



Title: What is the Farm Bill and why is it important right now?  
Author: Roman Keeney  
Issue: PAEPB-2018\_1  
Date: March 8, 2018  
Tags: Farm Bill; Nutrition; Commodity Support; Federal Budget  
Abstract: This brief is intended to provide an overview of the Farm Bill process including the key issues of scope and timing. Growth in the federal deficit along with the broad scope and time sensitive nature of Farm Bill expiration make for an uncertain future for farm programs and other included measures.

### Introduction

The purpose of this policy brief is to provide an introductory discussion of the policy process and actions that we collectively refer to as “The Farm Bill.” As the only major legislation specifically aimed at supporting farm product markets and incomes the name has stuck even as the policy scope has left the term “Farm Bill” wanting as a descriptor. In point of fact, the Farm Bill is a large package of spending authorizations that spans a number of policy areas such as nutrition and conservation, in addition to programs that support farm markets and operators.

### Section Title - Why is the Farm Bill debate starting now?

Before discussing the contents of the Farm Bill, it is pertinent to first establish the timing of debate and why we should expect an increasing frequency of Farm Bill news and commentary in the coming months. The current Farm Bill is not permanent law. The authorizations written into the current Farm Bill were passed into law in February 2014 with an end date of September 30, 2018. When the new fiscal year for the federal government begins on October 1<sup>st</sup>, the current Farm Bill will expire. Thus, the timing of Farm Bill expiration makes it a priority on the legislative calendar for spring and summer 2018.

#### *What is permanent law?*

*Permanent law is exactly what it sounds like: it is legislation that must be explicitly amended, replaced, or ruled unconstitutional to cease its effect. Many revenue and spending initiatives are written with specific “sunset” dates built in so that Congress is forced to periodically reconsider the effectiveness of programs in an evolving economy. Policy watchers that followed the passage of the most recent tax reform legislation may have noted critiques of that policy which established tax cuts for individuals on a temporary basis while corporate tax reforms were afforded permanent status. This difference means absent new legislative effort that lowered personal income tax rates will phase out and revert to the higher rates mandated by permanent tax code. See Sherlock and Marples (2017) of Congressional Research Service for more details on the recent changes in tax policy.*

If replacement legislation is not passed out of Congress and signed into law by October 1<sup>st</sup>, US farm programs revert back to permanent legislation that remains in the US code<sup>1</sup>. Much of this permanent law dates to the 1<sup>st</sup> half of the 20<sup>th</sup> century and includes complex programs that peg commodity price targets to 75 – 90% of parity prices (prices that maintain profitability similar to the 1909 to 1914 period) while also requiring the Department of Agriculture to re-establish the supply management mechanisms necessary to manage agricultural markets. The high cost and complexity of re-establishing the permanent law programs means that either a new Farm Bill or some alternative legislative fix is required ahead of the 2019 crop year.

When the 2008 Farm Bill expired in 2012 without a replacement, Congress was able to pass an extension of the expired Farm Bill to avoid the reversion to permanent law. Work on new farm legislation was again incomplete when the expiration date of the Farm Bill extension passed. Eventually, Congress passed the 2014 Farm Bill in February of that year making it retroactive to cover all activity in the 2014 crop year. The 2012 to 2014 experience indicates that the threat of reversion to permanent law is strong enough to get Congress to act, but may not be significant enough to push the Farm Bill to the top of the agenda with a simple one-year extension available as a reserve option.

### Section Title – What are Farm Bill policies?

The timing issue of the previous section is only pertinent because Farm Bill passage has become increasingly difficult over the past two decades. That difficulty follows directly from the diverse interests and priorities of those engaged in the Farm Bill debate. Table 1 lists the twelve policy areas of the current (2014) Farm Bill with a brief description of the actual program initiatives authorized in these sections.

Table 1. Farm Bill Contents

| Program Area      | Description  |
|-------------------|--|
| Commodity Support | Establishes programs for payments to farm operators of covered commodities such as corn, wheat, dairy, and peanuts.              |
| Conservation      | Establishes programs for environmental management of agricultural land resources.  |
| Trade             | Establishes programs that facilitate and promote agricultural exports from the US as well as international food aid initiatives. |
| Nutrition         | Establishes programs for food assistance to households that qualify as low income.   |
| Credit            | Establishes programs for direct or intermediated lending to agricultural producers.  |
| Rural Development | Establishes programs that promote economic development in rural areas.   |

<sup>1</sup> Congressional Research Service (Monke, Aussenberg, and Stubbs 2013) provided an extensive look at the consequences of Farm Bill expiration during debate for the 2014 Farm Bill. The permanent law provisions discussed in that report remain in place today. The report can be accessed at: <https://fas.org/sgp/crs/misc/R42442.pdf>. See the “References and Further Reading” section for bibliographical details.

|                      |   |
|----------------------|---|
| Research & Extension | Establishes programs to support public research and education efforts in agriculture.   |
| Forestry             | Establishes programs that support forest management and the work of the Forestry Service.                                       |
| Energy               | Establishes programs that support the development of renewable energy sources from agricultural feedstocks.                     |
| Horticulture         | Establishes programs that support producers of and markets for specialty crops such as vegetables and ornamentals.              |
| Crop Insurance       | Establishes programs that augment federal crop insurance support provided to producers under the Agricultural Risk Act of 2000. |
| Miscellaneous        | Establishes a variety of programs that provide support to select producers that meet specific disadvantages criteria.           |

Source: Johnson and Monke, 2017.

The twelve items in table 1 show the broad scope of the Farm Bill, with program areas that cover food from production to consumption as well as other rural economy issues. With such an expansive policy focus, it is not surprising that the Farm Bill attracts wide interest across the political spectrum and from the many stakeholder groups that work to see their preferred initiatives prioritized in federal policy. The wide-ranging focus of the Farm Bill as it exists today is a result of converting multiple programs into an omnibus package that would draw together a coalition of legislators interested in finding a balanced set of spending initiatives. These interests include supporting the poor's access to food, bolstering the farm economy through elevated prices and risk mitigation, and encouraging the production of public goods that emanate from conservation practices.

Growth in annual deficits and concerns about the total level of spending and allocation across program areas has splintered the legislative coalition required for Farm Bill passage. As the Farm Bill has evolved the majority of spending has been concentrated in the nutrition assistance programs (80%) which combine with commodity support, crop insurance, and conservation payments to account for ninety-nine percent authorized spending. The allocation of spending between the major areas of the Farm Bill are shown in Figure 1, with spending estimates for different program areas listed in millions of dollars.

The graph in Figure 1, which reflects spending projections from 2014, partially reflects the relative strength of the farm economy and lagging recovery of wage working households in the wake of the Great Recession between 2009 and 2013. Commodity support payments and nutrition assistance both work as mandatory spending items (sometimes called entitlements). The Farm Bill authorization sets the qualifications for receipt of payments and then those outlays are made without need for further congressional action. This means that changes in economic conditions (e.g. lower farm prices or falling incomes) will determine actual payouts unlike other programs, which have their allowable spending appropriated on an annual basis by Congress. These entitlement programs stand in contrast to many programs on trade promotion, rural development, research and some conservation initiatives that are authorized on a discretionary basis and can be zeroed out in any year that Congress doesn't wish to allocate funding.

When the new Farm Bill debate begins, it is the balance of spending across mandatory programs that will be most contentious. Concern over the growth of nutrition assistance spending from parts of the Republican caucus was largely responsible for delay in the last Farm Bill. Republican leadership asked for deep cuts (approximately 8 billion dollars per year) to the nutrition spending programs in the bill. Before they eventually agreed to lower nutrition cuts, the Republican leadership in the House of Representatives went so far as to pass a version of the Farm Bill that included no nutrition assistance programs. This remains the preferred action plan of a small group in the Republican caucus that wants the Farm Bill reformed by moving all nutrition assistance programs to separate legislation.

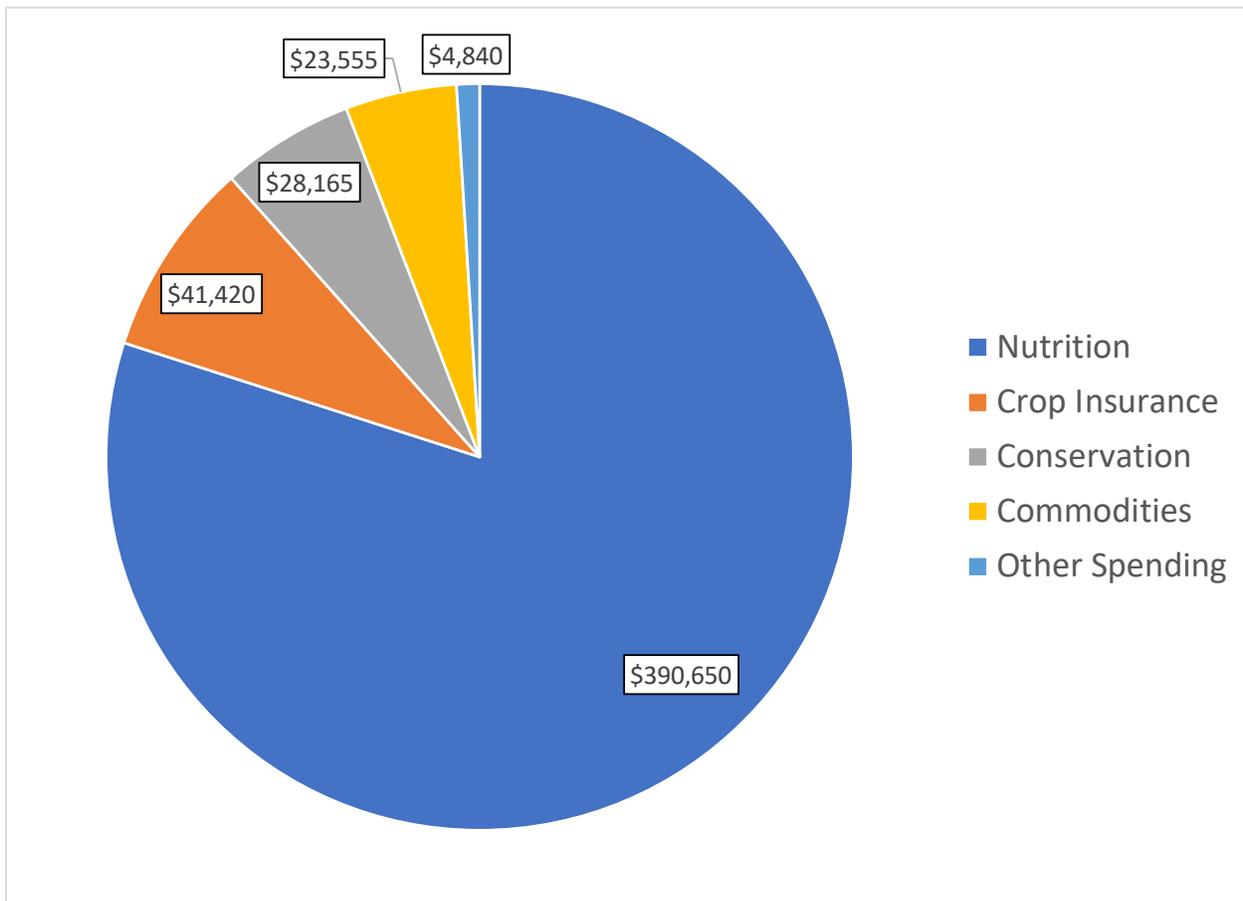


Figure 1. Five year (2014 – 18) spending estimate for the 2014 Farm Bill in millions of US\$. Source: Johnson and Monke, 2017.

### Section Title – Closing comments

Current farm legislation expires at the end of fiscal 2018 and the reversion to unworkable permanent law mandates that Congress either pass a replacement, extend current legislation, or provide some other solution that nullifies permanent law. Whenever the debate begins, it is likely that a lower spending total will be a primary goal. Recent tax policy and budget negotiations have expanded federal deficit projections considerably. This will pit

the varied stakeholders and their lobbies against one another in protecting their priorities and continue the recent trend of difficult passage for the Farm Bill.

### References and Further Reading

Johnson, R., and J. Monke. 2017. "What is the Farm Bill?" *Congressional Research Service Report RS22131*. Available at: <https://fas.org/sgp/crs/misc/RS22131.pdf>.

Monke, J., R.A. Aussenberg, and M. Stubbs. 2013. "Expiration and extension of the 2008 Farm Bill." *Congressional Research Service Report 242442*. Available at: <https://fas.org/sgp/crs/misc/R42442.pdf>.

Sherlock, M.F., and D.J. Marples. 2017. "The federal tax system for the 2017 tax year." *Congressional Research Service Report R45053*. Available at: <https://fas.org/sgp/crs/misc/R45053.pdf>.