

Where is the 2008 Farm Bill and How Did It Get There?

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Presentation Outline

- **Overview U.S. Farm Legislation**
 - ↳ Legal Standing
 - ↳ Spending: How much by Title
 - ↳ CBO Baseline Projections
- **Set the Stage for Farm Policy Debate**
 - ↳ Forces brought to bear upon Congress
- **New Farm Bill**
 - ↳ Budget projections
 - ↳ Proposed changes
 - ↳ The Process

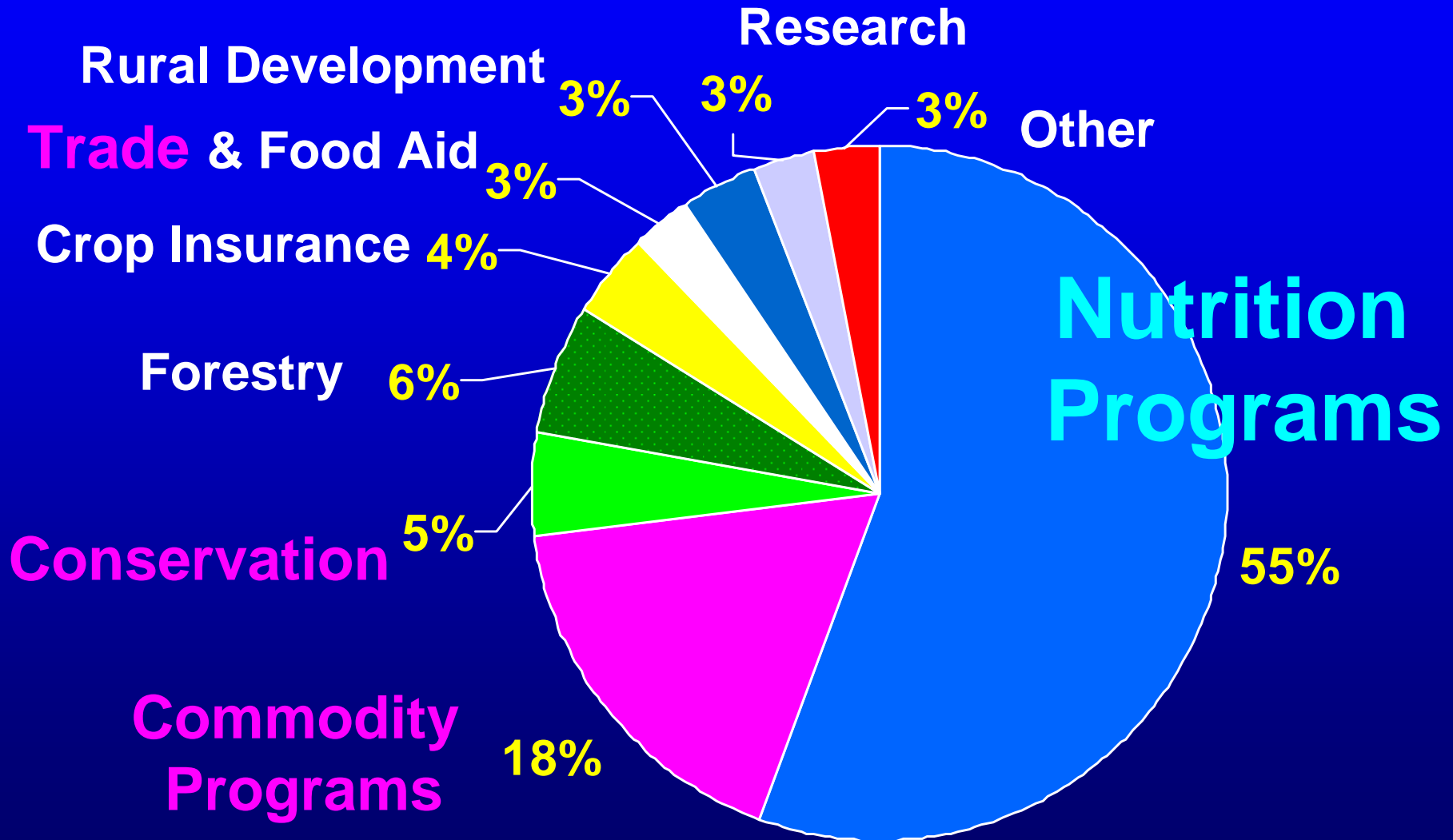
U.S. Farm Legislation Overview

- **Standing authority for USDA “CCC” programs**
 - ▶ Agricultural Adjustment Act 1938
 - ▶ Commodity Credit Corp. (CCC) Charter Act of 1948
 - ▶ Agricultural Act of 1949
- **Every 5 or 6 years, Congress enacts new legislation governing farm-related programs**
 - ▶ Amends existing laws to alter how commodity programs are implemented: Eligibility; Payment parameters; New features
- **Omnibus in nature: 10 to 12 Titles**
 - ▶ Other laws relate to nutrition, conservation, credit, rural development, crop insurance, and other farm-relevant issues.

2002 Farm Act vs. 2008 Farm Bill

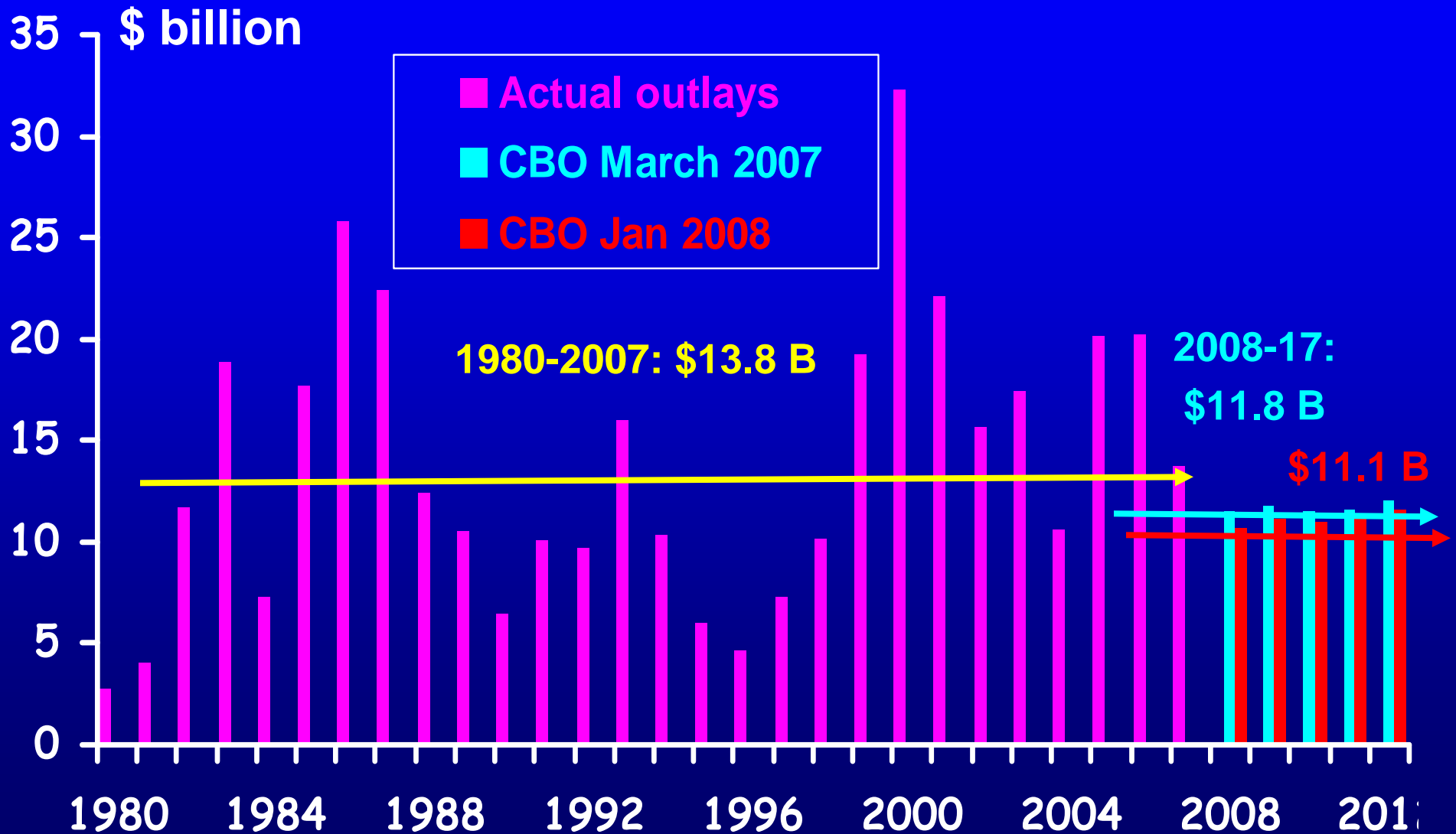
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|-----------------------|--------------------------------------|
| 1. Commodity Progs | 1. Commodity Progs |
| 2. Conservation Progs | 2. Conservation Progs |
| 3. Trade | 3. Trade |
| 4. Nutrition Progs | 4. Nutrition Progs |
| 5. Credit | 5. Credit |
| 6. Rural Development | 6. Rural Development |
| 7. Research | 7. Research |
| 8. Forestry | 8. Forestry |
| 9. Energy | 9. Energy |
| 10. Miscellaneous | 10. Hort & Org Ag (H)- Livestock (S) |
| | 11. Miscellaneous |
| | 12. Tax & Revenue Offsets |

USDA Outlays ~\$88 Billion/Yr in FY03-07*



*~\$120 Billion was budgeted on average. Source: CRS using USDA data.

CBO Projections For CCC Under 2002 Farm Law versus History (1980-2007)



Source: CBO. FY data; includes only CCC spending-- largely commodity and conservation programs.

U.S. Farm Policy Environment

Pressures Within Congress

- Fragile coalition of diverse regional interests
- Congressional Budget Rules: Pay-Go

Pressures From Outside of Congress

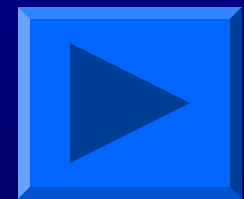
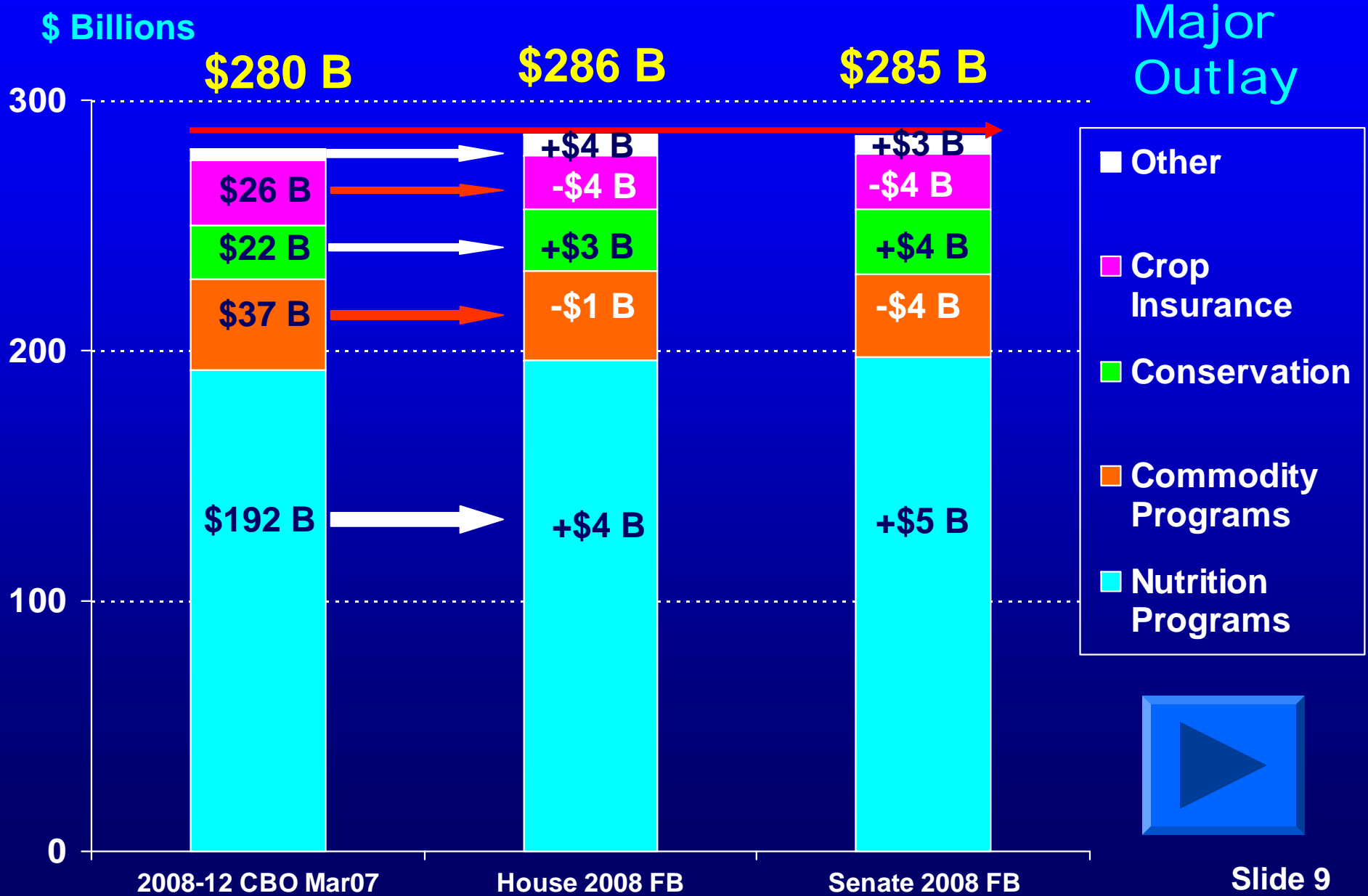
- New Interest Groups Raise Profile
- Strong Commodity Price Outlook
 - ↳ Driven in large part by federal energy policy
 - ↳ Strong International demand
- Record Agr Exports & Farm Income
- Bleak Federal Budget Outlook
- WTO Commitments & Trade Disputes

What has already been passed by Congress?

- **House-passed H.R. 2419 (July 2007)**
~ \$6 Billion over CBO's 5-year baseline, FY08-12
- **Senate-passed H.R. 2419 (Dec. 2007)**
~ \$5 Billion over CBO's 5-year baseline, FY08-12

Let's compare these two bills with the CBO March 2007 baseline

5-Year USDA Budget Comparisons



Key changes to Nutrition Title

- **House (+\$4.2B) & Senate (+\$5.4B) expand programs, but with differences:**
 - ▶ **Increase food stamp benefits**
 - ▶ **Expand eligibility standards**
 - ▶ **Increase funding for fresh fruits & vegetables in school lunch programs**
 - ~ \$1.0 Billion in Senate
 - ~ \$0.3 Billion in House
 - ▶ **Increase funding for The Emergency Food Assistance Program (TEFAP)**



Key Changes to Commodity Progs

- **Raise some loan rates and target prices**
- **Revise Payment Limits**
 - ✍ Eliminate the “3-entity” rule and track payment to individual
 - ✍ AGI limits for farm (2/3 of inc) and non-farm recipients
 - ✍ Specific program limits: DP and CCP
 - ✍ Eliminate Certificates; remove limit on MLG/LDP
- **Add Revenue-Based Program choices**
 - ✍ State-based Average Crop Revenue plus \$15/acre DP in Senate, to replace several DP, CCP, MLG/LDP programs
 - ✍ National-based Revenue Counter-Cyclical Program (RCCP) in House to replace CCP
- **Continued minimal planting restrictions**
 - ✍ Retain planting restriction on base acres

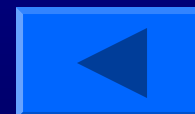
↑ Specialty Crops Inclusion

- **Expand Specialty crop block grants**
 - ↳ \$270 million (5-yr) Title I in Senate bill
 - ↳ \$365 million (5-yr) Title X Horticulture & Organic Agr in House
- **Provisions supporting:**
 - ▶ organic agriculture
 - ▶ Farmer's markets



Key Changes to Conservation Progs

- **House (+\$3.0 B) & Senate (+\$4.7 B) expand programs, but with differences**
- **Senate:**
 - ✍ **Creates new Conservation Stewardship Incentives Program that coordinates CSP and EQIP, and targets 13 mln new acres and \$1.3 B in new funding**
- **House:**
 - ✍ **Halts funding for new CSP signups until 2012**
 - ✍ **Expands funding for EQIP, WRP, FRPP, GRP.**
 - ✍ **Includes FY payment limit of \$60,000 for any one; \$125,000 for all conservation programs**
 - ✍ **No new funding for CRP, kept at 39.2 million acres**



Key Changes to Crop Insurance

- **House (-\$4.0 B) & Senate (-\$3.7 B) reduce support**
 - ▶ **Require farmers and insurance companies to share more of program costs and risks.**
 - ▶ **\$2.5 to \$2.7 billion in savings from changes to timing of premium receipts from farmers, and payments to companies**



Key Changes to Other Programs

- **Both House and Senate bills**

- ✍ Energy Programs: expand/extend 2002 farm bill provisions, but focus on developing cellulosic ethanol production
- ✍ Reorganize the administration of USDA's research, extension, and economic agencies
- ✍ Extend borrowing opportunities under FSA loan program

- **The Senate bill**

- ✍ Adds authority for a 5-year, \$5.1 billion permanent disaster payment program.
- ✍ Adds new Livestock Title with provisions on packer ownership and other competition issues

- **The House bill**

- ✍ Adds new Horticulture & Organic Agr Title



Where is the Farm Bill Today?

- **Administration Threatens VETO if includes:**
 - ✍ More than \$6 Billion over CBO 10-yr baseline
 - ✍ Tax increases or “timing gimmicks”
 - ✍ Insufficient reform: commodity programs & payment limits
- **House Pre-Conference offer**
 - ✍ ~ \$6 Billion over 10-year CBO baseline
- **Senate Pre-Conference offer**
 - ✍ ~ \$12.3 Billion over 10-year CBO baseline
 - Includes \$5 Billion permanent disaster asst.

So What is Next?

- **Must decide on total spending amount**

- ↳ \$6 to \$12 Billion over 10-year CBO baseline

- **Must decide on allocation of \$\$**

- ↳ Who are the winners and losers?

- ↳ Jurisdictional issues?

- **Deadlines & Options**

- ▶ **March 15, 2008 extension of 2002 Farm Act expires**

- Extend 2002 Farm Act by couple of months
 - Extend 2002 Farm Act by couple of years
 - Finish a new farm bill
 - Revert to Permanent Law

Questions?

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