

An hourglass-shaped graphic with a globe in the top bulb and another globe in the bottom bulb. The hourglass is light blue and has a dark blue top and bottom. The globe in the top bulb is dark blue, and the globe in the bottom bulb is light blue. The text is centered within the hourglass.

WikiLeaks Document Release

<http://wikileaks.org/wiki/CRS-RS22131>

February 2, 2009

Congressional Research Service

Report RS22131

What is the "Farm Bill"?

Rene Johnson, Resources, Science, and Industry Division

September 23, 2008

Abstract. The 2008 farm bill (P.L. 110-246, Food, Conservation, and Energy Act of 2008) was enacted into law on June 18, 2008. It contains 15 titles covering support for commodity crops, horticulture and livestock, conservation, nutrition, trade and food aid, agricultural research, farm credit, rural development, energy, forestry, and other related programs. It also includes tax-related provisions to offset some new spending initiatives in the rest of the bill. The bill succeeds the most recent 2002 farm bill (P.L. 107-171) and is to guide most federal farm and food policies through FY2012.

WikiLeaks



CRS Report for Congress

What Is the “Farm Bill”?

Renée Johnson
Specialist in Agricultural Policy
Resources, Science, and Industry Division

Summary

The 2008 farm bill (P.L. 110-246, Food, Conservation, and Energy Act of 2008) was enacted into law on June 18, 2008. It contains 15 titles covering support for commodity crops, horticulture and livestock, conservation, nutrition, trade and food aid, agricultural research, farm credit, rural development, energy, forestry, and other related programs. It also includes tax-related provisions to offset some new spending initiatives in the rest of the bill. The bill succeeds the most recent 2002 farm bill (P.L. 107-171) and is to guide most federal farm and food policies through FY2012.

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 agricultural and food issues more comprehensively. The omnibus farm bill is renewed about every five years.¹ The omnibus nature of the farm 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 can also stir fierce competition for available funds.

The Food, Conservation, and Energy Act of 2008 (P.L. 110-246, “2008 farm bill”) is the most recent omnibus farm bill. It was enacted into law on June 18, 2008, and succeeded the 2002 farm bill.² The farm bill governs federal farm and food policy, covering a wide range of programs and provisions, and, as noted above, undergoes review and renewal roughly every five years. The 2008 farm bill contains 15 titles encompassing commodity price and income supports, farm credit, trade, agricultural conservation, research, rural development, energy, and foreign and domestic food programs such as

¹ There have been seven omnibus farm bills since the 1970s (2008, 2002, 1996, 1990, 1985, 1981, 1977). Prior farm legislation was in 1973, 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933.

² Farm Security and Rural Investment Act of 2002 (P.L. 107-171).

food stamps and other nutrition programs, among other programs. More information on individual titles and programs in the 2008 farm bill is in CRS Report RL33934, *The 2008 Farm Bill: A Summary of Major Provisions and Legislative Action*.

What Is the Cost?

The Congressional Budget Office (CBO) estimates the total cost of the 2008 bill (i.e., baseline plus new funding, using the March 2007 baseline) at \$284 billion over FY2008-FY2012 and \$604 billion over FY2008-FY2017 (**Table 1**). These costs are mandatory outlays that do not require appropriations actions. The farm bill also authorizes discretionary programs that require appropriators to allocate funds not accounted for here.

Table 1. CBO Estimated Costs for the 2008 Conference Agreement on the Farm Bill (FY2008-FY2012)
(outlays in million \$)

	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)	—	402	402	—	938	938
Livestock (Title XI)	—	1	1	—	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
Miscellaneous (Title XIV) ^b	6,338	44	6,382	13,668	(138)	13,530
Disaster Assistance (Title XV)	—	3,807	3,807	—	3,807	3,807
Tax/Other (Title XV)	—	(4,798)	(4,798)	—	(10,429)	(10,429)
	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 (Preliminary), May 13, 2008. May not add due to rounding.

- 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.
- Excludes estimates for crop insurance provisions previously included as part of the farm bill's miscellaneous provisions.

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 \$42 (14%) in projected spending will support commodity crops, \$189 billion (67%) will support the cost of domestic nutrition programs, \$24 billion (9%) will support conservation programs, and \$22 billion (8%) will support crop insurance. For FY2008-FY2012, the enacted bill also includes nearly \$4 billion in new spending for supplemental disaster assistance (included under Title XV). Another \$10 billion is

expected to be spent on trade, horticulture and livestock production, rural development, research, forestry and energy, and other programs. Tax-related provisions and cost savings from some farm bill programs are expected to generate additional funding to offset any new spending. CBO estimates that offsets in the bill total more than \$10 billion over five years (FY2008-FY2012).

What Are the Key Farm Bill Provisions by Title?

Below is a summary of the types of provisions and programs of individual titles in the 2008 farm bill. More information is in CRS Report RL33934, *The 2008 Farm Bill: A Summary of Major Provisions and Legislative Action*, and other CRS reports.

Title I: Commodity Programs. For the major commodity crops — grains, oilseeds, and cotton — the 2008 farm bill generally continues the farm commodity price and income support framework of the 2002 farm bill. It revises payment limitations by tightening some annual limits and relaxing others, and adjusts target prices and loan rates for some commodities. It continues the direct payment, counter-cyclical payment, and marketing loan programs for the 2008-2012 crop years. The bill creates a pilot revenue-based counter-cyclical program — the Average Crop Revenue Election (ACRE) program — beginning with the 2009 crop year. It also has a pilot program for planting flexibility, restricts base acres developed for residential use, and eliminates benefits to farms with less than 10 acres.

For dairy, the 2008 farm bill extends, with modifications, two federal programs that support milk prices and dairy farm income — the dairy price support program (DPSP) and the Milk Income Loss Contract (MILC) program. It also authorizes farmers to voluntarily enter into forward price contracts as part of the federal milk marketing order program, among other dairy-related provisions. The bill also continues the sugar program that supports prices for domestic producers and processors. To address the possibility of increased sugar imports from Mexico under the North American Free Trade Agreement, the enacted bill mandates an 85% market share for U.S. sugar producers and creates a sugar-for-ethanol program to sell surplus sugar to ethanol producers. Across all commodities, CBO data show estimated total five-year outlays for the title at \$41.6 billion (FY2008-FY2012, **Table 1**).

For more detailed information, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, CRS Report RL34036, *Dairy Policy and the 2008 Farm Bill*, and CRS Report RL34103, *Sugar Policy and the 2008 Farm Bill*.

Title II: Conservation. The 2008 farm bill reauthorizes almost all 2002 farm bill conservation programs, modifies several programs, and creates several new conservation programs. The bill makes changes to and/or expands both working lands programs, such as the Environmental Quality Incentives Program and the (renamed) Conservation Stewardship Program, and land retirement programs, such as the Conservation Reserve Program and the Farmland Protection Program. Program changes address eligibility requirements, program definitions, enrollment and payment limits, contract terms, evaluation and ranking criteria, and other administrative issues, among other program conditions. Producer coverage across most programs is also expanded to include beginning, limited-resource, and socially disadvantaged producers; specialty crop producers; and producers transitioning to

organic production. The enacted bill also creates new conservation programs to address emerging issues and priority resource areas, and also new subprograms under existing programs. CBO data show estimated total outlays at \$24.1 billion (FY2008-FY2012). See CRS Report RL34060, *Conservation and the 2008 Farm Bill*.

Title III: Trade. The 2008 farm bill reauthorizes and amends USDA's food aid, export market development, and export credit guarantee programs. The bill reauthorizes the largest U.S. food aid program, the P.L. 480 food aid program, along with other smaller programs that provide food aid to countries that are promoting the development of market-oriented agricultural sectors (Food for Progress) or school feeding and nutrition programs (the McGovern-Dole International School Feeding and Child Nutrition Program). It also establishes a pilot program for local and regional purchase of commodities for famine prevention. The farm bill also terminates some export programs, while selected others receive increased funding. CBO data show estimated total five-year outlays for this title at nearly \$1.9 billion (FY2008-FY2012). See also CRS Report RL33553, *Agricultural Export and Food Aid Programs*, CRS Report RL34145, *International Food Aid and the 2008 Farm Bill*, and CRS Report RL34227, *Agricultural Exports and the 2008 Farm Bill*.

Title IV: Nutrition. The 2008 farm bill's nutrition title accounts for well over half of all spending covered by the bill, with the overwhelming majority financing the Food Stamp program. The most significant issues in this title deal with administration of, eligibility for, and benefits under the Food Stamp program, funding for The Emergency Food Assistance Program (TEFAP), and support for a program making free fresh fruits and vegetables available in schools. The enacted 2008 farm bill includes provisions that extend expiring authorities in covered programs (generally through FY2012) and increase spending for most programs above what would have been expected under prior law (above the "baseline"). CBO data show estimated total five-year outlays for nutrition programs at \$188.9 billion (FY2008-FY2012). See CRS Report RL33829, *Domestic Food Assistance: The Farm Bill and Other Legislation in the 110th Congress*.

Title V: Credit. The farm bill enacted relatively minor changes to the permanent statutes for two government-related farm lenders: the USDA Farm Service Agency (FSA) and the Farm Credit System (FCS). CBO estimates these changes will result in total cost savings of about \$1.4 billion over the next five years. See CRS Report RS21977, *Agricultural Credit: Institutions and Issues*.

Title VI: Rural Development. The 2008 farm bill reauthorizes and/or amends rural development loan and grant programs and authorizes several new provisions, including rural infrastructure, economic development, and broadband and telecommunications development, among other programs. The bill creates several new programs intended to assist with regional development strategies and to provide technical and financial assistance for rural businesses. CBO data show estimated total five-year outlays for this title at \$0.2 billion (FY2008-FY2012). See CRS Report RL34126, *Rural Development Provisions of the 2008 Farm Bill*.

Title VII: Research. The 2008 farm bill reorganizes the administration of USDA's research, extension, and economic agencies to coordinate the mission area's intramural and extramural activities across the department through a new Research,

Extension, and Economics Office (REEO). Intramural research is carried out by the Agricultural Research Service, Economic Research Service, and National Agricultural Statistics Service. Extramural research, both formula-funded and competitively awarded, has been administered through the Cooperative State Research, Education, and Extension Service. As of October 2009, this agency becomes the new National Institute of Food and Agriculture. The bill establishes new and expands existing research initiatives, providing more support with mandatory funds for this mission area. CBO data show estimated five-year outlays for this title at \$0.3 billion (FY2008-FY2012). For more information see CRS Report RL34352, *Agricultural Research, Extension, and Education: Farm Bill Issues*.

Title VIII: Forestry. The enacted farm bill makes changes to existing forestry programs, allows one to expire, and creates some new programs to assist local entities to protect forests threatened with conversion to non-forest uses, and to restore forests damaged by natural disaster, among other programs. The bill also establishes priorities for forestry assistance funding, requires statewide forest resource assessments and plans and creates a new coordinating committee to oversee state assistance funding. The bill also amends existing law to restrict imports of illegally logged wood and modifies income tax deductions for qualified timber gains. CBO data show estimated total five-year outlays for this title at less than \$40 million (FY2008-FY2012). See also CRS Report RL33917, *Forestry in the 2008 Farm Bill*.

Title IX: Energy. The 2008 farm bill reauthorizes, expands, and/or modifies existing programs, and creates new programs and initiatives to promote biofuels and cellulosic ethanol production. The bill supports farm and community renewable energy systems; promotes production, marketing, and processing of biofuel feedstocks other than corn starch; and expands research, education, and demonstration programs for advanced biofuels. It also expands programs for federal procurement of biofuels and bio-refinery repowering projects and establishes USDA coordination of federal biobased energy efforts. CBO data show estimated total five-year outlays at \$0.6 billion (FY2008-FY2012). For more information, see CRS Report RL34130, *Renewable Energy Policy in the 2008 Farm Bill*.

Title X: Horticulture and Organic Agriculture. The 2008 farm bill includes new provisions for horticulture and organic production under a new bill title, providing nearly \$1 billion in funding over the next ten years. About half of this spending will be used to expand the Specialty Crop Block Grant Program, which provides funds to state agriculture departments for U.S. specialty crop marketing, promotion, research, and other activities. The bill also provides new mandatory funding for growth of farmers' markets and for transitioning producers to organic production, authorizes funding for a new federal-state cooperative pest and disease early detection program, and provides for price reporting and organic data collection, among other provisions. CBO data show estimated total five-year outlays for this title at \$0.4 billion (FY2008-FY2012). See also CRS Report RL33520, *Specialty Crops: 2008 Farm Bill Issues*.

Title XI: Livestock. The 2008 farm bill includes new livestock-related provisions under a new bill title. The bill makes changes to existing laws governing livestock and poultry marketing and competition, including specifying that producers may not be forced into mandatory arbitration in livestock or poultry contracts,

allowing producers to decline arbitration prior to entering into the contract, enabling producers to litigate a contract dispute where the principal part of their production occurs, and requiring additional reporting and tracking of enforcement action under the Packers and Stockyards Act. The bill also modifies country-of-origin labeling (COOL) requirements for retailers, opens the way for state-inspected meat and poultry to enter interstate commerce, and extends mandatory safety inspection to catfish. CBO data show total five-year outlays at \$1 million (FY2008-FY2012). See CRS Report RL33958, *Animal Agriculture: 2008 Farm Bill Issues*.

Title XII: Crop Insurance and Disaster Assistance Programs. The 2008 farm bill provides for changes to the crop insurance program, along with other disaster assistance provisions, under a new bill title. The enacted bill contains several revisions to the crop insurance program, many of which are designed to reduce program costs. CBO estimates net savings of \$3.9 billion over five years (FY2008-FY2012), mostly through changes in the timing of premium receipts from farmers, and payments to the companies. The title also includes other disaster assistance provisions, including the addition of the Small Business Disaster Response and Loan Improvements Act of 2008, which makes significant changes to the Small Business Administration's (SBA's) response to disaster. CBO data show estimated total five-year outlays for this title at \$21.9 billion (FY2008-FY2012). See CRS Report RL34207, *Crop Insurance and Disaster Assistance: 2008 Farm Bill Issues*.

Title XIII: Commodity Futures. The enacted 2008 farm bill has a new title that reauthorizes appropriations for the Commodity Futures Trading Commission (CFTC) through FY2013, and makes amendments to the Commodity Exchange Act.

Title XIV: Miscellaneous. The miscellaneous title in the 2008 farm bill covers various provisions affecting research, energy, and rural development titles, as well as provisions covering socially disadvantaged and limited-resource producers and agricultural security, among other miscellaneous provisions. CBO data show estimated total outlays for provisions in this title at \$6.4 billion (FY2008-FY2012).

Title XV: Trade and Tax Provisions. The enacted bill contains a new farm bill title that provides for a new permanent Supplemental Agricultural Disaster Assistance program, as well as various trade and tax provisions. The supplemental revenue assistance payment program for crop producers is designed to compensate eligible producers for a portion of crop losses that are not eligible for an indemnity payment under the crop insurance program (i.e., the portion of losses that is part of the deductible on the policy). CBO data show estimated total five-year outlays for the permanent disaster program at \$3.8 billion (FY2008-FY2012). See CRS Report RL34207, *Crop Insurance and Disaster Assistance in the 2008 Farm Bill*.

The enacted bill's tax provisions consist of six groups, respectively containing provisions for revenue, an agriculture disaster reserve fund, conservation, energy, agriculture, and other provisions. The single largest revenue-raising provision involves a change in the estimated tax payment of corporations. The single largest revenue-losing provision in the enacted bill pertains to the agriculture disaster reserve fund, described above. CBO data show these provisions will generate a \$10 billion offset over the next ten years.