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The "Farm Bill" in Brief

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Summary

Most provisions of the current "farm bill," the Farm Security and Rural Investment Act (FSRIA) of 2002 (P.L. 107-171), expire in 2007. However, policy developments have brought farm bill programs into play during the 109th Congress. For example, the Deficit Reduction Act of 2005 (P.L. 109-171, S. 1932) includes five-year net savings of $2.7 billion in farm commodity, conservation, and rural programs. This report will be updated if events warrant; for a more extensive discussion of the issues, see CRS Report RL33037, *Previewing a 2007 Farm Bill*, by Jasper Womach, coordinator.

What Is the "Farm Bill"?

Federal farm support, food assistance, agricultural trade, marketing, and rural development policies are governed by a variety of separate laws. Many of these laws periodically have been evaluated, revised, and renewed through an omnibus, multi-year farm bill. These policies can be and sometimes are modified through free-standing authorizing legislation, or as part of other laws. However, omnibus farm bills have provided Congress, the Administration, and interest groups with a periodic opportunity to address agricultural and food issues more comprehensively.

The Farm Security and Rural Investment Act (FSRIA) of 2002 (P.L. 107-171) is the most recent omnibus farm bill. Many provisions, notably farm income and commodity price supports, expire in 2007. Without new legislation, permanent price support statutes would take effect. Most of these statutes were enacted many decades ago and are no longer compatible with current national economic objectives, global trading rules, and federal budgetary or regulatory policies. Many believe that these largely outdated permanent laws are kept on the books partly to compel a Congress with increasingly urban and suburban constituencies to pay attention to national agricultural policy.

What's in a Farm Bill?

In addition to a title or titles on farm income and commodity price supports — namely the methods and levels of federal aid to agricultural producers — farm bills typically include other titles. This omnibus nature can create a broader coalition of support among sometimes conflicting interests for policies that, individually, might not survive the legislative process. FSRIA 2002 contains ten separate titles. These titles, and examples of what they cover, are:

Title I — Commodity Programs, which specified direct payment and production marketing loan levels for the 2007 crops of wheat, feed grains, rice, cotton, and oilseeds, including soybeans; ended peanut poundage quotas with compensation to holders, and redesigned support to operate like that for other major row crops; continued import quotas and price support loans for sugar; and supplemented milk price support (through surplus dairy purchases) with 3½ years of "income loss" payments. A provision nominally limiting annual crop payments to $360,000 per person garners continuing debate.

Title II — Conservation, which reauthorized through FY2007 and expanded several existing conservation and environmental programs and created several new ones, including a grasslands reserve program and a conservation security program (CSP) providing incentive payments to farmers who adopt specified conservation practices on working lands.

Title III — Trade, which reauthorized through FY2007 and amended USDA's foreign export promotion, credit, and subsidy programs and foreign food aid (P.L. 480), and authorized the International Food for Education and Child Nutrition Program.

Title IV — Nutrition Programs, which extended through FY2007 the food stamp program, expanding some eligibility and benefit provisions; the emergency food assistance program; nutrition assistance for Puerto Rico and American Samoa; the commodity supplemental food program; and nutrition assistance on reservations.

Title V — Credit, which authorized funding levels for USDA farm credit programs (authorized by the Consolidated Farm and Rural Development Act) through FY2007, and made several changes in the privately owned and operated Farm Credit System.

Title VI — Rural Development, which authorized mandatory and discretionary funding for a variety of both new and existing programs, including value-added agricultural market development grants, rural broadcast and broadband services, rural and regional planning, water and sewer applications, the Rural Business Investment Program, and Rural Strategic Investment Program.

Title VII — Research and Related Matters, which reauthorized university research and state cooperative extension programs through FY2007, reauthorized the Initiative for Future Agriculture and Food Systems (a competitive grants program on critical emerging issues and high-priority research), and placed new emphasis on research to improve bioterrorism prevention, preparedness, and response.

Title VIII — Forestry, which created programs to help private forest landowners adopt sustainable forest management practices, and local governments to fight wildfires.

Title IX — Energy, a new farm bill title that extended, with mandatory funding, a bioenergy program and established new and/or expanded programs for federal purchases of bio-based products and education, and loans and grants for farmers to purchase renewable energy systems and to improve energy efficiency.

Title X — Miscellaneous, covering a wide variety of programs and issues, ranging from mandatory country of origin labeling for fresh meats, produce, seafood, and peanuts, to an overhaul of virtually all USDA animal health protection laws, increased annual authorizations of appropriations for outreach for socially disadvantaged farmers, financial assistance for apple growers, a biotechnology education program, and others.

What Is the Cost?

Most (though not all) programs in a farm bill are classified as mandatory spending, where the authorizing bill itself determines the total annual cost by setting eligibility conditions, benefit levels, and so forth. Most farm support and domestic food assistance programs and many conservation and trade programs are mandatory spending. Such spending can vary widely from year to year, depending on crop and weather conditions, program participation rates, and other economic variables. Farm bills also authorize many discretionary programs where the appropriators make the annual spending decisions; most of the research and many rural development programs are examples.

When the 2002 farm bill was enacted and scored against the then-current Congressional Budget Office (CBO) baseline (March 2002), the estimated total seven-year cost of the programs that most directly benefit the farm sector (farm commodity support and mandatory conservation and trade programs) was $130 billion (FY2002-FY2008). Based on market conditions in early 2006, the cost for these programs was re-estimated to be $118 billion. (Other farm bill programs incur additional costs not reflected in this number.) As part of the nature of mandatory programs, a revised spending estimate that is below the original cost estimate does not result in additional spending authority. Likewise, a revised estimate resulting in spending above the original estimate does not require a budgetary offset, as long as the higher spending is caused by changes in market conditions, and not changes made to the authorizing law.

Policy Setting

In the 109th/110th Congress, the scope and direction of a farm bill could be determined by a number of contributing factors besides federal budgetary concerns, including the domestic agricultural and general economy, and international trade developments, among others. Two key indicators of U.S. farm well-being showed a third consecutive robust year for the U.S. agricultural sector in 2005. For 2005, net cash income was a near-record $83 billion on the strength of carryover sales from 2004 crops and record government payments, according to forecast data from the USDA's Economic Research Service (ERS). Direct government payments in 2005 climbed to a record $23 billion, offsetting somewhat lower cash receipts. Such forecasts can change sharply, however, depending upon domestic weather, growing conditions in competing countries, agricultural disease or pest outbreaks, currency exchange and interest rates, and energy costs, for example. Farm net cash income was forecast (as of early 2006) to be $65 billion in 2006, with direct government payments estimated to be $18.5 billion of the total.

The United States is participating in the current Doha round of multilateral trade negotiations that could succeed the 1992 Uruguay Round Agreement on Agriculture (URAA), which is intended to limit trade-distorting domestic farm support, export subsidies, and import tariffs. The URAA and other World Trade Organization (WTO) rules, as well as a series of bilateral and regional trade agreements concluded or being negotiated by U.S. officials, potentially constrain the choices U.S. lawmakers have in designing the next generation of agricultural, trade, food, and related policies. Already the United States has been revising some cotton support program provisions after a WTO panel ruled that portions are not in compliance with the URAA. A WTO panel also ruled against a U.S. law (the so-called "Byrd Amendment") that can divert anti-dumping duties directly to industries injured by imports, including agricultural imports. (See also CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*, by Charles Hanrahan and Randy Schnepf.)

Congressional Action

The 110th Congress is widely viewed as likely to set the final details of a farm bill in 2007. However, unanticipated economic problems, disease and pest outbreaks, natural disasters, and other events spur lawmakers to debate agricultural policies and spending almost annually. Additional money often reaches farmers through emergency disaster appropriations. And, spending on farm subsidies and other USDA programs inevitably is discussed when Congress considers the regular annual appropriation for USDA.

In response to reconciliation instructions in the FY2006 budget resolution (H.Con.Res. 95), which passed Congress in April 2005, the subsequent Deficit Reduction Act of 2005 (P.L. 109-171, S. 1932), alters mandatory commodity, conservation, rural development, and research programs to achieve five-year net savings of approximately $2.7 billion. Other non-farm legislation also can affect farm bill stakeholders, such as tax law changes, trade legislation, and omnibus energy legislation. Such measures can contain provisions that either explicitly or implicitly impact the food and agricultural sectors. (See CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.)

Discussion of a 2007 farm bill itself is already underway within the various farm and commodity trade organizations; Washington, D.C., think tanks; and other interest groups. The Agriculture Committees also are holding field hearings on a new bill in 2006. (Secretary of Agriculture Johanns held a series of public "Farm Bill Forums" in most states during the last half of 2005.) Beyond that, predicting the course and outcome of a farm bill is difficult.

For More Information

For a more extensive look at farm bill issues, see CRS Report RL33037, *Previewing a 2007 Farm Bill*, by Jasper Womach. For information on the major price support programs, see CRS Report RS21999, *Farm Commodity Policy: Programs and Issues for Congress*, by Jim Monke.