.
- In 2016 USDA used CCC authority to create the Cotton Ginning Cost Share program, which provided payments based on cotton acres and average ginning costs. The program was initiated again in 2018 using CCC authorities similar to those cited in the BIP initiative.
- In April 2010, under a Brazil-U.S. memorandum of understanding, and in response to a World Trade Organization dispute settlement case initiated by Brazil over federal U.S. cotton policies, the U.S. agreed to make payments to Brazil. All payments were made from the CCC using authorities related to export promotion under the Charter Act.

How Has Congress Expanded CCC's Use?

CCC activities are derived from authorities granted by Congress. Recent expansion in CCC's use has generally come through omnibus farm bill legislation that has authorized new or additional mandatory spending by CCC. When Congress authorizes or expands CCC activities, it follows statutory and other budget rules that generally require offsets and other budgetary scorekeeping procedures.

Has Congress Restricted CCC's Use?

CCC's authorities have been restricted in recent annual appropriation bills. Beginning in FY2012, annual appropriation acts limited USDA's use of CCC's discretionary authority to remove surplus commodities and support prices. The FY2018 omnibus appropriation removed this limitation, effectively allowing USDA to use CCC's full authority. Amendments in other acts of Congress to previously enacted farm bill programs have also restricted CCC by amending specific programs or activities or limiting funding for them.

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