Actual Farm Bill Spending and Cost Estimates

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Summary

The 112th Congress likely will consider reauthorization of the 2008 farm bill (P.L. 110-246, Food, Conservation, and Energy Act of 2008) because much of the current law expires in 2012. The 2008 farm bill is the most recent omnibus farm bill and guides most federal farm and food policies. The omnibus nature of the farm bill—including diverse constituencies supporting farm subsidies, food stamps, conservation, bioenergy, and international food aid—helps generate interest across Congress to support passage. However, increasingly tight budgetary resources prompted both chambers to hold hearings in 2010 to hear how the 2008 law is working and what changes they want in the next bill. The Administration already has submitted budget proposals to reduce farm supports, an approach at odds with that of many farm sector advocates, who support the status quo.

When the 2008 farm bill was enacted, the Congressional Budget Office (CBO) estimated its total cost (i.e., baseline plus new funding outlays, using the March 2007 baseline) at $284 billion over five years (FY2008-FY2012) and $604 billion over 10 years (FY2008-FY2017). These costs reflect mandatory outlays that do not require appropriations action. Available information reflecting more recent CBO estimates for FY2010-FY2012 and actual expenditures for FY2008-FY2009 indicate that five-year spending on most major farm bill programs will likely be below that estimated by CBO in 2008, while spending for domestic food assistance programs almost certainly will be much greater than previously estimated.

More specifically, when the 2008 farm bill was enacted, CBO estimated that the five-year cost (FY2008-FY2012) for the major farm support programs—commodities, conservation, crop insurance, renewable energy, and exports—would be $83.3 billion, or an average of $16.7 billion per year. More current CBO projections, which include actual spending in FY2008 and FY2009 for these programs, show that spending for these programs is expected to total $86.7 billion (an average of $17.3 billion per year), or $3.4 billion above the five-year 2008 CBO estimate. Most of the difference between the 2008 estimate and more recent estimates, however, is attributable to higher than expected crop insurance spending ($6.7 billion above estimates in 2008), which is offset by lower than expected spending for farm commodity and farm conservation programs. Estimated spending for the Supplemental Nutrition Assistance Program or SNAP (food stamps) over the five-year period is significantly higher than originally projected in 2008 ($188.9 billion estimated in 2008, compared to the more current estimate of $314.3 billion), reflecting additional spending because of provisions in the American Recovery and Reinvestment Act (ARRA), higher food costs, and increasing program participation rates due to the recession.

Similar to the conditions during debate on the 2008 farm bill, the upcoming farm bill debate is likely to be driven in part by relatively large budget deficits and growing demands for fiscal constraint. As Congress moves toward considering reauthorization of the omnibus farm bill, questions about the cost of the farm bill and cost considerations among different farm bill programs will become more prominent. Among the types of questions frequently asked about farm bill spending are: What is the estimated cost of the current 2008 farm bill? How much more or less has actually been spent on the 2008 farm bill than was estimated at the time of enactment? What is the estimated cost of some of the major programs in the 2008 farm bill? This report begins to answer some of these questions and provides updated information on actual expenditures for some programs and baseline projections by CBO for spending under current law.

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Background

The 112th Congress likely will consider reauthorization of the 2008 farm bill because much of the current law expires in 2012. The 2008 farm bill (P.L. 110-246, the Food, Conservation, and Energy Act of 2008), enacted into law on June 18, 2008, is the most recent omnibus farm bill. This bill succeeded the 2002 farm bill[1] and is to guide most federal farm and food policies through FY2012. The farm bill covers a wide range of programs and provisions, and undergoes review and reauthorization roughly every five years.

The 2008 farm bill contains 15 titles governing commodity price and income supports, farm credit, trade, agricultural conservation, research, rural development, energy, and foreign and domestic food programs such as food stamps and certain other nutrition programs, among other programs. The omnibus nature of the farm bill—including diverse constituencies supporting farm subsidies, food stamps, conservation, bioenergy, and international food aid—helps generate interest across Congress to support passage. The box below shows the titles of the 2008 farm bill and briefly describes some provisions in each title. More information on individual titles and programs in the 2008 farm bill is in CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action*.

Similar to the conditions during debate on the 2008 farm bill, the upcoming farm bill debate is likely to be driven in part by relatively large budget deficits and growing demands for fiscal constraint. In fact, many observers believe that budget reconciliation might be necessary before the 2008 farm bill expires in 2012. Both chambers already held hearings in 2010 to hear how the 2008 law is working and what changes they want in the next bill. The Fiscal Commission[2] and the Obama Administration,[3] among others, already have submitted budget proposals to reduce farm supports, an approach that is at odds with many farm sector advocates who support the status quo.

2008 Farm Bill

Budgetary Considerations During the 2008 Debate

Each year, the Congressional Budget Office (CBO) issues a baseline budget for all federal spending under current law over a multi-year period. Projected spending in the baseline represents CBO's estimate at a particular point in time of what federal spending and revenues likely would be under current law if no policy changes were made over the projected period. The baseline serves as a benchmark or starting point for future budget analyses. Whenever new legislation (such as a farm bill) is introduced that affects federal mandatory spending, its impact is measured as a difference from the baseline.

For the 2008 farm bill, CBO's March 2007 baseline budget served as the official benchmark for the FY2008 budget resolution and for scoring the budgetary impacts of the bill. The CBO

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[1] Farm Security and Rural Investment Act of 2002 (P.L. 107-171).

[2] The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*, December 2010, p. 45, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[3] The White House, "Strengthening the Rural Economy—Improving America's Support of Agriculture," at http://www.whitehouse.gov/administration/eop/cea/factsheets-reports/strengthening-the-rural-economy/improving-americas-support-of-agriculture.

baseline assumed continuation of 2002 farm bill policies under expected economic conditions at that time. The budget resolution in 2007 set the actual spending constraints for the agriculture committees as they drafted the new farm bill, which was planned for 2007 but was not enacted until June 2008.

The 2008 Farm Bill: Titles and Selected Programs and Policies

- **Title I, Commodities:** Income support to growers of selected commodities, including wheat, feed grains, cotton, rice, oilseeds, peanuts, sugar, and dairy. Support is largely through direct payments, counter-cyclical payments, and marketing loans. Other support mechanisms include government purchases for dairy, and marketing quotas and import barriers for sugar.
- **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. agricultural export and international food assistance programs, and program changes related to various World Trade Organization (WTO) obligations.
- **Title IV, Nutrition:** Domestic food and nutrition and commodity distribution programs, such as food stamps and other supplemental nutrition assistance.
- **Title V, Farm Credit:** Federal direct and guaranteed farm loan programs, and loan eligibility rules and policies.
- **Title VI, Rural Development:** 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 user education programs.
- **Title X, Horticulture and Organic Agriculture:** A new farm bill title covering fruits, vegetables, and other specialty crops and organic agriculture.
- **Title XI, Livestock:** A new farm bill title covering livestock and poultry production, including provisions that amend existing laws governing livestock and poultry marketing and competition, country-of-origin labeling requirements for retailers, and meat and poultry state inspections, among other provisions.
- **Title XII, Crop Insurance and Disaster Assistance:** A new farm bill title covering the federal crop insurance and disaster assistance previously included in the miscellaneous title (not including the supplemental disaster assistance provisions in the Trade and Tax title).
- **Title XIII, Commodity Futures:** A new farm bill title covering reauthorization of the Commodity Futures Trading Commission (CFTC) and other changes to current law.
- **Title XIV, Miscellaneous:** Other types of programs and assistance not covered in other bill titles, including provisions to assist limited-resource and socially disadvantaged farmers, and agricultural security, among others.
- **Title XV, Trade and Tax Provisions:** A new title covering tax-related provisions intended to offset spending initiatives for some programs, including those in the nutrition, conservation, and energy titles. The title also contains other provisions, including the new supplemental disaster assistance and disaster relief trust fund, and other tax-related provisions such as customs user fees.

More specifically, when Congress approved the FY2008 budget resolution in May 2007, it adopted the baseline budget as the fiscal parameter for the 2008 farm bill, and included a $20 billion reserve fund (above baseline) for the 2008 farm bill spending over the five-year period (FY2008-FY2012).[4] However, new spending in the 2008 bill was required to be deficit-neutral, meaning that it had to be offset with equivalent reductions in other federal spending for existing mandatory programs, or by raising revenues. Large increases in the market prices of corn and other commodities during the period preceding the farm bill debate contributed to a lower March 2007 baseline for farm program spending. For example, the March 2007 baseline projected spending for commodity support payments under the 2002 farm bill to be about $40 billion for the FY2008-FY2012 period, about $30 billion lower than actual spending in the previous six years—not because of policy changes, but because of market conditions. Baseline estimates for mandatory conservation and nutrition programs were projected to be higher in the FY2008-FY2012 period, compared to the 2002 farm bill.

CBO-Estimated Costs Upon Enactment in 2007/2008

When the 2008 farm bill was enacted, CBO estimated the total cost of the farm bill (i.e., baseline plus new funding, using the March 2007 baseline) at $284 billion over five years (FY2008-FY2012) and $604 billion over 10 years (FY2008-FY2017). These costs reflected mandatory outlays that do not require appropriations actions. **Table 1** provides a title-by-title breakdown of the 2008 CBO spending estimates for the enacted 2008 farm bill, covering both FY2008-FY2012 and FY2008-FY2017. The farm bill also authorized discretionary programs that require appropriators to provide funds and thus are not reflected in the table.

The overwhelming share (97%) of estimated total net outlays for programs in the 2008 farm bill were anticipated to be spent on four titles: nutrition (67%), farm commodity support (15%), conservation (9%), and crop insurance (8%). Of the $284 billion in projected total five-year net outlays for programs under the farm bill—including revenue and cost-offset provisions in the bill—about $189 billion was expected to support the cost of food stamps and certain other nutrition assistance programs, $42 billion in projected spending was to support commodity crops, $24 billion to support mandatory conservation programs, and $22 billion to support crop insurance. For FY2008-FY2012, the 2008 farm bill also included nearly $4 billion in new spending for supplemental farm disaster assistance (included under Title XV). Another $10 billion was expected to be spent on trade, horticulture and livestock production, rural development, research, forestry, and energy, among other programs.

Farm commodity programs (Title I) primarily support the incomes of farmers producing grains, oilseeds, cotton, peanuts, sugar, and milk. Commodity-related spending depends substantially on farm market prices and so can vary widely from year to year. Another major category of farm support in the 2008 farm bill is conservation (Title II). Several mandatory conservation programs compensate farmers for retiring environmentally fragile land (primarily the Conservation Reserve Program and the Wetlands Reserve Program) and for instituting resource stewardship practices (e.g., the Environmental Quality Incentives Program and the Conservation Stewardship Program), among other things. More recent farm bills have also created programs and increased spending for certain farm-based renewable energy programs, such as the Biomass Crop Assistance Program

[4] 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).

(BCAP), the Rural Energy for America Program (REAP), and the Biomass R&D Program, among other energy, research, and rural development programs related to renewable energy (Titles VI, VII, and IX). The farm bill also contains funding authority for several mandatory agricultural export programs (Title III), including the Market Access Program, Export Donations, and the Foreign Market Development Cooperator Program.

Table 1. CBO-Estimated 5-Year and 10-Year Costs, 2008 Conference Agreement on the Farm Bill (P.L. 110-246)

(outlays in millions of dollars)

	FY2008-FY2012			FY2008-FY2017		
	Baseline	**CBO Score (change)**	**Total**	**Baseline**	**CBO Score (change)**	**Total**
Commodities (Title I)	43,354	(1,726)	41,628	87,179	(1,658)	85,521
Conservation (Title II)	21,392	2,720	24,112	50,699	4,000	54,699
Trade/Food Aid (Title III)	1,823	30	1,853	3,715	(78)	3,637
Nutrition (Title IV)[a]	186,005	2,897	188,902	397,131	9,218	406,349
Credit (Title V)	(1,046)	(378)	(1,424)	(2,321)	(306)	(2,627)
Rural Development (Title VI)	72	122	194	72	149	221
Research (Title VII)	290	31	321	1,290	(907)	383
Forestry (Title VIII)	0	38	38	0	45	45
Energy (Title IX)	41	602	643	43	836	879
Horticulture/Organic (Title X)	0	402	402	0	938	938
Livestock (Title XI)	0	1	1	0	1	1
Crop Insurance (Title XII)	25,718	(3,860)	21,858	52,743	(5,591)	47,152
Commodity Futures (Title XIII)	0	0	0	0	0	0
Miscellaneous (Title XIV)[b]	6,338	44	6,382	13,668	(138)	13,530
Disaster Assistance (Title XV)	0	3,807	3,807	0	3,807	3,807
Tax/Other (Title XV)	0	(4,798)	(4,798)	0	(10,429)	(10,429)
Total	**283,987**	**(66)**	**283,921**	**604,218**	**(107)**	**604,111**

Source: Compiled by CRS using the Congressional Budget Office (CBO) March 2007 baseline and CBO score of the conference agreement for H.R. 2419, the Food, Conservation, and Energy Act of 2008; also Senate Finance Committee, *Estimated Revenue Effects of the Conference Agreement for Title XV of H.R. 2419, Fiscal Years 2008-2018*, 08-2 068 R10, May 13, 2008. May not add due to rounding. Numbers in parentheses are savings.

Notes: "Baseline" is the projection of government costs if programs were to continue unchanged. The baseline in this table is the 2007 CBO baseline assuming 2002 farm bill programs were to continue, as the 2008 bill was being drafted. "CBO score" is the cost (or savings) attributable to the 2008 farm bill, using the 2007 baseline as a benchmark. Thus, the "total" in this table is the projected cost of the 2008 farm bill, equal to baseline plus the changes made by the 2008 farm bill.

a. New outlays for the expanded Fresh Fruit and Vegetable Program required in the nutrition title, $274 million (FY2008-FY2012) and $1.020 billion (FY2008-FY2017), are not reflected in this table because they are effectively offset with money from permanent appropriations under Section 32, mandated in Title XIV.

b. Excludes estimates for crop insurance previously included as part of the 2002 farm bill's miscellaneous provisions. Other provisions in the 2008 farm bill include provisions for socially disadvantaged and limited resource producers, Section 32, and agricultural security, among others.

The 2008 farm bill was unusual in that tax provisions outside the jurisdiction of the Agriculture Committees were used to create offsets for new provisions, presumably for nutrition programs. Tax-related provisions—particularly from customs user fees and corporate estimated tax payments in the bill—along with cost savings from some farm bill programs, were expected to generate additional funding to offset new spending. CBO estimated that titles with offsets in the bill totaled more than $10 billion over five years (FY2008-FY2012; see **Table 1**), half of which came from tax-related provisions and the rest from the credit, crop insurance, and commodity program titles. Disaster assistance and programs under the nutrition and conservation titles accounted for the majority of the projected new spending in the bill.

Actual Costs and Updated Cost Projections

Compared to the 2002 farm bill, the 2008 farm bill is projected to spend less on traditional commodity programs and provide greater spending for other major farm programs, such as farm conservation, farm-based renewable energy programs, and agricultural export programs (**Table 2**). In part this reflects changes in the underlying market conditions that influence spending levels (especially for commodities) and also programmatic changes enacted in the farm bill, which in turn reflect shifting priorities within Congress regarding U.S. farm policy.

The lower portion of **Table 2** summarizes CBO's most recent (August 2010) baseline budget estimate for the major mandatory USDA programs (FY2010-FY2017). This baseline is CBO's estimate of future spending under current law (the 2008 farm bill) for these programs, given generally expected economic and market conditions.

CBO's latest baseline estimates (combined with actual spending for FY2008 and FY2009) indicate that total spending on all farm bill programs will average roughly $80 billion per year throughout the FY2008-FY2012 period. Starting in FY2010, the majority of all spending (more than 80%) will be on domestic food assistance programs. About 10% of spending will be for farm commodity programs, with conservation and renewable energy programs accounting for a growing share of farm-related expenditures.

Compared to CBO's projected costs for the 2008 farm bill at the time of enactment, more recent available information based on actual costs (FY2008 and FY2009) and updated CBO baseline projections in August 2010 for the next eight years (FY2010-FY2017) shows continued shifts in spending among selected farm bill programs, particularly for domestic food assistance programs such as the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps (**Table 2**). Sharply higher spending for domestic food assistance programs in the past few years is attributable in part to increased nutrition expenditures in the American Recovery and Reinvestment Act (ARRA, P.L. 111-5).[5] In some cases, spending differences in the conservation and bioenergy titles are attributable to programmatic changes enacted in the 2008 farm bill.

These more recent estimates and actual expenditures for FY2008-FY2009 indicate that spending on most major farm programs has been greater than estimated by CBO in 2008. For example, when the 2008 farm bill was enacted in June 2008, CBO estimated that the five-year cost (FY2008-FY2012) of the major farm support programs—commodities, conservation, crop insurance, renewable energy, and exports—would be $83.3 billion, or an average of $16.7 billion per year (see **Table 3**).

[5] For additional information, see CRS Report R40160, *Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009.*

Table 2. Reported Actual Expenditures (FY2002-FY2009) and Updated CBO Baseline Projections (FY2010-FY2012) for Selected 2008 Farm Bill Categories of Spending

(outlays in millions of dollars)

	Commodities	Conservation	Crop Insurance	Energy[a]	Exports	Subtotal	Food Stamps[b]	Total
2002 Farm Bill programs (Actual)								
FY2002	13,164	2,286	3,466	—	416	19,332	20,637	39,969
FY2003	12,125	2,758	3,589	—	503	18,975	23,816	42,791
FY2004	8,021	2,729	3,125	—	13	13,888	27,099	40,987
FY2005	14,120	3,443	2,698	—	223	20,484	31,072	51,556
FY2006	16,903	3,420	3,372	—	231	23,926	32,912	56,838
FY2007	8,027	3,460	3,842	—	219	15,548	33,193	48,741
Total (2003-2007)	**59,196**	**15,810**	**16,626**	**—**	**1,189**	**92,821**	**148,092**	**240,913**
Average annual	**11,839**	**3,162**	**3,325**	**—**	**238**	**18,564**	**29,618**	**48,183**
2008 Farm Bill programs (FY2008-FY2012)								
FY2008 (Actual)	5,663	3,711	4,075	0	209	13,658	37,657	51,315
FY2009 (Actual)	7,147	3,510	7,889	16	297	18,859	55,569	74,428
FY2010	7,517	4,140	5,334	471	290	17,752	69,983	87,735
FY2011	6,644	5,281	7,436	723	368	20,452	75,339	95,791
FY2012	5,262	5,815	3,784	726	360	15,947	75,716	91,663
Total (2008-2012)	**32,233**	**22,457**	**28,518**	**1,936**	**1,524**	**86,668**	**314,264**	**400,932**
Average annual	**6,447**	**4,491**	**5,704**	**387**	**305**	**17,334**	**62,853**	**80,186**
2008 Farm Bill programs (FY2013-FY2017)								
FY2013	6,344	6,015	7,475	0	347	20,181	74,258	94,439
FY2014	6,400	6,064	7,680	193	344	20,681	68,846	89,527
FY2015	6,453	6,088	7,890	127	344	20,902	65,573	86,475
FY2016	6,402	6,459	8,025	97	344	21,327	65,585	86,912
FY2017	6,439	6,676	8,129	89	344	21,677	65,513	87,190
Total (2013-2017)	**32,038**	**31,302**	**39,199**	**506**	**1,723**	**104,768**	**339,775**	**444,543**
Average annual	**6,408**	**6,260**	**7,840**	**101**	**345**	**20,954**	**67,955**	**88,909**

Source: Compiled by CRS using actual spending data from USDA and CBO, and CBO's August 2010 baseline. Estimates for SNAP (2009-2017) are from CBO, *The Budget and Economic Outlook: An Update*, Budget Projections, August 2010, http://www.cbo.gov/doc.cfm?index=11705. May not add due to rounding.

a. Spending for farm-based "energy" programs is not readily available for 2002-2008 but is likely relatively small.

b. Food stamps were renamed the Supplemental Nutrition Assistance Program or SNAP in the 2008 farm bill. Includes food stamps, as well as increased expenditures beginning in 2009 due to nutrition provisions in ARRA (P.L. 111-5), among other costs, including costs for commodities under The Emergency Food Assistance Program (TEFAP) and the Puerto Rico block grant.

The current CBO projections, which include actual spending in FY2008-FY2009 for these programs, show that spending for these programs is expected to total $86.7 billion (an average of $17.3 billion per year), or $3.4 billion above the 2008 CBO estimate (**Table 3**). Most of this difference between the 2008 estimate and more recent estimates is attributable to higher than expected crop insurance spending ($6.7 billion above estimates in 2008), tempered by somewhat lower than expected spending for farm commodity and farm conservation programs.

Estimated spending for food stamps over the five-year period is significantly higher now than originally projected in 2008 ($188.9 billion in 2008 compared to the recent estimate of $314.9 billion), reflecting additional spending because ARRA, higher food costs, and increasing program participation rates due to the recession. When farm spending is combined with food stamp spending, current estimates of the five-year cost of the major provisions of the 2008 farm bill ($402 billion) are nearly 50% greater than originally estimated by CBO in 2008 ($272 billion).

Even though actual or updated projections for the farm commodity programs are below the projections at the time of the 2008 farm bill was enacted, this does not create “savings” that can be used for future offsets. Likewise, the fact that nutrition programs are above the 2008 projections does not create a need for offsets to be found to fund these outlays. These are mandatory programs that are authorized based on need and/or market conditions. Comparisons of baselines over time are mostly to observe how conditions have changed rather than to gauge the accuracy of a baseline or the performance of a policy. Nonetheless, the amount in baseline will have implications when the farm bill is reauthorized.

Table 3. Cost of the 2008 Farm Bill, Actual (FY2008-FY2009) and Current Baseline Projections (FY2010-FY2012) versus CBO Estimate at Enactment

(outlays in $ billions)

	Annual Average (FY2008-FY2012)		Total (FY2008-FY2012)		Difference over (+) or under (-) 2008 CBO estimate
	CBO Estimate (2008)	Actual (2008-2009), CBO August 2010 Baseline (2010-2012)	CBO Estimate (2008)	Actual (2008-2009), CBO August 2010 Baseline (2010-2012)	
Commodities	7.0	6.4	34.8 [a]	32.2	-2.6
Conservation	4.9	4.5	24.1	22.5	-1.7
Crop Insurance	4.4	5.7	21.9	28.5	+6.7
Energy	0.1	0.4	0.6	1.9	+1.3
Exports	0.3	0.3	1.9	1.5	-0.3
Subtotal	**16.7**	**17.3**	**83.3**	**86.7**	**+3.4**
Food Stamps	37.8	63.0	188.9	314.9	+126.0
Total [b]	**54.4**	**80.3**	**272.2** [b]	**401.6**	**+129.4**

Source: Compiled by CRS using actual spending data from USDA and CBO, including CBO’s farm bill estimates and CBO’s March 2007 baseline (referred to as “CBO Estimate (2008)”) and August 2010. Estimates for SNAP (2009-2017) are from CBO, *The Budget and Economic Outlook: An Update*, Budget Projections, August 2010, http://www.cbo.gov/doc.cfm?index=11705. May not add due to rounding.

a. Differs from the estimate for Title I in **Table 1**, in which CBO more broadly included some then-current disaster and other non-commodity program costs. The amounts in this row of **Table 3** compare the implementation of the farm commodity programs only.

b. Includes most but not all titles of the farm bill, and thus does not equal the total amount in **Table 1**.

Considerations for Farm Bill Reauthorization

Most policy observers expect the next farm bill will be budget-neutral at best. That is, it would be written using only the budget "baseline"—future funding provided by budget rules that assume most current farm bill programs continue. No additional money is expected for new programs without corresponding offsets. But committee jurisdiction sometimes makes it difficult procedurally and politically to achieve budget offsets from other committees' areas (e.g., tax or health). Thus, a "baseline" farm bill likely would be written within the budget confines of the agriculture committees.

The budget situation may be more difficult than in past farm bills because of growing federal budget deficits and new pay-as-you-go budget rules enacted in 2010. Consequently, even a "simple" extension of the existing farm bill may be difficult. While some programs (like most of the farm subsidies and nutrition assistance) have assumed future funding, others do not (mostly newer programs). Specifically, 37 programs across 12 titles of the 2008 farm bill do not have funding beyond 2012 and could cost about $10 billion (over five years) to renew. This is about 10% of the $100 billion five-year cost of the 2008 farm bill if the nutrition title is excluded.

At the same time, broad deficit reduction proposals are specifically targeting agricultural subsidies. The President's Fiscal Commission, the Bipartisan Debt Reduction Task Force, and the current and past Administrations each have submitted detailed proposals to reduce farm support. These proposals are opposed by many farm sector advocates who support the status quo.

- The Fiscal Commission's December 2010 report proposes reducing mandatory agricultural spending by $15 billion from FY2012 to FY2020. The commission recommends (1) reducing direct payments when prices exceed costs of production (essentially incorporating a counter-cyclical element to the direct payment), (2) limiting conservation programs (specifically mentioning the Conservation Stewardship Program (CSP)), and (3) reducing the Market Access Program (MAP). However, it would use $5 billion of those savings to offset an agricultural disaster assistance fund to mitigate the demand for ad hoc disaster relief.[6]
- The Bipartisan Debt Reduction Task Force would reduce mandatory agricultural spending by twice the amount in the Fiscal Commission's report, $30 billion through FY2020. It would (1) tighten payment limits on the farm commodity programs by reducing the Adjusted Gross Income cap for eligibility and lowering the maximum direct payment subsidy amount per individual, (2) reduce crop insurance "administrative and operating" reimbursements to private insurance companies, (3) reduce crop insurance premium subsidies to farmers, and (4) consolidate and cap agricultural conservation programs.[7]

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[6] The National Commission on Fiscal Responsibility and Reform (Erskine Bowles and Alan Simpson, co-chairs), *The Moment of Truth*, December 2010, p. 45, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[7] The Bipartisan Policy Center, Debt Reduction Task Force (Pete Domenici and Alice Rivlin, co-chairs), *Restoring America's Future*, November 17, 2010, pp. 108-112, at http://bipartisanpolicy.org/sites/default/files/FINAL%20DRTF%20REPORT%2011.16.10.pdf

- The Obama Administration's FY2011 budget request proposed to reduce the farm commodity programs by $2.6 billion over FY2011-FY2020. That plan would have (1) reduced the Adjusted Gross Income cap on eligibility and lowered the maximum subsidy amount for direct payments, and (2) reduced the Market Access Program.[8] A year earlier, the FY2010 budget request contained a different set of proposals to reduce mandatory farm commodity program spending by (1) phasing out direct payments to farmers with high sales, (2) reimposing a payment limit on marketing loan gains, and (3) reducing the Market Access Program.[9]
- Reduction proposals are not limited to the current Administration. The Bush Administration's FY2007 budget request proposed a 5% across-the-board reduction to farm commodity payments, tighter payment limits, and lower crop insurance premium subsidies and administrative reimbursements, among other changes.[10] It also opposed many of the commodity provisions in the 2008 farm bill, contributing to the Presidential veto of the 2008 farm bill.[11]

If deficit reduction or new programs require sizeable reductions, the largest farm bill accounts might be vulnerable to reductions. Outside of the usually harder-to-touch nutrition assistance programs, the farm commodity programs, conservation programs, and crop insurance contain most of the mandatory funds in the farm bill (**Table 1**).

Two developments have changed how these accounts are viewed and which programs have funds available. First, crop insurance recently has surpassed the traditional farm programs in spending. Crop insurance outlays have increased more than three-fold, rising to over $7 billion in FY2010 as higher crop prices in recent years drove up premium subsidies and program delivery costs. These costs are projected to stay high (**Figure 1**). Conversely, farm commodity program costs have decreased as price-triggered "counter-cyclical" payments have fallen. As a consequence, crop insurance has become more expensive in the federal budget than the traditional farm commodity programs.

Second, within the farm commodity programs, direct payments far exceed counter-cyclical support in the 10-year projection. Farmers receive fixed "direct payments"—about $5 billion per year—regardless of market conditions. With market prices projected to stay above government support price triggers, counter-cyclical support is low—about $1 billion per year (**Figure 2**). Conservation traditionally is supported by farm and environmental groups, but farmers often prefer to maintain commodity supports if budget tradeoffs must be made.

[8] Office of Management and Budget, FY2011 Budget of the U.S. Government, *Terminations, Reductions, and Savings*, pp. 71, 84, at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.

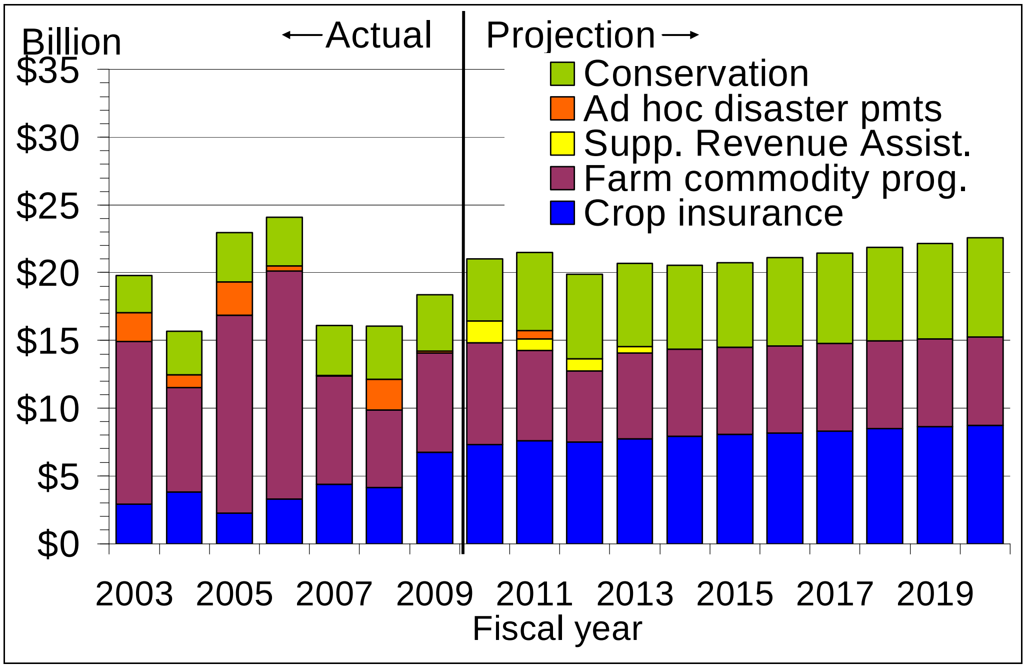
[9] Office of Management and Budget, FY2010 Budget of the U.S. Government, *Terminations, Reductions, and Savings*, pp. 82, 85-86, at http://www.gpoaccess.gov/usbudget/fy10/pdf/trs.pdf.

[10] Office of Management and Budget, FY2007 Budget of the U.S. Government, *Major Savings and Reforms in the President's 2007 Budget*, P. 167-170, at http://www.gpoaccess.gov/usbudget/fy07/pdf/savings.pdf.

[11] U.S. Department of Agriculture, "Statement by Secretary of Agriculture Ed Schafer on Congress' Announcement of a New Farm Bill," press release, May 8, 2008, at http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2008/05/0122.xml.

Figure 1. Spending for Farm Commodity, Conservation, Crop Insurance & Disaster

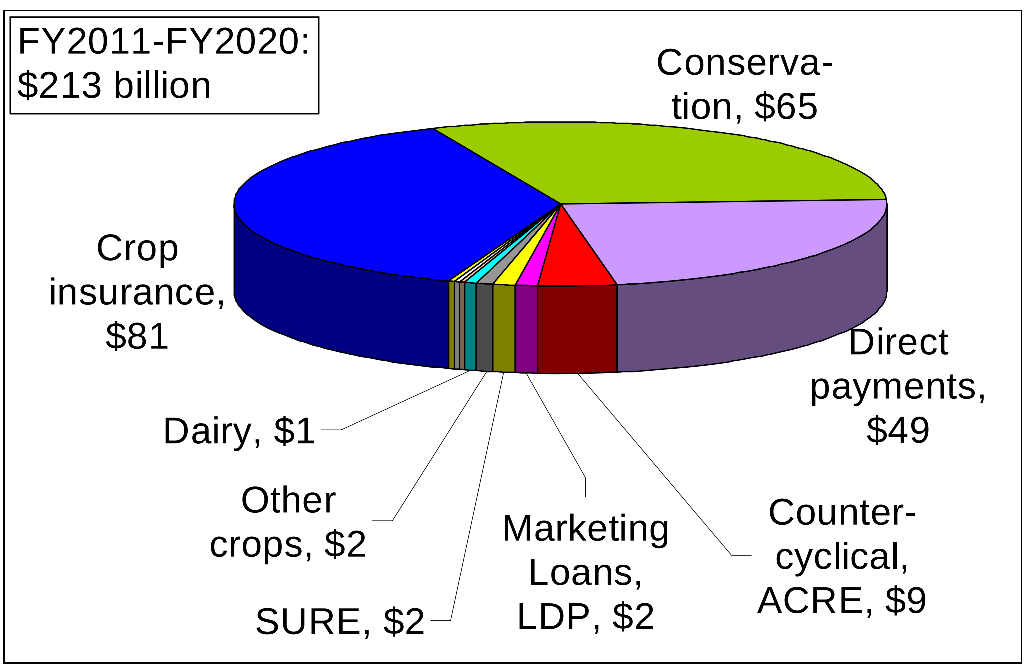
(dollars in billions)



Source: Based on CRS Report R41317, *Farm Safety Net Programs: Issues for the Next Farm Bill*, using the August 2010 CBO baseline projections for FY2010-FY2020.

Figure 2. Projected Farm Commodity Conservation, Crop Insurance & Disaster

(dollars in billions, 10-year total)



Source: Based on CRS Report R41317, *Farm Safety Net Programs: Issues for the Next Farm Bill*, using the March and August 2010 CBO baseline for FY2010-FY2020.

If, because of higher market prices, less money is in the farm commodity program baseline for the next farm bill than in previous farm bills, it may make less of a difference than some might think—at least for changes within the farm commodity programs. The cost of extending the current counter-cyclical program is already in the baseline, and a lower current baseline than compared to enactment means only that conditions have changed between projections rather than the program being able to do less. Moreover, the cost of enacting additional counter-cyclical support would be less costly than if market prices were higher. Nonetheless, a smaller baseline does mean there is less available to be used as offsets, and thus any changes to the commodity programs might seem more noticeable.

Thus, in an era of deficit reduction and possible budget reconciliation, Congress faces difficult choices about how much total support to provide agriculture, and how to allocate it among competing constituencies.

As Congress moves toward considering reauthorization of the omnibus farm bill, questions about the cost of the farm bill and policy considerations about different farm bill programs—each with sometimes different constituencies—likely will become more prominent.

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