



## CRS Report for Congress

### What Is the “Farm Bill”?

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#### Summary

The farm bill, renewed about every five years, governs federal farm and food policy. The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill, covering a wide range of programs including commodity price and income support, farm credit, agricultural conservation, research, rural development, and foreign and domestic food programs, among others. The existing farm bill expires in 2007, and Congress is currently considering options for renewal. On July 27, 2007, the House passed its version of the 2007 farm bill, H.R. 2419, which changes some aspects of the current commodity support system and other farm programs. In the Senate, regional differences and budget limitations have delayed initial activity by the Senate Agriculture Committee, which is now indicating that it will complete its full committee markup by the end of October. However, on October 4, 2007, the Senate Finance Committee approved legislation that would create new tax credits and a disaster trust fund for farmers, as part of the reauthorization of the farm bill.

#### 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. Although many of these policies can be and sometimes are modified through freestanding authorizing legislation, or as part of other laws, the omnibus, multi-year farm bill provides an opportunity for policymakers to address comprehensively most of the programs of the U.S. Department of Agriculture (USDA). The omnibus character of the bill can create a broader coalition of support among sometimes conflicting interests for policies that, individually, might not survive the legislative process. This same climate also can stir fierce competition for available funds.

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill.<sup>1</sup> Under current law, the farm bill has ten titles that cover a range of programs and policies:

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<sup>1</sup> There have been several omnibus farm bills (2002, 1996, 1990, 1985, 1981, 1977, 1973). Major prior agriculture legislation occurred in 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933.

- **Title I, Commodity Programs:** Income support to growers of selected farm commodities, including wheat, feed grains, cotton, rice, oilseeds, peanuts, sugar, and dairy. Commodity support is largely through direct payments, counter-cyclical payments, and marketing loans. Other support mechanisms include government purchases, marketing quotas, and import barriers.
- **Title II, Conservation:** Environmental stewardship of farmlands and improved management practices through land retirement and working lands programs, among other programs geared to farmland conservation, preservation, and resource protection.
- **Title III, Agricultural Trade and Food Aid:** U.S. agriculture export and international food assistance programs, and various World Trade Organization (WTO) obligations.
- **Title IV, Nutrition:** Domestic food and nutrition and commodity distribution programs, such as food stamps and supplemental food assistance.
- **Title V, Farm Credit:** Federal direct and guaranteed farm loan programs. Also specifies loan eligibility rules and other policies.
- **Title VI, Rural Development:** Rural business and community programs for planning, feasibility assessments, and coordination activities with other local, state, and federal programs, including rural broadband access.
- **Title VII, Research:** Agricultural research and extension programs, including biosecurity and response, biotechnology, and organic production.
- **Title VIII, Forestry:** USDA Forest Service programs, including forestry management, enhancement, and agroforestry programs.
- **Title IX, Energy:** Bioenergy programs and grants for procurement of biobased products to support development of biorefineries and assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems, as well as educate users on the benefits of biodiesel fuel use.
- **Title X, Miscellaneous:** Other types of farm programs and assistance, including crop insurance, disaster assistance, animal welfare and inspections, country-of-origin labeling, organic agriculture, and some specialty commodities, among others.<sup>2</sup>

More detailed background and information on individual titles under current law is in CRS Report RL33037, *Previewing a 2007 Farm Bill*.

## What Is the Current Policy Setting?

**Budgetary Considerations.** As with all federal programs, the farm bill faces budgetary constraints imposed by Congress. Recent federal deficits have raised concerns with respect to reauthorization or expansion of current farm programs. Current budget projections also show a lower baseline budget for agriculture programs for the 2007 farm bill, mainly because high commodity prices have caused projections of future farm program spending to fall sharply if current law were continued in the future.

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<sup>2</sup> H.R. 2419 creates a new farm bill title, Horticulture and Organic Agriculture.

The Congressional Budget Office's (CBO's) March 2007 baseline budget serves as the official benchmark for the FY2008 budget resolution and for scoring the budgetary impacts of a 2007 farm bill. The CBO baseline assumes continuation of current farm bill policies under expected economic conditions. It is the budget resolution that sets the actual spending constraints for the House and Senate Agriculture Committees as they draft a new farm bill.

On May 17, 2007, Congress approved the FY2008 budget resolution, which adopted the baseline budget as the fiscal parameter for the next farm bill. It also includes a \$20 billion reserve fund (above baseline) for new farm bill spending over five years.<sup>3</sup> However, any new spending must be deficit-neutral, meaning that it would have to be offset with equivalent reductions in other federal spending for existing mandatory programs, or by increasing taxes.

Large increases in the market prices of corn and other commodities since the summer of 2006 have contributed to a lower March 2007 baseline for farm program spending. The March 2007 baseline projects spending for commodity support payments under current law to be \$42.4 billion for the FY2008-FY2013 period, which is about \$30 billion lower than actual spending in the previous six years (**Table 1**). Baseline estimates for mandatory conservation programs and the food stamps program for the next six years are higher compared to the previous six years. For more information, see CRS Report RS22694, *Farm Bill Budget and Costs, 2002 vs. 2007*.

**Table 1. 2002 Farm Bill Actual Spending (FY2002-FY2007 est.) and the March 2007 CBO Baseline (FY2008-FY2013)**

	Commodity Support	Conservation	Exports	Food Stamps	Total
(outlays in \$ millions)					
Baseline (FY08-FY13)	42,446	26,496	2,005	225,845	296,792
Actual (FY02-FY07)	72,934	18,323	1,648	178,158	271,063
Baseline vs. Actual	-30,488	+8,173	+357	+47,687	+25,729

**Source:** Compiled by CRS from various Congressional Budget Office (CBO) baselines.

**Trade Negotiations and Commitments.** The current debate continues to be influenced by obligations concerning the design and size of farm subsidies under the World Trade Organization (WTO) Agreement on Agriculture, as well as by the U.S. position in the Doha Round of multilateral negotiations.

Agreement in the Doha Round was expected to converge in 2007 with the expiration of the 2002 farm bill, and to occur well before the June 30, 2007, expiration of Trade Promotion Authority (TPA), which provides for expedited congressional consideration of trade agreements. Some policymakers wanted a Doha Round agreement so that the next farm bill could be made consistent with new farm trade rules; others argued that the United States should not unilaterally change its own subsidy programs ahead of any multilateral trade agreement. However, progress in the Doha Round stalled in 2006.

<sup>3</sup> Concurrent Resolution on the Budget for Fiscal Year 2008, *Deficit-Neutral Reserve Fund for the Farm Bill* (H.Rept. 110-153, conference report, Section 307).

Now many in Congress are seeking to write a new farm bill without regard to any future Doha Round agreement. Nevertheless, criticisms and legal challenges by some WTO member countries of current U.S. farm programs, and the backdrop of the ongoing negotiations, could influence the choices U.S. lawmakers have in designing new farm policies.<sup>4</sup> EU officials have publicly stated that changes to U.S. domestic support programs suggested by the Bush Administration's farm bill proposal do not go far enough in meeting Doha Round objectives for farm trade policy reform.

**The Administration's Policy Recommendations.** In January 2007, the Bush Administration released its own detailed recommendations for the farm bill that, if enacted, could substantially alter some aspects of the current commodity support system. There also is substantial momentum behind recommendations to enhance conservation, rural development, trade promotion, domestic food assistance, agricultural credit, energy, and research. However, given the budget constraints, the cost of any new initiatives would have to be offset with reductions in spending, either within existing farm bill programs or elsewhere.

The Administration's stated approach for the 2007 farm bill is to take a "reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge."<sup>5</sup> In part, this refers to the perceived need to more evenly distribute federal program spending and benefits across a larger share of the U.S. farm community, as well as the perceived need to modify current farm programs to better comply with WTO obligations and limit future legal challenges from other countries. Some of these same concerns have been voiced in recommendations and proposals by other organizations and interest groups. For more information on the USDA proposal, see CRS Report RL33916, *Questions on the USDA 2007 Farm Bill Proposal*.

**Other Recommendations/Proposals.** The 2007 farm bill debate differs from the 2002 debate in the number and scope of proposals seeking changes to the current legislation, some of which have gained support within and outside Congress. In addition to the Administration proposal, several organizations and interest groups have released their own recommendations for the 2007 farm bill. These include state organizations, national farm groups, commodity associations, conservation and rural development organizations, and several non-traditional interest groups. These policy recommendations represent a diverse range of interests seeking a range of objectives from maintaining current programs to substantially altering or eliminating them. Some of these recommendations have been incorporated into legislation introduced by some Members of Congress who are directly challenging the existing farm programs and policies, including a number of comprehensive legislative proposals that seek broad-based changes to existing farm legislation and programs. Others in Congress may be reluctant to change current programs because they are strongly supported by the long-time beneficiaries.

Several major issues are framing the current farm bill debate. For example, are current commodity support and risk management programs equitable across all producers

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<sup>4</sup> For more information, see CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*; CRS Report RL33697, *Potential Challenges to U.S. Farm Subsidies in the WTO*; and CRS Report RL33853, *U.S.-Canada WTO Corn Trade Dispute*.

<sup>5</sup> USDA, "Johanns Unveils 2007 Farm Bill Proposals," Release No. 0020.07, January 31, 2007, at [<http://www.usda.gov/wps/portal/usdahome>].

of program crops and specialty crops? Should program payments be limited per person? Is permanent disaster assistance needed in addition to crop insurance programs? There is general consensus to increase funding and expand current programs in the area of conservation, forestry, bioenergy, rural development, agricultural research, farm credit, marketing and export promotion, foreign food aid, and domestic food and nutrition. What would be the source of funding to expand programs, given current budgetary constraints? A detailed discussion of these and other issues is provided in CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110<sup>th</sup> Congress*, which also provides a summary of some of the proposals and recommendations from outside groups.

## **What is the Status of Current Congressional Action?**

Early on, the chairmen of both the House and Senate Agriculture Committees indicated their intention to complete work on a new farm bill prior to the August 2007 recess, with full congressional action by September. The House Agriculture Committee conducted its markup of its version of the farm bill (H.R. 2419) from May through July, and completed House floor action on July 27, 2007. In the Senate, however, a crowded floor calendar and uncertainties about budgetary offsets have delayed initial activity. In the Senate, regional differences and lack of consensus combined with budget limitations have delayed initial activity by the Senate Agriculture Committee, which is now indicating that it will complete its full committee markup by the end of October. However, on October 4, 2007, the Senate Finance Committee approved legislation that would create new tax credits and a disaster trust fund for farmers, as part of the reauthorization of the farm bill. The 110<sup>th</sup> Congress is expected to adopt a new farm bill before the end of 2007 or in early 2008.

Provisions in the House-passed 2007 farm bill, H.R. 2419, would alter some aspects of the current commodity support system, as well as change other farm bill programs, including conservation, rural development, trade, domestic food assistance, agricultural credit, energy, and research. Some of the major provisions in the House-passed 2007 farm bill, H.R. 2419, are as follows. The House bill changes payment limits, modifies loan rates and target prices among commodities, and adds a revenue counter-cyclical payment option, among other program changes. It also expands borrowing opportunities under USDA's Farm Service Agency loan programs, and makes changes to crop insurance, animal welfare and inspections, and country-of-origin labeling, among other provisions. H.R. 2419 creates a new farm bill title and provides mandatory funding over five years for specialty crop block grants and provides additional mandatory funding in the areas of pest and disease detection, purchases for nutrition programs, direct producer-to-consumer marketing, and organic certification cost-sharing. It also reauthorizes, expands, and/or modifies existing programs, and/or creates new programs and initiatives under the conservation, rural development, forestry, energy, and research titles, as well as under USDA's programs covering food stamps, supplemental food assistance, food aid, and export market development. H.R. 2419, as passed, also authorizes budget offsets to compensate for additional spending on programs in the nutrition and energy titles by adding both revenue and other offsetting or cost saving provisions to the farm bill.

Additional information is available in CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110<sup>th</sup> Congress*, and in CRS Report RL34113, *The House-Passed 2007 Farm Bill (H.R. 2419) at a Glance*, which provides a side-by-side comparison of how some of the major provisions in the House bill provisions could change current law.

### 2007 Farm Bill Timeline

**May 2005** — One of the first comprehensive sets of recommendations for the next farm bill is released by a major agricultural trade association, followed by proposal by other major interest groups and organizations (both traditional farm and other nonfarm groups).

**July 7, 2005** — U.S. Department of Agriculture (USDA) begins its series of 52 farm bill forums starting in Nashville, TN, and covering nearly all states (excluding Louisiana and Mississippi due to Hurricane Katrina.).

**February 6, 2006** — House Committee on Agriculture begins farm bill listening field hearings in Fayetteville, NC, and other hearings to review federal farm policy.

**June 23, 2006** — Senate Agriculture, Nutrition, and Forestry Committee begins regional farm bill hearings in Albany, GA, and other hearings to review federal farm policy.

**January 2007** — House and Senate Agriculture Committees begin to hold hearings on selected topics in the farm bill.

**January 31, 2007** — USDA releases its recommendations for the 2007 farm bill, covering each title of the current law.

**February 2007** — One of the first comprehensive bills recommending broad changes to current law is introduced in the Senate, followed by other broad-based bill introduced by others in the House and Senate.

**March 21, 2007** — Congressional Budget Office (CBO) releases its multi-year March baseline estimate of spending, providing the starting point for the budget allocation for the 2007 farm bill.

**March 21, 2007** — House Committee on Agriculture begins subcommittee markup on individual titles of the farm bill, proceeding through June 19, 2007.

**May 17, 2007** — Congress approves the FY2008 budget resolution, adopting the baseline budget as the fiscal parameters and including a \$20 billion reserve for the 2007 farm bill.

**July 17, 2007** — House Committee on Agriculture begins full committee markup on individual titles of the farm bill (H.R. 2419), proceeding through July 19, 2007.

**July 26-27, 2007** — Floor debate and passage of H.R. 2419 in the House.

**October 4, 2007** — Senate Finance Committee approves legislation that would create new tax credits and a disaster trust fund for farmers, as part of the reauthorization of the 2002 farm bill.

**October 2007** — Senate Agriculture Committee anticipates full committee markup of its 2007 farm bill, to be followed by debate and action on the Senate floor.

**Year-end 2007/Early 2008** — House and Senate conferees are expected to settle differences between the two farm bills.